

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

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Nine Months Ended September 30, 2021 and 2020**

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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.

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## Independent Auditors' Review Report

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

### Introduction

We have reviewed the accompanying consolidated balance sheets of Namchow Holdings Co., Ltd. ("the Company") and its subsidiaries ("the Group") as of September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2021 and 2020, as well as the changes in equity and cash flows for the nine months then ended 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 \$2,225,733 thousand and \$2,841,923 thousand, constituting 7% and 12% of the consolidated total assets; and the total liabilities amounting to \$2,092,367 thousand and \$2,594,565 thousand, constituting 10% and 14% of the consolidated total liabilities as of September 30, 2021 and 2020, respectively; as well as the total comprehensive income (loss) amounting to \$(22,322) thousand, \$(5,466) thousand, \$(50,645) thousand and \$(46,292) thousand, constituting (25)%, (1)%, (18)% and (12)% of the consolidated total comprehensive income (loss) for the three months and nine months ended September 30, 2021 and 2020, 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, 2021 and 2020, and of its consolidated financial performance for the three months and nine months ended September 30, 2021 and 2020, as well as its consolidated cash flows for the nine months ended September 30, 2021 and 2020 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 11, 2021

**Notes to Readers**

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with generally accepted auditing standards as of September 30, 2021 and 2020**

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

**Consolidated Balance Sheets**

**September 30, 2021, December 31 and September 30, 2020**

(Expressed in Thousands of New Taiwan Dollars)

