

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2020 and 2019**

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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.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~10
(4) Summary of significant accounting policies	10~12
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	12~13
(6) Explanation of significant accounts	13~44
(7) Related-party transactions	44~45
(8) Pledged assets	45
(9) Commitments and contingencies	45~46
(10) Losses Due to Major Disasters	46
(11) Subsequent Events	46
(12) Other	46~47
(13) Other disclosures	
(a) Information on significant transactions	48~51
(b) Information on investees	51~52
(c) Information on investment in mainland China	52~53
(d) Major shareholders	53
(14) Segment information	53~56

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 September 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2020 and 2019, as well as the changes in equity and cash flows for the nine months ended September 30, 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 the total assets amounting to \$2,841,923 thousand and \$3,152,678 thousand, constituting 12% and 13% of the consolidated total assets; and the total liabilities amounting to \$2,594,565 thousand and \$2,610,198 thousand, constituting 14% and 15% of the consolidated total liabilities as of September 30, 2020 and 2019, respectively; as well as the total comprehensive income (loss) amounting to \$(5,466) thousand, \$(147,559) thousand, \$(46,292) thousand and \$(188,874) thousand, constituting (1)%, 168%, (12)% and (35)% of the consolidated total comprehensive income (loss) for the three months and nine months ended September 30, 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 September 30, 2020 and 2019, and of its consolidated financial performance for the three months and nine months ended September 30, 2020 and 2019, as well as its consolidated cash flows for the nine months ended September 30, 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)
November 12, 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.

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2020, December 31 and September 30, 2019

(Expressed in Thousands of New Taiwan Dollars)

		September 30, 2020		December 31, 2019		September 30, 2019				September 30, 2020		December 31, 2019		September 30, 2019	
Assets		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Liabilities and Equity							
1100	Cash and cash equivalents (note 6(a))	\$ 5,123,017	21	4,623,715	19	4,471,711	19	2100	Short-term borrowings (note 6(k))	\$ 4,131,706	17	3,642,940	15	4,292,947	18
1110	Financial assets at fair value through profit or loss – current (note 6(b))	219,632	1	218,568	1	218,769	1	2110	Short-term commercial paper payable (note 6(k))	319,850	1	-	-	316,915	1
								2322	Current portion of long-term borrowings (notes 6(k) and 8)	331,945	1	444,141	2	573,038	2
1150	Notes receivable, net (note 6(d))	176,957	1	166,114	1	181,757	1	2130	Contract liabilities (note 6(s))	407,520	2	443,417	2	372,353	2
1170	Accounts receivable, net (note 6(d))	1,720,723	7	1,574,372	7	1,707,398	7	2150	Notes payable	-	-	-	-	7,040	-
1200	Other receivables (note 6(e))	35,786	-	45,904	-	45,594	-	2170	Accounts payable	1,105,233	5	968,336	4	1,047,450	5
1220	Current income tax assets	206,182	1	188,552	1	176,627	1	2219	Other payables (notes 6(t) and 9)	1,273,951	5	1,419,633	5	1,320,525	6
130x	Inventories (note 6(f))	2,282,757	9	2,222,431	9	2,275,451	10	2230	Current income tax liabilities	269,076	1	137,609	1	281,582	1
1410	Prepayments	405,529	2	403,815	2	484,033	2	2280	Current lease liabilities (notes 6(n) and 7)	200,266	1	228,455	1	217,777	1
1470	Other current assets	97,583	-	69,148	-	74,170	-	2399	Other current liabilities	62,097	-	62,619	-	48,339	-
	Total current assets	10,268,166	42	9,512,619	40	9,635,510	41		Total current liabilities	8,101,644	33	7,347,150	30	8,477,966	36
Non-current assets:								Non-Current liabilities:							
1517	Financial assets at fair value through other comprehensive income – non-current (note 6(c))	16,991	-	43,623	-	40,054	-	2530	Bonds payable (note 6(l))	3,974,924	16	3,958,804	17	3,953,431	17
1600	Property, plant and equipment (notes 6(g), 8 and 9)	12,533,625	51	12,408,247	52	12,059,037	52	2540	Long-term borrowings (notes 6(k) and 8)	3,732,375	15	3,717,266	16	2,842,756	12
1755	Right-of-use assets (notes 6(h) and 7)	1,255,385	5	1,424,126	6	1,146,289	5	2550	Provision liabilities – non-current (note 6(m))	12,134	-	15,784	-	13,959	-
1760	Investment property (note 6(i))	39,625	-	42,362	-	43,614	-	2580	Lease liabilities – non-current (notes 6(n) and 7)	876,538	4	962,190	4	684,318	3
1805	Goodwill (note 6(j))	105,417	-	105,417	-	105,417	1	2570	Deferred income tax liabilities	1,162,932	5	1,134,582	5	1,006,721	4
1840	Deferred income tax assets	173,354	1	174,721	1	202,324	1	2640	Accrued pension liabilities – non-current	245,557	1	251,229	1	264,880	1
1915	Prepayments for equipment	21,783	-	36,948	-	73,587	-		Other non-current liabilities	57,159	-	48,164	-	4,971	-
1990	Other non-current assets (note 8)	105,460	1	107,119	1	103,517	-		Total non-current liabilities	10,061,619	41	10,088,019	43	8,771,036	37
	Total non-current assets	14,251,640	58	14,342,563	60	13,773,839	59		Total liabilities	18,163,263	74	17,435,169	73	17,249,002	73
								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	1,214,045	5	1,136,347	5	1,136,347	5

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 and nine months ended September 30, 2020 and 2019

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

		For the three months ended September 30				For the nine months ended September 30			
		2020		2019		2020		2019	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (note 6(s))	\$ 4,794,812	100	4,545,051	100	12,677,593	100	13,427,224	100
5000	Operating costs (notes 6(f), (g), (h), (n), (o) and 9)	3,123,018	65	2,966,867	66	8,477,288	67	8,785,208	66
5900	Gross profit	1,671,794	35	1,578,184	34	4,200,305	33	4,642,016	34
6000	Operating expenses (notes 6(d), (e), (g), (h), (n), (o), (t) and 7):								
6100	Selling expenses	665,377	13	737,379	16	1,822,205	14	2,190,479	16
6200	General and administrative expenses	316,757	7	364,353	8	979,097	8	1,053,032	8
6300	Research and development expenses	123,839	3	92,441	2	265,513	2	234,826	2
6450	Expected credit loss (gain)	3,668	-	(2,977)	-	11,547	-	2,165	-
	Total operating expenses	1,109,641	23	1,191,196	26	3,078,362	24	3,480,502	26
6900	Operating profit	562,153	12	386,988	8	1,121,943	9	1,161,514	8
7000	Non-operating income and expenses (notes 6(c),(g), (i), (n), (u) and 7):								
7100	Interest income	23,991	-	18,843	-	60,367	-	56,409	-
7010	Other income	29,282	1	30,757	1	111,979	1	103,577	1
7020	Other gains and losses	10,091	-	(5,299)	-	6,874	-	(24,547)	-
7050	Finance costs	(64,228)	(1)	(64,118)	(1)	(195,591)	(2)	(197,162)	(1)
	Total non-operating income and expenses	(864)	-	(19,817)	-	(16,371)	(1)	(61,723)	-
7900	Profit from continuing operations before tax	561,289	12	367,171	8	1,105,572	8	1,099,791	8
7950	Less: Income tax expenses (note 6(p))	212,503	5	139,854	3	438,925	3	448,887	3
	Profit	348,786	7	227,317	5	666,647	5	650,904	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	585	-	(981)	-	(731)	-	(205)	-
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	585	-	(981)	-	(731)	-	(205)	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	64,008	1	(314,318)	(7)	(267,048)	(2)	(118,592)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	64,008	1	(314,318)	(7)	(267,048)	(2)	(118,592)	(1)
8300	Other comprehensive income	64,593	1	(315,299)	(7)	(267,779)	(2)	(118,797)	(1)
	Total comprehensive income	\$ 413,379	8	(87,982)	(2)	398,868	3	532,107	4
	Net income attributable to:								
8610	Shareholders of the parent	\$ 333,621	7	216,930	5	640,150	5	619,531	5
8620	Non-controlling interests	15,165	-	10,387	-	26,497	-	31,373	-
		\$ 348,786	7	227,317	5	666,647	5	650,904	5
	Total Comprehensive income attributable to:								
8710	Shareholders of the parent	\$ 392,522	8	(86,774)	(2)	388,885	3	518,272	4
8720	Non-controlling interests	20,857	-	(1,208)	-	9,983	-	13,835	-
		\$ 413,379	8	(87,982)	(2)	398,868	3	532,107	4
9750	Basic earnings per share (in New Taiwan dollars) (note 6(r))	\$ 1.35		0.88		2.59		2.50	
9850	Diluted earnings per share (in New Taiwan dollars) (note 6(r))	\$ 1.34		0.88		2.58		2.50	

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 nine months ended September 30, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Total other equity interest						
	Common stock	Capital surplus	Legal reserve	Special reserve	Retained earnings		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
					Unappropriated earnings	Total							
Balance at January 1, 2019	\$ 2,941,330	1,011,972	639,714	512,508	2,035,934	3,188,156	(506,975)	(51,878)	(558,853)	(576,860)	6,005,745	290,276	6,296,021
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	101,273	-	(101,273)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	558,852	(558,852)	-	-	-	-	-	-	-	-
Cash dividends of common stock	-	123,876	-	-	(792,156)	(792,156)	-	-	-	-	(668,280)	-	(668,280)
Other changes in capital surplus	-	499	-	-	-	-	-	-	-	-	499	-	499
Net income	-	-	-	-	619,531	619,531	-	-	-	-	619,531	31,373	650,904
Other comprehensive income (loss)	-	-	-	-	-	-	(101,054)	(205)	(101,259)	-	(101,259)	(17,538)	(118,797)
Total comprehensive income (loss)	-	-	-	-	619,531	619,531	(101,054)	(205)	(101,259)	-	518,272	13,835	532,107
Balance at September 30, 2019	\$ 2,941,330	1,136,347	740,987	1,071,360	1,203,184	3,015,531	(608,029)	(52,083)	(660,112)	(576,860)	5,856,236	304,111	6,160,347
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:													
Legal reserve appropriated	-	-	97,837	-	(97,837)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	214,821	(214,821)	-	-	-	-	-	-	-	-
Cash dividends of common stock	-	91,760	-	-	(586,782)	(586,782)	-	-	-	-	(495,022)	-	(495,022)
Other changes in capital surplus	-	974	-	-	-	-	-	-	-	-	974	-	974
Net income	-	-	-	-	640,150	640,150	-	-	-	-	640,150	26,497	666,647
Other comprehensive income (loss)	-	-	-	-	-	-	(250,534)	(731)	(251,265)	-	(251,265)	(16,514)	(267,779)
Total comprehensive income (loss)	-	-	-	-	640,150	640,150	(250,534)	(731)	(251,265)	-	388,885	9,983	398,868
Disposal of treasury stock	-	(15,036)	-	-	-	-	-	-	-	46,746	31,710	-	31,710
Balance at September 30, 2020	\$ 2,941,330	1,214,045	838,824	1,286,181	1,302,733	3,427,738	(975,693)	(49,247)	(1,024,940)	(530,114)	6,028,059	328,484	6,356,543

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 nine months ended September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2020	2019
Cash flows from operating activities:		
Consolidated net income before tax	\$ 1,105,572	1,099,791
Adjustments:		
Adjustments to reconcile profit and loss:		
Depreciation	797,441	780,152
Expected credit loss	11,547	1,802
Gains on financial assets at fair value through profit or loss	(6,167)	(1,318)
Interest expense	195,591	197,162
Interest income	(60,367)	(56,409)
Dividend income	(9,191)	-
Losses on disposal of property, plant and equipment	1,056	1,307
Property, plant and equipment transferred to expenses	1,274	-
Impairment loss on non-financial assets	1,950	-
Losses (gains) on lease modification	(869)	80
Total adjustments to reconcile profit	932,265	922,776
Changes in assets / liabilities relating to operating activities:		
Changes in operating assets:		
Notes receivable	(10,843)	31,168
Accounts receivables	(157,885)	(99,973)
Other receivables	10,206	9,775
Inventories	(59,444)	(64,047)
Prepayments	(1,714)	49,772
Other current assets	(28,436)	(5,334)
Total changes in operating assets, net	(248,116)	(78,639)
Changes in operating liabilities:		
Contract liabilities	(35,897)	(138,782)
Accounts payable	136,897	109,618
Other payables	(96,836)	51,653
Provisions liabilities	(3,650)	(300)
Other current liabilities	(522)	14,844
Net defined benefit liabilities	(5,672)	10,285
Total changes in operating liabilities, net	(5,680)	47,318
Total changes in operating assets / liabilities, net	(253,796)	(31,321)
Total adjustments	678,469	891,455
Cash provided by operating activities	1,784,041	1,991,246
Interest income received	60,367	56,409
Dividends received	1,682	-
Interest paid	(141,378)	(151,974)
Income taxes paid	(295,371)	(334,213)
Net cash provided by operating activities	1,409,341	1,561,468
Cash flows from investing activities:		
Return from capital reduction of financial assets at fair value through other comprehensive income	33,410	-
Acquisition of financial assets designated at fair value through profit or loss	5,103	(217,451)
Acquisition of property, plant and equipment	(936,082)	(1,002,513)
Proceeds from disposal of property, plant and equipment	2,871	3,251
Acquisition of right-of-use assets	-	(419)
Decrease (increase) in other non-current assets	1,659	(27,108)
Net cash used in investing activities	(893,039)	(1,244,240)
Cash flows from financing activities:		
Increase in short-term borrowings	10,521,640	11,490,114
Decrease in short-term borrowings	(9,999,322)	(11,239,655)
Increase in short term commercial paper payable	319,850	316,915
Proceeds from long-term borrowings	6,730,169	5,139,662
Repayments of long-term borrowings	(6,811,740)	(5,338,437)
Payment of lease liabilities	(157,321)	(161,165)
Increase (decrease) in other non-current liabilities	8,995	(50,552)
Cash dividends paid	(495,022)	(668,280)
Proceeds from disposal of treasury shares	31,710	-
Interest paid	(38,274)	(29,068)
Overaging unclaimed dividends	974	499
Net cash provided by (used in) financing activities	111,659	(539,967)
Effect of exchange rate changes on cash and cash equivalents	(128,659)	(14,112)
Net increase in cash and cash equivalents	499,302	(236,851)
Cash and cash equivalents at beginning of period	4,623,715	4,708,562
Cash and cash equivalents at end of period	\$ 5,123,017	4,471,711

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 nine months ended September 30, 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 November 12, 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
Amendments to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

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

(Continued)

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

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2021:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	January 1, 2021

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

- (c) 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, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”	January 1, 2021

(Continued)

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

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.

(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
			September 30, 2020	December 31, 2019	September 30, 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

(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
			September 30, 2020	December 31, 2019	September 30, 2019	
The Company	Lucky Royal Co., Ltd. (Lucky Co.)	Manufacturing, selling and processing of various food and beverage products	99.65 %	99.65 %	99.65 %	
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	89.97 %	89.97 %	89.97 %	Notes 1, 5
Lucky Co.	Namchow (British Virgin Island) Ltd. (Namchow BVI Co.)	Holding of investments	90.39 %	90.39 %	90.39 %	Note 5
Lucky Co.	Dian Shui Lou Restaurant Business Co., Ltd. (Dian Shui Lou Co.)	Liquor importing and retailing, and catering services	99.65 %	99.65 %	99.65 %	Notes 2, 5
Lucky Co.	Namchow Gastronomy Consulting Company, Ltd. (Namchow Gastronomy Consulting Co.)	Catering services and food consulting services	99.65 %	99.65 %	99.65 %	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	90.39 %	90.39 %	90.39 %	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.)	Selling, developing, manufacturing and processing of fats and frozen food.	96.15 %	96.15 %	96.15 %	
Namchow Food Co.	Tianjin Namchow Food Co., Ltd. (Tianjin Namchow Co.)	Manufacturing, and selling of edible fat	96.15 %	96.15 %	96.15 %	
Namchow Food Co.	Guangzhou Namchow Food Co., Ltd. (Guangzhou Namchow Co.)	Manufacturing, and selling of edible fat	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

(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
			September 30, 2020	December 31, 2019	September 30, 2019	
Tianjin Namchow Co.	Tianjin Yoshi Yoshi Food Co., Ltd. (Tianjin Yoshi Yoshi Co.)	Developing , manufacturing, and selling of dairy products and related services	96.15 %	96.15 %	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) Government grants

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

(d) 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.

(e) 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.

(Continued)

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

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

	September 30, 2020	December 31, 2019	September 30, 2019
Cash on hand	\$ 11,337	15,832	14,348
Savings and checking deposits	4,885,495	4,343,602	4,111,546
Time deposits	204,840	242,756	338,497
Deposits in transit	-	-	7,320
Cash equivalents	21,345	21,525	-
Total	\$ <u>5,123,017</u>	<u>4,623,715</u>	<u>4,471,711</u>

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

	September 30, 2020	December 31, 2019	September 30, 2019
Mandatorily measured at fair value through profit or loss:			
Structured deposits	\$ <u>219,632</u>	<u>218,568</u>	<u>218,769</u>

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

	September 30, 2020	December 31, 2019	September 30, 2019
Equity investments at fair value through other comprehensive income			
Stocks listed on domestic markets	\$ 15,726	16,457	12,888
Stocks unlisted on domestic markets	1,265	27,166	27,166
Total	\$ <u>16,991</u>	<u>43,623</u>	<u>40,054</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.

(Continued)

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

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 was \$25,901 thousand, the amount exceeded the original capital cost amounting to \$7,509 thousand was recorded under other income—dividend income, the aforementioned amount had been received by March 31, 2020.