		September 30, 2021		December 31, 2020		September 30, 2020				September 30, 2021		December 31, 2020		September 30, 2020		
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%	
Assets																
Current assets:																
1100	Cash and cash equivalents (note 6(a))	\$ 11,940,080	38	5,721,627	23	5,123,017	21	2100		\$ 3,339,573	11	2,998,640	12	4,131,706	17	
1110	Financial assets at fair value through profit or loss – current (note 6(b))	260,610	1	227,426	1	219,632	1	2110		107,968	-	89,962	-	319,850	1	
								2321		3,996,418	13	3,980,298	16	-	-	
1150	Notes receivable, net (note 6(d))	155,742	-	184,286	1	176,957	1	2322		331,544	1	214,175	1	331,945	1	
1170	Accounts receivable, net (note 6(d))	1,867,137	6	1,556,201	6	1,720,723	7	2130		465,442	2	574,384	2	407,520	2	
1200	Other receivables (note 6(e))	108,317	-	57,140	-	35,786	-	2170		1,180,210	4	1,161,973	5	1,105,233	5	
1220	Current income tax assets	197,266	1	200,582	1	206,182	1	2216		86,606	-	-	-	-	-	
130x	Inventories (note 6(f))	3,069,178	10	2,451,446	10	2,282,757	9	2219		1,357,923	4	1,503,216	6	1,273,951	5	
1410	Prepayments	293,756	1	331,887	1	405,529	2	2230		231,059	1	267,772	1	269,076	1	
1470	Other current assets	51,004	-	66,255	-	97,583	-	2280		151,511	-	192,377	1	200,266	1	
	Total current assets	17,943,090	57	10,796,850	43	10,268,166	42	2399		31,682	-	61,141	-	62,097	-	
Non-current assets:																
										Total current liabilities	11,279,936	36	11,043,938	44	8,101,644	33
1517	Financial assets at fair value through other comprehensive income – non-current (note 6(c))	22,235	-	19,822	-	16,991	-	2530		Non-current liabilities:						
1600	Property, plant and equipment (notes 6(h), 8 and 9)	11,832,619	38	12,749,928	50	12,533,625	51	2540		Bonds payable (note 6(m))	4,846,759	15	-	-	3,974,924	16
1755	Right-of-use assets (notes 6(i) and 7)	946,554	3	1,225,544	5	1,255,385	5	2550		Long-term borrowings (notes 6(l) and 8)	1,837,315	6	4,859,016	19	3,732,375	15
1760	Investment property (note 6(j))	36,755	-	39,813	-	39,625	-	2580		Provision liabilities – non-current (note 6(n))	12,134	-	12,134	-	12,134	-
1805	Goodwill (note 6(k))	105,417	1	105,417	-	105,417	-	2570		Lease liabilities – non-current (notes 6(o) and 7)	607,316	2	859,764	3	876,538	4
1840	Deferred income tax assets	268,556	1	281,628	1	173,354	1	2640		Deferred income tax liabilities	1,326,148	4	1,292,405	5	1,162,932	5
1915	Prepayments for equipment	98,833	-	16,234	-	21,783	-	2670		Net defined benefit liabilities	248,515	1	260,572	1	245,557	1
1990	Other non-current assets (note 8)	87,944	-	105,248	1	105,460	1			Other non-current liabilities	163,564	1	57,266	-	57,159	-
	Total non-current assets	13,398,913	43	14,543,634	57	14,251,640	58			Total non-current liabilities	9,041,751	29	7,341,157	28	10,061,619	41
										Total liabilities	20,321,687	65	18,385,095	72	18,163,263	74
										Equity attributable to shareholders of parent (note 6(r)):						
								3100		Common stock	2,941,330	9	2,941,330	12	2,941,330	12
								3200		Capital surplus	3,462,985	11	1,214,039	5	1,214,045	5
										Retained earnings:						
								3310		Legal reserve	932,166	3	838,824	4	838,824	4
								3320		Special reserve	1,239,224	4	1,286,181	5	1,286,181	5
								3350		Unappropriated earnings	1,754,678	6	1,596,003	6	1,302,733	5
											3,926,068	13	3,721,008	15	3,427,738	14
										Other equity:						
								3410		Financial statement translation differences for foreign operations	(1,179,237)	(4)	(681,563)	(3)	(975,693)	(4)
								3420		Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(42,741)	-	(45,154)	-	(49,247)	-
											(1,221,978)	(4)	(726,717)	(3)	(1,024,940)	(4)
								3500		Treasury stock	(530,114)	(2)	(530,114)	(2)	(530,114)	(2)
										Total equity attributable to shareholders of parent	8,578,291	27	6,619,546	27	6,028,059	25
								36xx		Non-controlling interests (note 6(g))	2,442,025	8	335,843	1	328,484	1
										Total equity	11,020,316	35	6,955,389	28	6,356,543	26
										Total liabilities and equity	\$ 31,342,003	100	25,340,484	100	24,519,806	100
Total assets		\$ 31,342,003	100	25,340,484	100	24,519,806	100									

See accompanying notes to consolidated financial statements.