No strategic investments were disposed for the nine months ended September 30, 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

	September 30, 2020	December 31, 2019	September 30, 2019
Notes receivable	\$ 176,957	166,114	181,757
Accounts receivable	1,745,892	1,589,285	1,721,490
Less: allowance for impairment	25,169	14,913	14,092
	<u><u>\$ 1,897,680</u></u>	<u><u>1,740,486</u></u>	<u><u>1,889,155</u></u>

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:

	September 30, 2020		
	Gross carrying amount	Weighted- average expected credit loss rate (%)	Loss allowance provision
Not overdue	\$ 1,755,871	0~0.79	4,200
Overdue 1~30 days	113,733	0.20~13.09	2,254
Overdue 31~60 days	20,743	0.13~37.79	838
Overdue 61~90 days	14,242	0.62~84.79	3,645
Overdue 91~180 days	15,591	1.00~100.00	11,589
Overdue 181~365 days	96	95.54	70
Overdue 365 days past due	2,573	100.00	2,573
	<u><u>\$ 1,922,849</u></u>		<u><u>25,169</u></u>

(Continued)

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

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

September 30, 2019			
	Gross carrying amount	Weighted- average expected credit loss rate (%)	Loss allowance provision
Not overdue	\$ 1,732,744	0~0.75	2,560
Overdue 1~30 days	124,548	0.11~12.11	1,639
Overdue 31~60 days	31,817	0.10~50.02	1,050
Overdue 61~90 days	2,950	1.00~100.00	1,079
Overdue 91~180 days	5,968	1.00~100.00	3,014
Overdue 181~365 days	1,882	1.00~78.27	1,425
Overdue 365 days past due	3,338	1.00~100.00	3,325
	\$ 1,903,247		14,092

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

For the nine months ended September 30		
	2020	2019
Balance on January 1	\$ 14,913	19,036
Impairment losses recognized	11,632	1,802
Amounts written off	(1,279)	(6,649)
Effect of changes in exchange rates	(97)	(97)
Balance on September 30	\$ 25,169	14,092

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

(Continued)

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

(e) Other receivables

	September 30, 2020	December 31, 2019	September 30, 2019
Other receivables	\$ 36,083	46,289	45,957
Less: loss allowance	297	385	363
	<u>\$ 35,786</u>	<u>45,904</u>	<u>45,594</u>

The Group's other receivables which were overdue on September 30, 2020, December 31 and September 30, 2019, have been assessed for impairment losses.

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

	For the nine months ended September 30	
	2020	2019
Balance on January 1	\$ 385	15,119
Impairment loss recognized (reversed)	(85)	363
Amounts written off	-	(15,119)
Effect of changes in exchange rates	(3)	-
Balance on September 30	<u>\$ 297</u>	<u>363</u>

(f) Inventories

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

	September 30, 2020	December 31, 2019	September 30, 2019
Merchandise	\$ 53,227	57,336	64,196
Finished goods	926,035	974,280	1,003,470
Work in progress	124,508	85,530	103,800
Raw materials	691,176	730,029	761,819
Supplies	391,880	237,269	244,079
Goods in transit	95,931	137,987	98,087
Total	<u>\$ 2,282,757</u>	<u>2,222,431</u>	<u>2,275,451</u>

As of September 30, 2020, December 31 and September 30, 2019, the Group's inventories were not provided as pledged assets.

(Continued)

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

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 September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Loss on (reversal of) decline in market value of inventory	\$ (5,703)	(2,383)	6,562	(5,489)
Loss on physical count, net	545	777	2,254	2,071
Loss on scrap of inventory	7,194	5,109	8,896	10,751
Income from sale of scrap	(4,631)	(4,423)	(11,481)	(12,361)
Total	<u>\$ (2,595)</u>	<u>(920)</u>	<u>6,231</u>	<u>(5,028)</u>

(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	-	5,635	17,085	68,060	783,349	874,129
Disposals	-	(370)	(8,747)	(87,493)	(1,914)	(98,524)
Reclassification	-	1,023,895	498,636	137,067	(1,629,961)	29,637
Effect of changes in exchange rates	(13,549)	(68,732)	(176,311)	(45,593)	(45,389)	(349,574)
Balance at September 30, 2020	<u>\$ 2,881,520</u>	<u>6,530,950</u>	<u>6,921,330</u>	<u>4,056,398</u>	<u>550,570</u>	<u>20,940,768</u>
Balance at January 1, 2019	\$ 2,892,515	4,989,234	6,523,477	3,955,228	828,149	19,188,603
Additions	-	18,759	51,381	79,761	813,815	963,716
Disposals	-	(958)	(5,065)	(13,207)	-	(19,230)
Reclassification	-	670,109	39,995	(57,736)	(722,530)	(70,162)
Effect of changes in exchange rates	34,783	(60,784)	9,798	(38,552)	(361)	(55,116)
Balance at September 30, 2019	<u>\$ 2,927,298</u>	<u>5,616,360</u>	<u>6,619,586</u>	<u>3,925,494</u>	<u>919,073</u>	<u>20,007,811</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	-	139,179	214,371	232,565	-	586,115
Disposal	-	(370)	(8,585)	(85,642)	-	(94,597)
Reclassification	-	-	-	495	-	495
Impairment loss	-	-	1,774	176	-	1,950
Effect of changes in exchange rates	-	(20,343)	(115,416)	(27,914)	-	(163,673)
Balance at September 30, 2020	<u>\$ 31,953</u>	<u>1,580,862</u>	<u>4,077,641</u>	<u>2,716,687</u>	<u>-</u>	<u>8,407,143</u>
Balance at January 1, 2019	\$ 31,953	1,333,606	3,686,267	2,343,318	-	7,395,144
Depreciation	-	120,896	223,455	244,602	-	588,953
Disposal	-	(445)	(3,650)	(10,577)	-	(14,672)
Reclassification	-	-	-	(6,061)	-	(6,061)
Effect of changes in exchange rates	-	(12,322)	24,228	(26,496)	-	(14,590)
Balance at September 30, 2019	<u>\$ 31,953</u>	<u>1,441,735</u>	<u>3,930,300</u>	<u>2,544,786</u>	<u>-</u>	<u>7,948,774</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>
September 30, 2020	<u>\$ 2,849,567</u>	<u>4,950,088</u>	<u>2,843,689</u>	<u>1,339,711</u>	<u>550,570</u>	<u>12,533,625</u>
September 30, 2019	<u>\$ 2,895,345</u>	<u>4,174,625</u>	<u>2,689,286</u>	<u>1,380,708</u>	<u>919,073</u>	<u>12,059,037</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>

(Continued)

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

(i) Impairment loss and subsequent reversal

For the nine months ended September 30, 2020 and 2019, 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 September 30, 2020, December 31 and September 30, 2019.

(h) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Transposition equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2020	\$ 326,205	1,340,261	75,589	1,742,055
Additions	-	62,531	30,319	92,850
Modification	-	(47,327)	(27,010)	(74,337)
Reclassification	-	-	(3,042)	(3,042)
Effect of changes in exchange rates	(2,728)	(10,829)	(492)	(14,049)
Balance at September 30, 2020	<u>\$ 323,477</u>	<u>1,344,636</u>	<u>75,364</u>	<u>1,743,477</u>
Balance at January 1, 2019	\$ 265,619	1,021,232	66,645	1,353,496
Additions	-	24,094	9,990	34,084
Modification	-	(18,403)	-	(18,403)
Reclassification	-	-	(10,122)	(10,122)
Effect of changes in exchange rates	(9,244)	(21,908)	243	(30,909)
Balance at September 30, 2019	<u>\$ 256,375</u>	<u>1,005,015</u>	<u>66,756</u>	<u>1,328,146</u>
Accumulated depreciation:				
Balance at January 1, 2020	\$ 77,379	211,865	28,685	317,929
Depreciation	5,100	184,335	19,514	208,949
Modification	-	(10,953)	(24,585)	(35,538)
Reclassification	-	-	(897)	(897)
Effect of changes in exchange rates	(634)	(1,590)	(127)	(2,351)
Balance at September 30, 2020	<u>\$ 81,845</u>	<u>383,657</u>	<u>22,590</u>	<u>488,092</u>
Balance at January 1, 2019	\$ -	-	6,527	6,527
Depreciation	5,412	163,270	19,995	188,677
Modification	-	(1,555)	-	(1,555)
Reclassification	-	-	(4,681)	(4,681)
Effect of changes in exchange rates	(2,200)	(4,939)	28	(7,111)
Balance at September 30, 2019	<u>\$ 3,212</u>	<u>156,776</u>	<u>21,869</u>	<u>181,857</u>
Carrying value:				
January 1, 2020	<u>\$ 248,826</u>	<u>1,128,396</u>	<u>46,904</u>	<u>1,424,126</u>
September 30, 2020	<u>\$ 241,632</u>	<u>960,979</u>	<u>52,774</u>	<u>1,255,385</u>
September 30, 2019	<u>\$ 253,163</u>	<u>848,239</u>	<u>44,887</u>	<u>1,146,289</u>
January 1, 2019	<u>\$ 265,619</u>	<u>1,021,232</u>	<u>60,118</u>	<u>1,346,969</u>

(Continued)

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

(i) Investment property

	<u>Buildings</u>
Cost:	
Balance as at January 1, 2020	\$ 71,197
Effect of changes in exchange rates	(596)
Balance as at September 30, 2020	<u><u>\$ 70,601</u></u>
Balance as at January 1, 2019	\$ 73,959
Effect of changes in exchange rates	(2,018)
Balance as at September 30, 2019	<u><u>\$ 71,941</u></u>
Depreciation:	
Balance as at January 1, 2020	\$ 28,835
Depreciation	2,377
Effect of changes in exchange rates	(236)
Balance as at September 30, 2020	<u><u>\$ 30,976</u></u>
Balance as at January 1, 2019	\$ 26,626
Depreciation	2,522
Effect of changes in exchange rates	(821)
Balance as at September 30, 2019	<u><u>\$ 28,327</u></u>
Carrying value:	
Balance as at January 1, 2020	<u><u>\$ 42,362</u></u>
Balance as at September 30, 2020	<u><u>\$ 39,625</u></u>
Balance as at September 30, 2019	<u><u>\$ 43,614</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 September 30, 2020	<u><u>\$ 75,629</u></u>
Balance as at September 30, 2019	<u><u>\$ 71,190</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>September 30, 2020</u>	<u>September 30, 2019</u>
Xuhui Dist., Shanghai	3.97%	4.27%

(Continued)

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

As of September 30, 2020, December 31 and September 30, 2019, the Group's investment properties were not provided as pledged assets.