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

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2021 and 2020

(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			
		2021		2020		2021		2020	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (note 6(t))	\$ 4,909,167	100	4,794,812	100	14,496,108	100	12,677,593	100
5000	Operating costs (notes 6(f), (h), (i), (j), (o), (p) and 9)	3,459,730	70	3,123,018	65	9,886,148	68	8,477,288	67
5900	Gross profit	1,449,437	30	1,671,794	35	4,609,960	32	4,200,305	33
6000	Operating expenses (notes 6(d), (e), (h), (i), (j), (o), (p), (u) and 7):								
6100	Selling expenses	658,259	14	665,377	13	1,936,535	13	1,822,205	14
6200	General and administrative expenses	334,409	7	316,757	7	1,066,499	8	979,097	8
6300	Research and development expenses	71,176	1	123,839	3	273,322	2	265,513	2
6450	Expected credit loss	2,526	-	3,668	-	6,081	-	11,547	-
	Total operating expenses	1,066,370	22	1,109,641	23	3,282,437	23	3,078,362	24
6900	Operating profit	383,067	8	562,153	12	1,327,523	9	1,121,943	9
7000	Non-operating income and expenses (notes 6(c), (j), (o), (v) and 7):								
7100	Interest income	55,155	1	23,991	-	128,636	1	60,367	-
7010	Other income	70,780	1	29,282	1	131,679	1	111,979	1
7020	Other gains and losses	25,510	1	10,091	-	10,505	-	6,874	-
7050	Finance costs	(67,326)	(1)	(64,228)	(1)	(196,511)	(1)	(195,591)	(2)
	Total non-operating income and expenses	84,119	2	(864)	-	74,309	1	(16,371)	(1)
7900	Profit from continuing operations before tax	467,186	10	561,289	12	1,401,832	10	1,105,572	8
7950	Less: Income tax expenses (note 6(q))	152,030	3	212,503	5	518,775	4	438,925	3
	Profit	315,156	7	348,786	7	883,057	6	666,647	5
8300	Other comprehensive income (note 6(r)):								
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(2,557)	-	585	-	2,413	-	(731)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(2,557)	-	585	-	2,413	-	(731)	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	(222,294)	(5)	64,008	1	(608,728)	(4)	(267,048)	(2)
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	(222,294)	(5)	64,008	1	(608,728)	(4)	(267,048)	(2)
8300	Other comprehensive income	(224,851)	(5)	64,593	1	(606,315)	(4)	(267,779)	(2)
	Total comprehensive income	\$ 90,305	2	413,379	8	276,742	2	398,868	3
	Net income attributable to:								
8610	Shareholders of the parent	\$ 253,791	6	333,621	7	793,326	5	640,150	5
8620	Non-controlling interests	61,365	1	15,165	-	89,731	1	26,497	-
	Total Comprehensive income attributable to:	\$ 315,156	7	348,786	7	883,057	6	666,647	5
8710	Shareholders of the parent	\$ 114,312	2	392,522	8	298,065	2	388,885	3
8720	Non-controlling interests	(24,007)	-	20,857	-	(21,323)	-	9,983	-
		\$ 90,305	2	413,379	8	276,742	2	398,868	3
9750	Basic earnings per share (in New Taiwan dollars) (note 6(s))	\$ 1.02		1.35		3.20		2.59	
9850	Diluted earnings per share (in New Taiwan dollars) (note 6(s))	\$ 1.02		1.34		3.19		2.58	

See accompanying notes to financial statements.

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

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Total other equity interest						
	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
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total							
<b>Balance at January 1, 2020</b>	\$ 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	-	-	97,837	-	(97,837)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	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
	-	(15,036)	-	-	-	-	-	-	-	46,746	31,710	-	31,710
<b>Balance at September 30, 2020</b>	<u>\$ 2,941,330</u>	<u>1,214,045</u>	<u>838,824</u>	<u>1,286,181</u>	<u>1,302,733</u>	<u>3,427,738</u>	<u>(975,693)</u>	<u>(49,247)</u>	<u>(1,024,940)</u>	<u>(530,114)</u>	<u>6,028,059</u>	<u>328,484</u>	<u>6,356,543</u>
<b>Balance at January 1, 2021</b>	\$ 2,941,330	1,214,039	838,824	1,286,181	1,596,003	3,721,008	(681,563)	(45,154)	(726,717)	(530,114)	6,619,546	335,843	6,955,389
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	93,342	-	(93,342)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(46,957)	46,957	-	-	-	-	-	-	-	-
Cash dividends of common stock	-	91,760	-	-	(588,266)	(588,266)	-	-	-	-	(496,506)	-	(496,506)
Other changes in capital surplus	-	2,061	-	-	-	-	-	-	-	-	2,061	-	2,061
Net income	-	-	-	-	793,326	793,326	-	-	-	-	793,326	89,731	883,057
Other comprehensive income (loss)	-	-	-	-	-	-	(497,674)	2,413	(495,261)	-	(495,261)	(111,054)	(606,315)
Total comprehensive income (loss)	-	-	-	-	793,326	793,326	(497,674)	2,413	(495,261)	-	298,065	(21,323)	276,742
Changes in non-controlling interests	-	2,155,125	-	-	-	-	-	-	-	-	2,155,125	2,127,505	4,282,630
<b>Balance at September 30, 2021</b>	<u>\$ 2,941,330</u>	<u>3,462,985</u>	<u>932,166</u>	<u>1,239,224</u>	<u>1,754,678</u>	<u>3,926,068</u>	<u>(1,179,237)</u>	<u>(42,741)</u>	<u>(1,221,978)</u>	<u>(530,114)</u>	<u>8,578,291</u>	<u>2,442,025</u>	<u>11,020,316</u>

See accompanying notes to consolidated financial statements.

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

NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2021	2020
<b>Cash flows from operating activities:</b>		
Consolidated net income before tax	\$ 1,401,832	1,105,572
<b>Adjustments:</b>		
Adjustments to reconcile profit and loss:		
Depreciation	817,569	797,441
Expected credit loss	6,081	11,547
Gains on financial assets at fair value through profit or loss	(2,195)	(6,167)
Interest expense	196,511	195,591
Interest income	(128,636)	(60,367)
Dividend income	(1,931)	(9,191)
Losses on disposal of property, plant and equipment	28,135	1,056
Property, plant and equipment transferred to expenses	2,197	1,274
Impairment loss on non-financial assets	-	1,950
Gains on lease modification	(34,634)	(869)
Total adjustments to reconcile profit	883,097	932,265
Changes in assets / liabilities relating to operating activities:		
Changes in operating assets:		
Notes receivable	28,544	(10,843)
Accounts receivables	(316,057)	(157,885)
Other receivables	(51,715)	10,206
Inventories	(616,016)	(59,444)
Prepayments	38,131	(1,714)
Other current assets	15,251	(28,436)
Total changes in operating assets, net	(901,862)	(248,116)
Changes in operating liabilities:		
Contract liabilities	(108,942)	(35,897)
Accounts payable	18,237	136,897
Other payables	(112,929)	(96,836)
Provisions liabilities	-	(3,650)
Other current liabilities	(29,459)	(522)
Net defined benefit liabilities	(12,057)	(5,672)
Total changes in operating liabilities, net	(245,150)	(5,680)
Total changes in operating assets / liabilities, net	(1,147,012)	(253,796)
Total adjustments	(263,915)	678,469
Cash provided by operating activities	1,137,917	1,784,041
Interest income received	128,636	60,367
Dividends received	1,931	1,682
Interest paid	(161,158)	(141,378)
Income taxes paid	(505,357)	(295,371)
<b>Net cash provided by operating activities</b>	<b>601,969</b>	<b>1,409,341</b>
<b>Cash flows from investing activities:</b>		
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	(30,989)	5,103
Acquisition of property, plant and equipment	(417,317)	(936,082)
Proceeds from disposal of property, plant and equipment	2,194	2,871
Decrease in other non-current assets	17,304	1,659
<b>Net cash used in investing activities</b>	<b>(428,808)</b>	<b>(893,039)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	8,455,609	10,521,640
Decrease in short-term borrowings	(8,025,083)	(9,999,322)
Increase in short term commercial paper payable	18,000	319,850
Proceeds from issuance of bonds	5,000,000	-
Proceeds from long-term borrowings	10,487,454	6,730,169
Repayments of long-term borrowings	(13,204,492)	(6,811,740)
Payment of lease liabilities	(163,848)	(157,321)
Increase(decrease) in other non-current liabilities	(2,720)	8,995
Cash dividends paid	(409,900)	(495,022)
Proceeds from disposal of treasury shares	-	31,710
Interest paid	(34,368)	(38,274)
Change in non-controlling interests	4,282,630	-
Overaging unclaimed dividends	2,061	974
<b>Net cash provided by financing activities</b>	<b>6,405,343</b>	<b>111,659</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(360,051)</b>	<b>(128,659)</b>
<b>Net increase in cash and cash equivalents</b>	<b>6,218,453</b>	<b>499,302</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>5,721,627</b>	<b>4,623,715</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 11,940,080</b>	<b>5,123,017</b>

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, 2021 and 2020**

**(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 11, 2021.

#### **(3) New standards, amendments and interpretations adopted:**

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

(Continued)

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

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
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.	January 1, 2023

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

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

(Continued)

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

**(4) Summary of significant accounting policies**

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2020. For the related information, please refer to note 4 of the consolidated financial statement for the year ended December 31, 2020.