(j) Goodwill

Goodwill arising from the merger were as follows:

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

The cost and accumulated amortization was as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Cost	\$ 149,780	149,780	149,780
Less: Accumulated amortization	<u>44,363</u>	<u>44,363</u>	<u>44,363</u>
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 nine months ended September 30, 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

September 30, 2020				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	RMB	3.00~4.42	2020~2021	\$ 2,035,982
Unsecured loans	EUR	0.38	2020	24,538
Unsecured loans	USD	0.65~2.10	2020~2021	278,990
Unsecured loans	TWD	0.90~1.00	2020~2021	1,349,690
Unsecured loans	JPY	0.55~0.98	2020~2021	439,582
Letter of credit	THB	0	2020	<u>2,924</u>
Total				<u><u>\$ 4,131,706</u></u>

(Continued)

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

December 31, 2019				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	RMB	2.24~4.70	2020	\$ 2,021,548
Unsecured loans	EUR	0.84	2020	24,192
Unsecured loans	USD	4.22	2020	192,197
Unsecured loans	TWD	0.85~1.00	2020	827,000
Unsecured loans	JPY	0.95	2020	458,160
Unsecured loans	THB	0.07	2020	119,843
Total				\$ 3,642,940

September 30, 2019				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	RMB	3.92~4.70	2019~2020	\$ 1,839,437
Unsecured loans	EUR	0.84	2019	24,252
Unsecured loans	USD	3.64	2019~2020	222,704
Unsecured loans	TWD	0.91~1.00	2019~2020	1,795,000
Unsecured loans	JPY	0.79~1.05	2019~2020	411,554
Total				\$ 4,292,947

As of September 30, 2020, December 31 and September 30, 2019, the unused credit facilities amounted to \$14,194,672 thousand, \$16,956,668 thousand and \$13,436,505 thousand, respectively.

(ii) Short-term commercial paper payable

September 30, 2020				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Commercial paper payable	TWD	0.39~0.74	2020	\$ 320,000
Discount				(150)
Total				\$ 319,850

September 30, 2019				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Commercial paper payable	TWD	0.58~0.83	2019	\$ 317,000
Discount				(85)
Total				\$ 316,915

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

As of September 30, 2020, December 31 and September 30, 2019, the unused credit facilities amounted to \$430,000 thousand, \$510,000 thousand and \$303,000 thousand, respectively.

(Continued)

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

(iii) Long-term borrowings

September 30, 2020				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured loans	JPY	1.275	2038~2039	\$ 1,058,705
Secured loans	TWD	1.0300~1.0400	2022	305,000
Unsecured loans	JPY	0.9609	2021	27,560
Unsecured loans	THB	1.9300~2.1800	2025	354,167
Unsecured loans	TWD	0.9000~1.1400	2020~2023	2,042,000
Unsecured loans	RMB	4.2750~4.7500	2023	276,888
Total				\$ 4,064,320
Current				\$ 331,945
Non-current				3,732,375
Total				\$ 4,064,320

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

September 30, 2019				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured loans	JPY	0.9755~1.2750	2021~2039	\$ 1,139,250
Unsecured loans	TWD	0.9500~1.1998	2020~2024	1,720,000
Unsecured loans	RMB	4.2750~4.7500	2020~2023	556,544
Total				\$ 3,415,794
Current				\$ 573,038
Non-current				2,842,756
Total				\$ 3,415,794

As of September 30, 2020, December 31 and September 30, 2019, the unused credit facilities amounted to \$3,485,197 thousand, \$4,566,309 thousand and \$4,164,875 thousand, respectively.

(Continued)

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

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

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

(l) Bonds payable

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

	September 30, 2020	December 31, 2019	September 30, 2019
Secured bonds	\$ 4,000,000	4,000,000	4,000,000
Less: discounts on bonds payable	<u>25,076</u>	<u>41,196</u>	<u>46,569</u>
Total	<u><u>\$ 3,974,924</u></u>	<u><u>3,958,804</u></u>	<u><u>3,953,431</u></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

	September 30, 2020	December 31, 2019	September 30, 2019
Site restoration	<u>\$ 12,134</u>	<u>15,784</u>	<u>13,959</u>

For the nine months ended September 30, 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:

	September 30, 2020	December 31, 2019	September 30, 2019
Current	<u>\$ 200,266</u>	<u>228,455</u>	<u>217,777</u>
Non-current	<u><u>\$ 876,538</u></u>	<u><u>962,190</u></u>	<u><u>684,318</u></u>

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

(Continued)

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

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Interest on lease liabilities	\$ <u>12,180</u>	<u>8,978</u>	<u>38,093</u>	<u>29,068</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>8,082</u>	<u>17,273</u>	<u>29,288</u>	<u>39,981</u>
Income from sub-leasing right-of-use assets	\$ <u>-</u>	<u>(623)</u>	<u>(613)</u>	<u>(1,096)</u>
Expenses relating to short-term leases	\$ <u>32,759</u>	<u>23,346</u>	<u>95,973</u>	<u>102,044</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>988</u>	<u>1,786</u>	<u>4,828</u>	<u>5,056</u>

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

	For the nine months ended September 30	
	2020	2019
Total cash outflow for leases	\$ <u>324,890</u>	<u>336,218</u>

(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 September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Operating costs	\$ 1,062	288	3,213	826
Operating expenses	1,099	1,099	15,256	3,259
Total	\$ <u>2,161</u>	<u>1,387</u>	<u>18,469</u>	<u>4,085</u>

(Continued)

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

(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 September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Operating costs	\$ 9,459	16,223	27,984	53,388
Operating expenses	18,922	27,584	53,302	88,419
Total	<u>\$ 28,381</u>	<u>43,807</u>	<u>81,286</u>	<u>141,807</u>

(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.

ii) Income tax expenses

The components of income tax are as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Current tax expenses				
Current period	\$ 226,100	142,164	446,872	432,559
Adjustment for prior period	(37,664)	(2,310)	(37,664)	16,328
	<u>188,436</u>	<u>139,854</u>	<u>409,208</u>	<u>448,887</u>
Deferred tax benefit				
Origination and reversal of temporary differences	24,067	-	29,717	-
Income tax on continuing operations	<u>\$ 212,503</u>	<u>139,854</u>	<u>438,925</u>	<u>448,887</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.

(Continued)

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

(q) Capital and other equity

Except for those mentioned below, there were no significant changes in capital for the nine months ended September 30, 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:

	September 30, 2020	December 31, 2019	September 30, 2019
Share premium	\$ 1,280	1,280	1,280
Overaging unclaimed dividends	2,813	1,839	1,839
Treasury stock	1,092,060	1,015,336	1,015,336
Recognize changes in all equity in subsidiaries	117,892	117,892	117,892
	<u><u>\$ 1,214,045</u></u>	<u><u>1,136,347</u></u>	<u><u>1,136,347</u></u>

(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.

(Continued)

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

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 above mentioned special reserve amounted to \$512,508 thousand as of September 30, 2020, December 31 and September 30, 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>586,782</u>	<u>792,156</u>

(iii) Treasury stock

None shares were purchased by the Company and its subsidiaries during the nine months ended September 30, 2020 and 2019. The reason is that the subsidiaries held by long-term of the Company shares previous years. As of September 30, 2020, December 31 and September 30, 2019, the subsidiaries held the Company's shares as follows:

September 30, 2020					
<u>Subsidiary name</u>	<u>Number of shares (in thousand)</u>	<u>Market price per share</u>	<u>Adjusted cost per share</u>	<u>Total market value</u>	<u>Total treasury stock</u>
Lucky Co.	46,041	42.10	11.51	\$ <u>1,938,337</u>	<u>530,114</u>

December 31, 2019					
<u>Subsidiary name</u>	<u>Number of shares (in thousand)</u>	<u>Market price per share</u>	<u>Adjusted cost per share</u>	<u>Total market value</u>	<u>Total treasury stock</u>
Lucky Co.	46,041	50.90	11.51	\$ <u>2,343,500</u>	<u>530,114</u>

(Continued)

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

Subsidiary name	September 30, 2019				
	Number of shares (in thousand)	Market price per share	Adjusted cost per share	Total market value	Total treasury stock
Lucky Co.	46,041	50.30	11.51	\$ <u>2,315,875</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 September 30, 2020, the above mentioned treasury stocks had been fully disposed, wherein the proceeds from disposal amounted to \$31,710 thousand. The difference which had been fully offset against capital surplus arising from the same types of treasury stocks amounting to \$15,036 thousand was due to the selling price being lower than the book value.