**(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, 2021	December 31, 2020	September 30, 2020	
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 3
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 3
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 3
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 3
The Company	Chow Food Biotechnology Co., Ltd. (Chow Food Co.)	Development of biotechnology products	100.00 %	100.00 %	100.00 %	Note 3
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 and 3
Lucky Co.	Namchow (British Virgin Island) Ltd. (Namchow BVI Co.)	Holding of investments	93.00 %	90.39 %	90.39 %	Note 3 and 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 and 3
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 and 3

(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, 2021	December 31, 2020	September 30, 2020	
Namchow BVI Co.	Shanghai Bao Lai Na Company Limited. (Bao Lai Na Co.)	Multinational eateries, and the promotion and management of craft beers	93.00 %	90.39 %	90.39 %	Note 3 and 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 %	
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	81.73 %	96.15 %	96.15 %	Note 4
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.	81.73 %	96.15 %	96.15 %	Note 4
Namchow Food Co.	Tianjin Namchow Food Co., Ltd. (Tianjin Namchow Co.)	Manufacturing, and selling of edible fat	81.73 %	96.15 %	96.15 %	Note 4
Namchow Food Co.	Guangzhou Namchow Food Co., Ltd. (Guangzhou Namchow Co.)	Manufacturing, and selling of edible fat	81.73 %	96.15 %	96.15 %	Note 4
Namchow Food Co.	Chongqing Qiaoxing Co., Ltd. (Chongqing Qiaoxing Co.)	Food packaging, dairy product and product purchasing management and selling	81.73 %	96.15 %	96.15 %	Note 4
Namchow Food Co.	Wuhan Qiaoxing Co., Ltd. (Wuhan Qiaoxing Co.)	The technical service of baking oil and fat product	81.73 %	96.15 %	96.15 %	Note 4
Tianjin Namchow Co.	Tianjin Yoshi Yoshi Food Co., Ltd. (Tianjin Yoshi Yoshi Co.)	Developing , manufacturing, and selling of dairy products and related services	81.73 %	96.15 %	96.15 %	Note 4
Tianjin Yoshi Yoshi Co.	Guangzhou Yoshi Yoshi Food Co., Ltd. (Guangzhou Yoshi Yoshi Co.)	Developing , manufacturing, and selling of dairy products and related services	81.73 %	96.15 %	96.15 %	Note 4

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

Note 4: Namchow Food CO., has submitted the application for A-share listing of the securities market of China, thus the board of directors of the Company has approved the resolution for the subsidiary cash capital increase on April 28, 2021, and the Company ownership percentage to the subsidiary decrease from 96.15% to 81.73%.

Note 5: Namchow BVI Co. has approved the resolution to transfer dividends payable \$64,823 thousand for Lucky Co., to the capital increase on September 26, 2021, and Lucky Co., ownership percentage to the subsidiary increased from 90.39% to 93%.

#### (c) Employee benefits

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

(Continued)

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

(d) Income tax

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

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

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

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

The preparation of the consolidated financial statements is in conformity with IAS 34 "Interim Financial Reporting" endorsed by FSC. The standard requires management to make judgments, estimations and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

During the preparation of the consolidated financial statements, the management adopts similar method used in accounting policy judgments and assumptions which are in conformity with note 5 of the consolidated financial statement for the year ended December 31, 2020.

**(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, 2020. For related information, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2020.