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

(iv) Other equities (net for tax)

	Foreign exchange differences arising from foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Non-controlling interests	Total
Balance as of January 1, 2020	\$ (725,159)	(48,516)	189,614	(584,061)
Foreign exchange differences arising from foreign operations	(185,245)	-	(16,514)	(201,759)
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	(65,289)	-	-	(65,289)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(593)	-	(593)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, subsidiaries accounted for using equity method	-	(138)	-	(138)
Balance as of September 30, 2020	\$ <u>(975,693)</u>	<u>(49,247)</u>	<u>173,100</u>	<u>(851,840)</u>
Balance as of January 1, 2019	\$ (506,975)	(51,878)	210,577	(348,276)
Foreign exchange differences arising from foreign operations	130,280	-	(17,538)	112,742
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	(231,334)	-	-	(231,334)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(166)	-	(166)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, subsidiaries accounted for using equity method	-	(39)	-	(39)
Balance as of September 30, 2019	\$ <u>(608,029)</u>	<u>(52,083)</u>	<u>193,039</u>	<u>(467,073)</u>

(Continued)

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

(r) Earnings per share

The calculation of the Group's basic earnings per share and diluted earnings per share for the nine months ended September 30, 2020 and 2019, were as follows:

(i) Basic earnings per share

	For the three months ended September 30		Unit: thousand of shares For the nine months ended September 30	
	2020	2019	2020	2019
Net income attributable to common shareholders of the Company	\$ <u>333,621</u>	<u>216,930</u>	<u>640,150</u>	<u>619,531</u>
Weighted-average number of common shares	<u>247,963</u>	<u>247,350</u>	<u>247,554</u>	<u>247,350</u>
Basic earnings per share (in NT dollars)	\$ <u>1.35</u>	<u>0.88</u>	<u>2.59</u>	<u>2.50</u>

ii) Diluted earnings per share

	For the three months ended September 30		Unit: thousand of shares For the nine months ended September 30	
	2020	2019	2020	2019
Net income attributable to common shareholders of the Company (diluted)	\$ <u>333,621</u>	<u>216,930</u>	<u>640,150</u>	<u>619,531</u>
Weighted-average number of common shares (basic)	247,963	247,350	247,554	247,350
Impact of potential common shares:				
Effect of employees' remuneration	179	158	271	214
Weighted-average number of shares outstanding (diluted)	<u>248,142</u>	<u>247,508</u>	<u>247,825</u>	<u>247,564</u>
Diluted earnings per share (in NT dollars)	\$ <u>1.34</u>	<u>0.88</u>	<u>2.58</u>	<u>2.50</u>

(Continued)

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 September 30, 2020								
Area of distribution:	Edible and non- edible oil products	Detergent products	Frozen dough	Ice cream products	Foods	Catering	Management, rental revenue and others	Total
China	\$ 2,539,679	-	140,890	-	3,413	174,532	3,809	2,862,323
Taiwan	303,058	119,204	125,576	377,585	142,964	103,079	(278)	1,171,188
Thailand	-	-	-	-	36,641	-	399	37,040
New Zealand and Australia	-	-	-	-	230,963	-	173	231,136
United states	-	-	-	-	247,727	-	-	247,727
Europe	-	-	-	-	167,730	-	-	167,730
Others	8,002	-	-	-	64,651	4,948	67	77,668
	<u>\$ 2,850,739</u>	<u>119,204</u>	<u>266,466</u>	<u>377,585</u>	<u>894,089</u>	<u>282,559</u>	<u>4,170</u>	<u>4,794,812</u>

(Continued)

NAMCHOW HOLDINGS CO., LTD. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

	For the three months ended September 30, 2019							
	Edible and non- edible oil products	Detergent products	Frozen dough	Ice cream products	Foods	Catering	Management, rental revenue and others	Total
Area of distribution:								
China	\$ 2,387,411	917	69,975	-	2,031	178,273	-	2,638,607
Taiwan	300,521	133,421	126,905	314,287	106,448	139,782	3,706	1,125,070
Thailand	-	-	-	-	69,940	-	526	70,466
New Zealand and Australia	-	-	-	-	276,639	-	234	276,873
United states	-	-	-	-	164,569	-	9	164,578
Europe	-	-	-	-	146,371	-	-	146,371
Others	5,879	-	-	-	113,104	3,959	144	123,086
	\$ 2,693,811	134,338	196,880	314,287	879,102	322,014	4,619	4,545,051

(Continued)

NAMCHOW HOLDINGS CO., LTD. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2020								
	Edible and non- edible oil products	Detergent products	Frozen dough	Ice cream products	Foods	Catering	Management, rental revenue and others	Total
Area of distribution:								
China	\$ 6,517,327	-	340,416	-	9,853	334,778	14,644	7,217,018
Taiwan	831,456	430,570	377,014	878,075	343,294	316,097	6,046	3,182,552
Thailand	-	-	-	-	147,561	-	733	148,294
New Zealand and Australia	-	-	-	-	840,061	-	617	840,678
United states	-	-	-	-	608,661	-	212	608,873
Europe	-	-	-	-	427,651	-	-	427,651
Others	18,156	-	-	-	221,877	12,300	194	252,527
	\$ 7,366,939	430,570	717,430	878,075	2,598,958	663,175	22,446	12,677,593

(Continued)

NAMCHOW HOLDINGS CO., LTD. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2019								
	Edible and non- edible oil products	Detergent products	Frozen dough	Ice cream products	Foods	Catering	Management, rental revenue and others	Total
Area of distribution:								
China	\$ 7,381,467	917	208,107	-	20,689	530,943	-	8,142,123
Taiwan	859,544	396,650	397,139	771,302	310,915	454,129	8,096	3,197,775
Thailand	-	-	-	-	192,126	-	1,390	193,516
New Zealand and Australia	-	-	-	-	715,237	-	1,297	716,534
United states	-	-	-	-	453,791	-	329	454,120
Europe	-	-	-	-	403,013	-	-	403,013
Others	12,597	-	-	-	297,458	9,714	374	320,143
	\$ 8,253,608	397,567	605,246	771,302	2,393,229	994,786	11,486	13,427,224

(Continued)

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

(ii) Contract balance

	September 30, 2020	December 31, 2019	September 30, 2019
Contract liability	<u>\$ 407,520</u>	<u>443,417</u>	<u>372,353</u>

The amount of revenue recognized (reversed) for the three months and nine months ended September 30, 2020 and 2019, that was included in the contract liability balance at the beginning of the period was \$121,178 thousand, \$(34,079) thousand, \$344,457 thousand and \$232,554 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 and nine months ended September 30, 2020 and 2019, the estimated amounts of employees' compensation were \$3,936 thousand, \$2,614 thousand, \$7,527 thousand and \$7,952 thousand, respectively, and the estimated amounts of directors' remuneration were \$17,711 thousand, \$11,764 thousand, \$33,871 thousand and \$35,783 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 is 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) Interest income

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Interest income from bank deposits	\$ <u>23,991</u>	<u>18,843</u>	<u>60,367</u>	<u>56,409</u>

(ii) Other income

	For the three months ended September 30		For the three months ended September 30	
	2020	2019	2020	2019
Rental income	\$ 2,168	3,223	6,506	6,326
Dividend income	1,171	-	9,191	-
Other income—other				
Government grants	14,571	24,943	55,062	75,453
Others	<u>11,372</u>	<u>2,591</u>	<u>41,220</u>	<u>21,798</u>
Total other income—Other	<u>25,943</u>	<u>27,534</u>	<u>96,282</u>	<u>97,251</u>
Total other income	\$ <u>29,282</u>	<u>30,757</u>	<u>111,979</u>	<u>103,577</u>

iii) Other gains and losses

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Gains (losses) on disposal of property, plant and equipment	\$ 184	297	(1,056)	(1,307)
Gains (losses) on lease modification	(91)	-	869	-
Gains (losses) foreign exchange	17,196	(5,882)	13,926	(9,398)
Gains on financial assets at fair value through profit or loss	2,176	1,318	6,167	1,318
Reversal of (recognize) impairment loss	6	-	(1,950)	-
Others	<u>(9,380)</u>	<u>(1,032)</u>	<u>(11,082)</u>	<u>(15,160)</u>
Net other gains and losses	\$ <u>10,091</u>	<u>(5,299)</u>	<u>6,874</u>	<u>(24,547)</u>

iv) Finance costs

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Interest expense	\$ <u>64,228</u>	<u>64,118</u>	<u>195,591</u>	<u>197,162</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
September 30, 2020						
Non-derivative financial liabilities						
Secured loans	\$ 1,363,705	1,585,840	41,487	373,395	104,134	1,066,824
Unsecured loans	6,832,321	6,926,437	4,486,050	1,369,064	718,306	353,017
Short-term commercial paper payable	319,850	320,000	320,000	-	-	-
Accounts payable	1,105,233	1,105,233	1,105,233	-	-	-
Other payables	1,273,951	1,273,951	1,273,951	-	-	-
Bonds payable	3,974,924	4,000,000	-	4,000,000	-	-
Lease liabilities	1,076,804	1,266,656	243,182	222,615	420,820	380,039
Guarantee deposits received	50	50	50	-	-	-
	<u>\$ 15,946,838</u>	<u>16,478,167</u>	<u>7,469,953</u>	<u>5,965,074</u>	<u>1,243,260</u>	<u>1,799,880</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	4,000,000	-	4,000,000	-	-
Lease liabilities	1,190,645	1,416,048	276,370	224,430	458,850	456,398
Guarantee deposits received	50	50	50	-	-	-
	<u>\$ 15,341,815</u>	<u>15,901,178</u>	<u>6,772,790</u>	<u>5,876,735</u>	<u>1,578,366</u>	<u>1,673,287</u>
September 30, 2019						
Non-derivative financial liabilities						
Secured loans	\$ 1,139,250	1,381,149	14,176	14,153	41,685	1,311,135
Unsecured loans	6,569,491	6,645,725	4,855,465	836,427	853,333	100,500
Short-term commercial paper payable	316,915	317,000	317,000	-	-	-
Bills payable	7,040	7,040	7,040	-	-	-
Accounts payable	1,047,450	1,047,450	1,047,450	-	-	-
Other payables	1,320,525	1,320,525	1,320,525	-	-	-
Bonds payable	3,953,431	4,130,450	50,300	50,150	4,030,000	-
Lease liabilities	902,095	1,021,682	248,610	180,842	348,454	243,776
Guarantee deposits received	50	50	50	-	-	-
	<u>\$ 15,256,247</u>	<u>15,871,071</u>	<u>7,860,616</u>	<u>1,081,572</u>	<u>5,273,472</u>	<u>1,655,411</u>

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

(Continued)

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:

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
September 30, 2020			
Financial assets:			
Monetary assets:			
USD	\$ 4,313	29.10	125,502
Financial liabilities:			
Monetary liabilities:			
USD	\$ 7,662	29.10	222,968
EUR	\$ 8,257	34.15	281,982
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
September 30, 2019			
Financial assets:			
Monetary assets:			
USD	\$ 9,293	31.04	288,464
Financial liabilities:			
Monetary liabilities:			
USD	\$ 11,675	31.04	362,377
EUR	\$ 8,185	33.95	277,886

(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, and EUR as of September 30, 2020 and 2019 would have increased (decreased) the net income after tax for the nine months ended September 30, 2020 and 2019 by \$3,794 thousand and \$3,518 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 and nine months ended September 30, 2020 and 2019, foreign exchange gains (losses) (including realized and unrealized abortions) amounted to \$(17,196) thousand, \$5,882 thousand, \$(13,926) thousand and \$9,398 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 \$59,934 thousand and \$55,277 thousand for the nine months ended September 30, 2020 and 2019, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing and time deposits at floating rates.