(a) Cash and cash equivalents

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Cash on hand	\$ 11,582	11,862	11,337
Savings and checking deposits	9,807,265	5,075,741	4,885,495
Time deposits	2,099,708	599,008	204,840
Cash equivalents	21,525	35,016	21,345
Total	<u>\$ 11,940,080</u>	<u>5,721,627</u>	<u>5,123,017</u>

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Mandatorily measured at fair value through profit or loss:			
Structured deposits	<u>\$ 260,610</u>	<u>227,426</u>	<u>219,632</u>

(Continued)

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

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

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Equity investments at fair value through other comprehensive income			
Stocks listed on domestic markets	\$ 22,235	19,822	15,726
Stocks unlisted on domestic markets	<u>-</u>	<u>-</u>	<u>1,265</u>
Total	<u>\$ 22,235</u>	<u>19,822</u>	<u>16,991</u>

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

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

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

No strategic investments were disposed for the nine months ended September 30, 2021 and 2020, 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(w).

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

(d) Notes and accounts receivable

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Notes receivable	\$ 155,742	184,286	176,957
Accounts receivable	1,897,214	1,581,183	1,745,892
Less: allowance for impairment	<u>30,077</u>	<u>24,982</u>	<u>25,169</u>
	<u>\$ 2,022,879</u>	<u>1,740,487</u>	<u>1,897,680</u>

(Continued)

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

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

	<b>September 30, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average expected credit loss rate (%)</b>	<b>Loss allowance provision</b>
Not overdue	\$ 1,899,309	0~0.87	5,945
Overdue 1~30 days	95,962	0.17~13.69	2,560
Overdue 31~60 days	33,634	0.38~61.45	3,125
Overdue 61~90 days	2,907	26.87~100.00	1,697
Overdue 91~180 days	8,703	36.60~100.00	5,102
Overdue 181~365 days	886	93.29	644
Overdue 365 days past due	11,555	100.00	11,555
	<b>\$ 2,052,956</b>		<b>30,628</b>
	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average expected credit loss rate (%)</b>	<b>Loss allowance provision</b>
Not overdue	\$ 1,638,302	0~0.74	4,654
Overdue 1~30 days	94,974	0.34~12.37	3,049
Overdue 31~60 days	8,144	0.77~62.26	985
Overdue 61~90 days	846	0.00~100.00	228
Overdue 91~180 days	18,412	0.00~100.00	11,896
Overdue 181~365 days	2,153	96.13	2,069
Overdue 365 days past due	2,638	100.00	2,638
	<b>\$ 1,765,469</b>		<b>25,519</b>

(Continued)

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

	<b>September 30, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average expected credit loss rate (%)</b>	<b>Loss allowance provision</b>
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
	<b>\$ 1,922,849</b>		<b>25,169</b>

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

	<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Balance on January 1	\$ 24,982	14,913
Impairment losses recognized	5,531	11,632
Amounts written off	(26)	(1,279)
Effect of changes in exchange rates	(410)	(97)
Balance on September 30	<b>\$ 30,077</b>	<b>25,169</b>

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

(e) Other receivables

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Other receivables	\$ 109,398	57,683	36,083
Less: loss allowance	1,081	543	297
	<b>\$ 108,317</b>	<b>57,140</b>	<b>35,786</b>

The Group's other receivables which were overdue on September 30, 2021, December 31 and September 30, 2020, have been assessed for impairment losses.

(Continued)



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

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

	<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Balance on January 1	\$ 543	385
Impairment loss recognized	550	(85)
Effect of changes in exchange rates	(12)	(3)
Balance on September 30	<u><u>\$ 1,081</u></u>	<u><u>297</u></u>

(f) Inventories

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Merchandise	\$ 55,859	46,776	53,227
Finished goods	1,230,066	1,014,130	926,035
Work in progress	135,181	114,654	124,508
Raw materials	941,745	718,982	691,176
Supplies	469,350	377,610	391,880
Goods in transit	236,977	179,294	95,931
Total	<u><u>\$ 3,069,178</u></u>	<u><u>2,451,446</u></u>	<u><u>2,282,757</u></u>

As of September 30, 2021, December 31 and September 30, 2020, the Group's inventories were not provided as pledged assets.

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

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Loss on (reversal of) decline in market value of inventory	\$ (4,542)	(5,703)	2,363	6,562
Loss (gain) on physical count, net	(1,032)	545	362	2,254
Loss on scrap of inventory	1,012	7,194	1,398	8,896
Income from sale of scrap	(4,096)	(4,631)	(12,076)	(11,481)
Total	<u><u>\$ (8,658)</u></u>	<u><u>(2,595)</u></u>	<u><u>(7,953)</u></u>	<u><u>6,231</u></u>

(Continued)

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

(g) Material non-controlling interests of subsidiaries

Name of subsidiary	The main operating place / register country	Proportion of Non-controlling interests		
		September 30, 2021	December 31, 2020	September 30, 2020
Namchow Food CO.	China	18.27 %	3.85 %	3.85 %

The following information of the aforementioned subsidiary has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in this information is the fair value adjustment made during the acquisition and the relevant difference in accounting principles between the Group and its subsidiary as at the acquisition date. Intra-group transactions were not eliminated in this information.

Summary of financial information of Namchow Food CO.

	September 30, 2021	December 31, 2020	September 30, 2020
Current assets	\$ 12,489,059	7,382,593	6,817,390
Non-current assets	5,375,044	5,580,568	5,408,482
Current liabilities	(4,203,996)	(4,118,873)	(3,604,817)
Non-current liabilities	(339,156)	(350,955)	(351,288)
Net assets	<u>\$ 13,320,951</u>	<u>8,493,333</u>	<u>8,269,767</u>
Non-controlling interests	<u>\$ 2,433,635</u>	<u>326,667</u>	<u>318,068</u>

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Revenue	<u>\$ 2,973,970</u>	<u>2,670,601</u>	<u>8,883,909</u>	<u>6,840,501</u>
Net income	\$ 335,663	369,705	1,182,337	857,270
Other comprehensive income (loss)	-	-	-	-
Total comprehensive income (loss)	<u>\$ 335,663</u>	<u>369,705</u>	<u>1,182,337</u>	<u>857,270</u>
Total net income attributable to non-controlling interests	<u>\$ 62,200</u>	<u>14,219</u>	<u>94,764</u>	<u>32,985</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 62,200</u>	<u>14,219</u>	<u>94,764</u>	<u>32,985</u>

	For the nine months ended September 30	
	2021	2020
Net Cash flow from operating activities	\$ 284,828	1,214,887
Net Cash flow used in investing activities	(72,680)	(174,335)
Cash flow from (used in) financing activities	4,442,674	(79,138)
Effect of exchange rate changes on cash and cash equivalents	187	207
Increase in cash and cash equivalents	<u>\$ 4,655,009</u>	<u>961,621</u>

(Continued)

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

(h) 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, 2021	\$ 2,887,928	6,690,798	7,318,881	4,239,438	310,058	21,447,103
Additions	-	11,784	27,420	87,577	134,671	261,452
Disposals	-	(100)	(1,351)	(78,270)	(229)	(79,950)
Reclassification	-	33,248	51,478	88,779	(161,975)	11,530
Effect of changes in exchange rates	(89,536)	(260,478)	(349,622)	(86,611)	(29,906)	(816,153)
Balance at September 30, 2021	<u>\$ 2,798,392</u>	<u>6,475,252</u>	<u>7,046,806</u>	<u>4,250,913</u>	<u>252,619</u>	<u>20,823,982</u>
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>
Depreciation and impairment loss:						
Balance at January 1, 2021	\$ 31,953	1,660,692	4,219,386	2,785,144	-	8,697,175
Depreciation	-	155,334	237,505	242,801	-	635,640
Disposal	-	(100)	(1,144)	(48,377)	-	(49,621)
Reclassification	-	-	(22)	630	-	608
Effect of changes in exchange rates	-	(42,746)	(196,535)	(53,158)	-	(292,439)
Balance at September 30, 2021	<u>\$ 31,953</u>	<u>1,773,180</u>	<u>4,259,190</u>	<u>2,927,040</u>	<u>-</u>	<u>8,991,363</u>
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>
Carrying value:						
January 1, 2021	<u>\$ 2,855,975</u>	<u>5,030,106</u>	<u>3,099,495</u>	<u>1,454,294</u>	<u>310,058</u>	<u>12,749,928</u>
September 30, 2021	<u>\$ 2,766,439</u>	<u>4,702,072</u>	<u>2,787,616</u>	<u>1,323,873</u>	<u>252,619</u>	<u>11,832,619</u>
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>