(Continued)

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

	September 30, 2020				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 219,632	-	219,632	-	219,632
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	15,726	15,726	-	-	15,726
Stocks unlisted on domestic markets	1,265	-	-	1,265	1,265
Subtotal	<u>16,991</u>	<u>15,726</u>	<u>-</u>	<u>1,265</u>	<u>16,991</u>
Total	<u><u>\$ 236,623</u></u>	<u><u>15,726</u></u>	<u><u>219,632</u></u>	<u><u>1,265</u></u>	<u><u>236,623</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	43,623	16,457	-	27,166	43,623
Total	\$ 262,191	16,457	218,568	27,166	262,191
September 30, 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	\$ 218,769	-	218,769	-	218,769
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	12,888	12,888	-	-	12,888
Stocks unlisted on domestic markets	27,166	-	-	27,166	27,166
Subtotal	40,054	12,888	-	27,166	40,054
Total	\$ 258,823	12,888	218,769	27,166	258,823

(Continued)

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

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

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

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

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

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

3) Fair value hierarchy

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

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

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

4) Transferring between Level 1 and Level 2

There were no transfers from Level 2 to Level 1 for the nine months ended September 30, 2020 and 2019.

(Continued)

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

5) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
January 1, 2020	\$ 27,166
Return from capital reduction	(25,901)
September 30, 2020	<u>\$ 1,265</u>
September 30, 2019 (same as January 1, 2019)	<u>\$ 27,166</u>

The aforementioned gain is recorded under other income.

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> Multiplier of price-to-earnings ratio (As of September 30, 2020, December 31, 2019 and September 30, 2019 was 0.93, 0.93 and 0.87, respectively) Market illiquidity discount rate (As of September 30, 2020, December 31, 2019 and September 30, 2019 was all 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)

(Continued)

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

- 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:

	<u>Input</u>	<u>Assumptions</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
September 30, 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)
September 30, 2019				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	5%	1,623	(1,623)

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

- (w) Financial risk management

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 nine months ended September 30, 2020 and 2019.

(Continued)

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

(z) The reconciliation of liabilities arising from financing activities

For the nine months ended September 30, 2020 and 2019, the reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flows	Non-cash changes Foreign exchange movement	Others	September 30, 2020
Long-term borrowings (including current portion)	\$ 4,161,407	(81,571)	(15,516)	-	4,064,320
Short-term borrowings	3,642,940	522,318	(33,552)	-	4,131,706
Short-term commercial paper payable	-	319,850	-	-	319,850
Lease liabilities	1,190,645	(195,595)	(9,520)	91,274	1,076,804
Total liabilities from financing activities	<u>\$ 8,994,992</u>	<u>565,002</u>	<u>(58,588)</u>	<u>91,274</u>	<u>9,592,680</u>

	January 1, 2019	Cash flows	Non-cash changes Foreign exchange movement	Others	September 30, 2019
Long-term borrowings (including current portion)	\$ 3,601,960	(198,775)	12,609	-	3,415,794
Short-term borrowings	3,933,410	250,459	109,078	-	4,292,947
Short-term commercial paper payable	-	316,915	-	-	316,915
Lease liabilities	1,065,090	(161,165)	(18,647)	16,817	902,095
Total liabilities from financing activities	<u>\$ 8,600,460</u>	<u>207,434</u>	<u>103,040</u>	<u>16,817</u>	<u>8,927,751</u>

(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.

Name of related party	Relationship with the Group
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 nine months ended September 30, 2020 and 2019, the Group recognized the amount of \$6 thousand, \$8 thousand, \$36 thousand and \$27 thousand as interest expense, respectively. As of September 30, 2020, December 31 and September 30, 2019, the balance of lease liabilities amounted to \$2,090 thousand, \$8,328 thousand and \$10,397 thousand, respectively.

(Continued)

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

(c) Personnel transactions from key management

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

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 35,087	29,540	116,792	90,133
Post-employments benefits	704	489	1,698	1,405
	<u>\$ 35,791</u>	<u>30,029</u>	<u>118,490</u>	<u>91,538</u>

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	September 30, 2020	December 31, 2019	September 30, 2019
Other non-current assets:				
Time deposits	Operating lease deposits	\$ 124	124	124
Property, plant and equipment:				
Land	Long-term borrowings	1,786,861	1,801,641	1,832,307
Buildings	Long-term borrowings	831,385	868,447	986,709
		<u>\$ 2,618,370</u>	<u>2,670,212</u>	<u>2,819,140</u>

(9) Commitments and contingencies

(a) Major contracts not recognized the commitment:

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

	September 30, 2020	December 31, 2019	September 30, 2019
Acquisition of property, plant and equipment	<u>\$ 86,854</u>	<u>57,847</u>	<u>59,257</u>

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

	September 30, 2020	December 31, 2019	September 30, 2019
Unused letters of credit for purchases of materials	<u>\$ 1,244,843</u>	<u>131,513</u>	<u>134,025</u>

(Continued)

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

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

	September 30, 2020	December 31, 2019	September 30, 2019
Long-term letters of credit guarantee bill	\$ <u>392,000</u>	<u>392,000</u>	<u>392,000</u>

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

	September 30, 2020
One year	\$ 805
Less than five years	3,221
More than five years	<u>3,221</u>
	<u>\$ 7,247</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 function By nature	Three months ended September 30, 2020			Three months ended September 30, 2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	262,646	371,141	633,787	268,873	340,495	609,368
Labor and health insurance	87,838	34,699	122,537	79,835	38,335	118,170
Pension	10,521	20,021	30,542	16,511	28,683	45,194
Remuneration of directors	-	18,766	18,766	-	16,065	16,065
Others	16,087	23,669	39,756	18,189	22,056	40,245
Depreciation (note 1)	177,415	89,227	266,642	168,867	87,513	256,380
Amortization	-	-	-	-	-	-

(Continued)

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

By function By nature	Nine months ended September 30, 2020			Nine months ended September 30, 2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	710,457	1,078,126	1,788,583	758,851	1,037,864	1,796,715
Labor and health insurance	245,403	87,111	332,514	225,426	109,180	334,606
Pension	31,197	68,558	99,755	54,214	91,678	145,892
Remuneration of directors	-	37,033	37,033	-	48,287	48,287
Others	50,245	76,007	126,252	58,464	79,964	138,428
Depreciation (note 1)	521,667	273,397	795,064	509,903	267,727	777,630
Amortization	-	-	-	-	-	-

Note 1: Depreciation expenses for investment property recognized under non-operating income and expenses—other gains and losses amounting to \$792 thousand, \$826 thousand, \$2,377 thousand and \$2,522 thousand for the three months ended September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019 were not excluded, respectively.

(b) Operating and seasonality

The ice cream department of the Group's operation is affected by the weather conditions and the impact of seasonal fluctuations. In which ice cream sales at the main areas are easily adversely impacted due to the winter weather conditions from November to the following February each year. 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.

(Continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the nine months ended September 30, 2020:

(i) Loans extended to other parties:

Unit: thousand dollars

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the period	Ending balance	Amount actually drawn (Note 3)	Range of interest rates	Purposes of fund financing for the borrowers	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
1	Guangzhou Namchow Co.	Shanghai Namchow Co.	Other long term accounts receivable—related parties	Yes	648,600	-	-	4%	Short term financing	-	Capital for operation	-	-	-	3,405,948 (Note 1)	3,405,948 (Note 1)
2	Lucky Co.	Namchow BV1 Co.	Other accounts receivable—related parties	Yes	58,928	58,928	58,928	(Note 4)	Short term financing	-	(Note 4)	-	-	-	1,044,555 (Note 2)	1,044,555 (Note 2)

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

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

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

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

(ii) Guarantees and endorsements for other parties:

Unit: thousand dollars

No.	Name of company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for one party	Highest balance for guarantees and endorsements during the period	Ending balance of guarantees and endorsements	Amount actually drawn	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum allowable amount for guarantees and endorsements	Parent company endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement / guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of company in Mainland China
		Name	Relationship with the Company										
0	The Company	Nankyo Japan Co.	2	6,028,059	1,683,223	1,644,597	823,067	-	27.28 %	6,028,059	Y		

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	Stock: 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	12,743	0.05 %	12,743	
Lucky Co., Ltd.	Stock: The Company	The Company	Financial assets at fair value through comprehensive income—non-current	46,041	1,938,337	15.65 %	1,938,337	Note 1
Lucky Co., Ltd.	Stock: Capital Securities Co., Ltd.	—	Financial assets at fair value through comprehensive income—non-current	277	2,983	0.01 %	2,983	

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

(Continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

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

Unit: thousand dollars

Name of company	Counter-party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Accounts / notes receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
Lucky Co.	Huaciang Co.	Subsidiary	Purchase	216,872	35 %	Note 1	-	-	(41,110)	(28) %	Note 2
Huaciang Co.	Lucky Co.	Subsidiary	(Sales)	(216,872)	(27) %	Note 1	-	-	41,110	24 %	Note 2
Namchow Food Co.	Tianjin Namchow Co.	Subsidiary	Purchase	972,426	(25) %	Note 1	-	-	(351,938)	32 %	Note 2
Tianjin Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(972,426)	(76) %	Note 1	-	-	351,938	63 %	Note 2
Namchow Food Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	788,709	(20) %	Note 1	-	-	(361,372)	33 %	Note 2
Guangzhou Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(788,709)	(49) %	Note 1	-	-	361,372	73 %	Note 2
Namchow Food Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	Purchase	123,451	(3) %	Note 1	-	-	-	- %	Note 2
Tianjin Yoshi Yoshi Co.	Namchow Food Co.	Subsidiary	(Sales)	(123,451)	(16) %	Note 1	-	-	-	- %	Note 2
Namchow Food Co.	Shanghai Namchow Co.	Subsidiary	Purchase	938,828	(24) %	Note 1	-	-	-	- %	Note 2
Shanghai Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(938,828)	(81) %	Note 1	-	-	-	- %	Note 2
Chongqing Qiaoxing Co.	Tianjin Namchow Co.	Subsidiary	Purchase	173,635	(9) %	Note 1	-	-	(36,746)	8 %	Note 2
Tianjin Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(173,635)	(14) %	Note 1	-	-	36,746	7 %	Note 2
Chongqing Qiaoxing Co.	Shanghai Namchow Co.	Subsidiary	Purchase	167,285	(9) %	Note 1	-	-	(31,743)	7 %	Note 2
Shanghai Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(167,285)	(14) %	Note 1	-	-	31,743	76 %	Note 2
Chongqing Qiaoxing Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	551,616	(28) %	Note 1	-	-	(99,990)	22 %	Note 2
Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(551,616)	(34) %	Note 1	-	-	99,990	20 %	Note 2
Guangzhou Yoshi Yoshi Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	252,246	(68) %	Note 1	-	-	(35,983)	53 %	Note 2
Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	(Sales)	(252,246)	(16) %	Note 1	-	-	35,983	7 %	Note 2
Namchow Food Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	Purchase	410,025	(10) %	Note 1	-	-	(125,572)	11 %	Note 2
Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	Subsidiary	(Sales)	(410,025)	(68) %	Note 1	-	-	125,572	80 %	Note 2
Chongqing Qiaoxing Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	Purchase	194,935	(10) %	Note 1	-	-	(30,558)	7 %	Note 2
Guangzhou Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(194,935)	(32) %	Note 1	-	-	30,558	20 %	Note 2
Namchow Food Co.	Chongqing Qiaoxing Co.	Subsidiary	Purchase	722,024	(18) %	Note 1	-	-	(257,949)	24 %	Note 2
Chongqing Qiaoxing Co.	Namchow Food Co.	Subsidiary	(Sales)	(722,024)	(29) %	Note 1	-	-	257,949	58 %	Note 2

Note 1: Depending on capital movement motor adjustment.

Note 2: All intercompany accounts and transactions are eliminated.

(Continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

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

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party (Note)	Turnover rate	Overdue amount		Amounts received in subsequent period	Allowances for bad debts
					Amount	Action taken		
Guangzhou Namchow Co.	Namchow Food Co.	Subsidiary	361,372	2.61	-		- (As of November 12, 2020)	-
Tianjin Namchow Co.	Namchow Food Co.	Subsidiary	351,938	2.94	-		298,074 (As of November 12, 2020)	-
Tianjin Namchow Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	170,528	0.65	-		43,166 (As of November 12, 2020)	-
Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	Subsidiary	125,572	3.13	-		- (As of November 12, 2020)	-
Chongqing Qiaoxing Co.	Namchow Food Co.	Subsidiary	257,949	3.61	-		- (As of November 12, 2020)	-

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

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

Unit: thousand dollars

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount (Notes 3 and 4)	Trading terms	Percentage of the total consolidated revenue or total assets
1	Tianjin Namchow Co.	Tianjin Yoshi Yoshi Co.	3	Sales revenue	87,939	No significant differences	0.69 %
1	Tianjin Namchow Co.	Tianjin Yoshi Yoshi Co.	3	Accounts receivable	170,528	No significant differences	0.70 %
1	Tianjin Namchow Co.	Namchow Food Co.	3	Sales revenue	972,426	No significant differences	7.67 %
1	Tianjin Namchow Co.	Namchow Food Co.	3	Accounts receivable	351,938	No significant differences	1.44 %
1	Tianjin Namchow Co.	Chongqing Qiaoxing Co.	3	Sales revenue	173,635	No significant differences	1.37 %
1	Tianjin Namchow Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	36,746	No significant differences	0.15 %
2	Guangzhou Namchow Co.	Namchow Food Co.	3	Sales revenue	788,709	No significant differences	6.22 %
2	Guangzhou Namchow Co.	Namchow Food Co.	3	Accounts receivable	361,372	No significant differences	1.47 %
2	Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	3	Sales revenue	551,616	No significant differences	4.35 %
2	Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	99,990	No significant differences	0.41 %
2	Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	3	Sales revenue	252,246	No significant differences	1.99 %
2	Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	3	Accounts receivable	35,983	No significant differences	0.15 %
3	Tianjin Yoshi Yoshi Co.	Namchow Food Co.	3	Sales revenue	123,451	No significant differences	0.97 %
3	Tianjin Yoshi Yoshi Co.	Namchow Food Co.	3	Advance receipts	164,711	Determined capital demand	0.67 %

(Continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount (Notes 3 and 4)	Trading terms	Percentage of the total consolidated revenue or total assets
4	Mostro (Thailand) Ltd.	Namchow (Thailand) Ltd.	3	Sales revenue	51,167	No significant differences	0.40 %
5	Shanghai Namchow Co.	Namchow Food Co.	3	Sales revenue	938,828	No significant differences	7.41 %
5	Shanghai Namchow Co.	Namchow Food Co.	3	Advance receipts	193,403	Determined capital demand	0.79 %
5	Shanghai Namchow Co.	Chongqing Qiaoxing Co.	3	Sales revenue	167,285	No significant differences	1.32 %
5	Shanghai Namchow Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	31,743	No significant differences	0.13 %
6	Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	3	Sales revenue	410,025	No significant differences	3.23 %
6	Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	3	Accounts receivable	125,572	No significant differences	0.51 %
6	Guangzhou Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	3	Sales revenue	194,935	No significant differences	1.54 %
6	Guangzhou Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	30,558	No significant differences	0.12 %
7	Chongqing Qiaoxing Co.	Namchow Food Co.	3	Sales revenue	722,024	No significant differences	5.70 %
7	Chongqing Qiaoxing Co.	Namchow Food Co.	3	Accounts receivable	257,949	No significant differences	1.05 %
8	Namchow Oil and Fat Co.	Huaciang Co.	3	Sales revenue	76,798	No significant differences	0.61 %
9	Huaciang Co.	Lucky Co.	3	Sales revenue	216,872	No significant differences	1.71 %
9	Huaciang Co.	Accounts receivable	3	Accounts receivable	41,110	No significant differences	0.17 %
10	Lucky Co.	Namchow BVI Co.	1	Other accounts receivable-related parties	59,828	Dividend receivable transferred to the loan extended with no cash outflow	0.24 %

Note 1: Company numbering is as follows:

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

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

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

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

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

(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 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
				September 30, 2020	December 31, 2019	Shares	Percentage of ownership	Book value			
The Company	Namchow Thailand	Bangkok, Thailand	Manufacturing and selling instant noodles and rice crackers	1,027,405	1,027,405	9,245	100.00 %	2,183,231	283,494	283,494	Note 3
The Company	Mostro	Bangkok, Thailand	Manufacturing and selling food	10,201	10,201	100	100.00 %	31,434	1,299	1,299	Note 3
The Company	Nacia Co.	Tortola, British Virgin Islands	Holding of investments	343,443	343,443	1	100.00 %	8,633,331	697,249	697,249	Note 3
The Company	Chow Ho Co.	Taipei, Taiwan	Catering services, food and beverage retailing, and frozen food manufacturing	119,000	119,000	2,500	100.00 %	12,872	(6,167)	(6,154)	Note 3
The Company	Lucky Co.	Taipei, Taiwan	Manufacturing, selling and processing various food and beverage products	938,438	938,438	95,338	99.65 %	630,939	42,232	(49,254)	Note 3
The Company	NBP Co.	Taipei, Taiwan	Publishing, distributing and selling printed publications	763	763	80	80.00 %	145	25	20	Note 3

(Continued)

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
				September 30, 2020	December 31, 2019	Shares	Percentage of ownership	Book value			
The Company	Nankyo Japan Co.	Tokyo, Japan	Catering services, Bistro and wine-selling	308,530	308,530	- (Note 2)	100.00 %	20,109	(87,122)	(87,122)	Notes 3
The Company	Namchow Consulting Co.	Taipei, Taiwan	Catering services, food and beverage retailing and other consulting	5,000	5,000	500	100.00 %	1,166	(521)	(520)	Note 3
The Company	Chow Food Co.	Taipei, Taiwan	Development of biotechnology products	39,000	39,000	2,200	100.00 %	3,668	(8,310)	(8,293)	Note 3
The Company	Namchow Oil and Fat Co.	Taipei, Taiwan	Manufacturing, processing and selling of edible oil and frozen dough	411,731	411,731	41,173	100.00 %	582,959	116,735	117,465	Note 3
The Company	Huaciang Co.	Taipei, Taiwan	Manufacturing, processing and selling of dish and laundry liquid detergent as well as frozen food	392,341	392,341	30,000	100.00 %	255,764	(19,936)	(19,277)	Note 3
Lucky Co.	Namchow BVI Co.	Tortola, British Virgin Islands	Holding of investments	228,970	228,970	4,680	90.70 %	60,321	(71,363)	(64,725)	Notes 1 and 3
Lucky Co.	Dian Shui Lou Co.	Taipei, Taiwan	Liquor importing and retailing	222,000	222,000	10,400	100.00 %	51,776	(70,402)	(70,390)	Notes 1 and 3
Lucky Co.	Namchow Gastronomy Consulting Co.	Taipei, Taiwan	Catering services and food consulting	14,000	14,000	500	100.00 %	3,030	(1,403)	(1,403)	Note 3
Lucky Co.	NBP Co.	Taipei, Taiwan	Publishing, distributing and selling printed publications	100	100	10	10.00 %	18	25	2	Note 3
Nacia Co.	Namchow Cayman Co.	Gayman Islands British West Indies	Holding of investments	2,522,207	2,522,207	35,378	100.00 %	8,621,099	697,483	697,483	Note 3

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

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

Note 3: All intercompany accounts and transactions are eliminated.

(c) Information on investment in mainland China:

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

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2020	Investment flow during current period		Cumulative investment (amount) from Taiwan as of September 30, 2020	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (loss) (note 2)	Book value as of September 30, 2020	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
Shanghai Qiaohao Co.	Holding of investments and international trade	669,270	(3)	-	-	-	-	(68,197)	100.00 %	(68,181) (2)(b.)	332,947	-
Shanghai Qiaohao Enterprise Management Co.	Business management and investment consulting	961	(3)	-	-	-	-	-	100.00 %	(2)(b.)	854	-
Shanghai Qiaohao Food Co.	Food packaging, selling and trading of restaurant equipment and trading	704,181	(3)	-	-	-	-	(32,985)	100.00 %	(32,985) (2)(b.)	469,475	-
Tianjin Qiaohao Food Co.	Food packaging, selling and trading of restaurant equipment and trading	90,836	(3)	-	-	-	-	(6,206)	100.00 %	(6,206) (2)(b.)	48,322	-
Namchow Food Co.	Food packaging, dairy product and product purchasing management and selling	856,481	(3)	-	-	-	-	857,270	96.15 %	824,298 (2)(a.)	7,947,306	60,491
Tianjin Namchow Co.	Manufacturing and selling of edible fat	756,875	(3)	372,813	-	-	372,813	161,760	96.15 %	155,532 (2)(a.)	1,749,856	30,245
Tianjin Yoshi Yoshi Co.	Developing , manufacturing, and selling of dairy products and related services	121,100	(3)	-	-	-	-	85,571	96.15 %	82,277 (2)(a.)	741,452	-
Guangzhou Yoshi Yoshi Co.	Developing , manufacturing, and selling of dairy products and related services	452,150	(3)	-	-	-	-	113,726	96.15 %	109,347 (2)(a.)	729,697	-
Guangzhou Namchow Co.	Manufacturing and selling of edible fat	544,950	(3)	-	-	-	-	150,171	96.15 %	144,389 (2)(a.)	3,274,819	90,736
Shanghai Namchow Co.	Selling, developing, manufacturing and processing of fats and frozen food	676,597	(3)	-	-	-	-	66,054	96.15 %	63,511 (2)(a.)	699,440	-
Chongqing Qiaoxing Co.	Food packaging dairy product and product purchasing management and selling	94,200	(3)	-	-	-	-	204,985	96.15 %	197,093 (2)(a.)	766,955	-
Wuhan Qianxing CO.	The technical service of baking oil and fat product	215,250	(3)	-	-	-	-	(3,932)	96.15 %	(3,780) (2)(a.)	201,328	-
Shanghai Qizhi Co.	Business management and investment consulting services	4,541	(3)	-	-	-	-	247	100.00 %	(2)(b.)	247	-
Bao Lai Na Co.	Multinational enteries, and the promotion, and management of self-made beers	112,018	(3)	79,468	-	-	79,468	(72,530)	90.39 %	(65,560) (2)(c.)	107,628	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 method: 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.

(Continued)

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 September 30, 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	3,616,836
Lucky Co.	226,649	194,406	1,566,833

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

(d) Major shareholders:

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

(14) Segment information

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

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

(Continued)

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:

	<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, rental revenue and others</u>	<u>Adjustments elimination</u>	<u>Total</u>
Three months ended September 30, 2020									
Revenue:									
Revenue from external customers	\$ 2,850,739	119,204	266,466	377,585	894,089	282,559	4,170	-	4,794,812
Inter-segment revenues	<u>45,022</u>	<u>-</u>	<u>1,386</u>	<u>6,949</u>	<u>77,413</u>	<u>3,339</u>	<u>63,608</u>	<u>(197,717)</u>	<u>-</u>
Total revenue	\$ 2,895,761	119,204	267,852	384,534	971,502	285,898	67,778	(197,717)	4,794,812
Reportable segment profit or loss	<u>\$ 452,152</u>	<u>1,011</u>	<u>20,864</u>	<u>35,744</u>	<u>133,267</u>	<u>(31,202)</u>	<u>(51,190)</u>	<u>1,507</u>	562,153
Interest income and other income									53,273
Other gains and losses									10,091
Finance costs									(64,228)
Net income before tax									<u>\$ 561,289</u>

(Continued)

NAMCHOW HOLDINGS CO., LTD. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Edible and non-edible oil products	Detergent products	Frozen dough	Ice cream products	Foods	Catering	Management, rental revenue and others	Adjustments or elimination	Total
Three months ended September 30, 2019									
Revenue from external customers	\$ 2,693,811	134,338	196,880	314,287	879,102	322,014	4,619	-	4,545,051
Inter-segment revenues	35,984	-	474	6,131	85,991	11,787	57,150	(197,517)	-
Total revenue	\$ 2,729,795	134,338	197,354	320,418	965,093	333,801	61,769	(197,517)	4,545,051
Reportable segment profit or loss	<u>\$ 317,937</u>	<u>1,813</u>	<u>6,012</u>	<u>28,081</u>	<u>89,566</u>	<u>(7,921)</u>	<u>(45,582)</u>	<u>(2,918)</u>	386,988
Interest income and other income									49,600
Other gains and losses									(5,299)
Finance costs									(64,118)
Net income before tax									<u>\$ 367,171</u>
	Edible and non-edible oil products	Detergent products	Frozen dough	Ice cream products	Foods	Catering	Management, rental revenue and others	Adjustments or elimination	Total
Nine months ended September 30, 2020									
Revenue:									
Revenue from external customers	\$ 7,366,939	430,570	717,430	878,075	2,598,958	663,175	22,446	-	12,677,593
Inter-segment revenues	122,863	-	3,939	19,572	232,048	12,402	172,703	(563,527)	-
Total revenue	\$ 7,489,802	430,570	721,369	897,647	2,831,006	675,577	195,149	(563,527)	12,677,593
Reportable segment profit or loss	<u>\$ 1,038,014</u>	<u>34,041</u>	<u>30,231</u>	<u>83,453</u>	<u>311,467</u>	<u>(235,010)</u>	<u>(130,450)</u>	<u>(9,802)</u>	1,121,944
Interest income and other income									172,345
Other gains and losses									6,874
Finance costs									(195,591)
Net income before tax									<u>\$ 1,105,572</u>

(Continued)

NAMCHOW HOLDINGS CO., LTD. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Edible and non-edible oil products	Detergent products	Frozen dough	Ice cream products	Foods	Catering	Management, rental revenue and others	Adjustments or elimination	Total
Nine months ended September 30, 2019									
Revenue:									
Revenue from external customers	\$ 8,253,608	397,567	605,246	771,302	2,393,229	994,786	11,486	-	13,427,224
Inter-segment revenues	95,803	-	1,600	18,623	224,060	22,115	179,097	(541,298)	-
Total revenue	\$ 8,349,411	397,567	606,846	789,925	2,617,289	1,016,901	190,583	(541,298)	13,427,224
Reportable segment profit or loss	\$ 1,019,385	14,566	(5,934)	54,120	253,869	(44,168)	(137,114)	6,790	1,161,514
Interest income and other income									159,986
Other gains and losses									(24,547)
Finance costs									(197,162)
Net income before tax									\$ 1,099,791

- (a) For the three months and nine months ended September 30, 2020 and 2019, inter-segment revenues amounted to \$197,717 thousand, \$197,517 thousand, \$563,527 thousand and \$541,298 thousand, respectively, should be eliminated from total revenue.
- (b) For the three months and nine months ended September 30, 2020 and 2019, share of associate profit (loss) under equity method amounted to \$1,507 thousand, \$(2,918) thousand, \$(9,802) thousand and \$6,790 thousand, respectively, should be eliminated.