(i) Impairment loss and subsequent reversal

For the nine months ended September 30, 2021 and 2020, the Group did not have any significant impairment or reversal on property, plant and equipment. For other relative information, please refers to note 6(g) of the consolidated financial statements for the year ended December 31, 2020.

(ii) Collateral

Please refer to note 8 for information on pledged property, plant and equipment as of September 30, 2021, December 31 and September 30, 2020.

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

(i) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2021	\$ 331,660	1,371,586	83,425	1,786,671
Additions	-	150,532	7,715	158,247
Modification	-	(406,043)	(3,572)	(409,615)
Reclassification	-	-	(1,921)	(1,921)
Effect of changes in exchange rates	(5,455)	(19,459)	(1,463)	(26,377)
Balance at September 30, 2021	<u>\$ 326,205</u>	<u>1,096,616</u>	<u>84,184</u>	<u>1,507,005</u>
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>
Accumulated depreciation:				
Balance at January 1, 2021	\$ 85,663	447,082	28,382	561,127
Depreciation	5,193	155,203	19,113	179,509
Modification	-	(168,045)	(2,229)	(170,274)
Reclassification	-	-	(622)	(622)
Effect of changes in exchange rates	(1,445)	(7,580)	(264)	(9,289)
Balance at September 30, 2021	<u>\$ 89,411</u>	<u>426,660</u>	<u>44,380</u>	<u>560,451</u>
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>
Carrying value:				
January 1, 2021	<u>\$ 245,997</u>	<u>924,504</u>	<u>55,043</u>	<u>1,225,544</u>
September 30, 2021	<u>\$ 236,794</u>	<u>669,956</u>	<u>39,804</u>	<u>946,554</u>
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>

(j) Investment property

	<u>Buildings</u>
Cost:	
Balance as at January 1, 2021	\$ 72,387
Effect of changes in exchange rates	(1,190)
Balance as at September 30, 2021	<u>\$ 71,197</u>
Balance as at January 1, 2020	\$ 71,197
Effect of changes in exchange rates	(596)
Balance as at September 30, 2020	<u>\$ 70,601</u>

(Continued)

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

	<u><b>Buildings</b></u>
Depreciation:	
Balance as at January 1, 2021	\$ 32,574
Depreciation	2,420
Effect of changes in exchange rates	(552)
Balance as at September 30, 2021	<u><u>\$ 34,442</u></u>
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>
Carrying value:	
Balance as at January 1, 2021	<u><u>\$ 39,813</u></u>
Balance as at September 30, 2021	<u><u>\$ 36,755</u></u>
Balance as at January 1, 2020	<u><u>\$ 42,362</u></u>
Balance as at September 30, 2020	<u><u>\$ 39,625</u></u>
Fair value:	
Balance as at January 1, 2021	<u><u>\$ 75,420</u></u>
Balance as at September 30, 2021	<u><u>\$ 74,353</u></u>
Balance as at January 1, 2020	<u><u>\$ 75,420</u></u>
Balance as at September 30, 2020	<u><u>\$ 75,629</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(v) 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><b>Region</b></u>	<u><b>September 30, 2021</b></u>	<u><b>September 30, 2020</b></u>
Xuhui Dist., Shanghai	3.97%	3.97%

As of September 30, 2021, December 31 and September 30, 2020, the Group's investment properties were not provided as pledged assets.

(k) 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>

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

The cost and accumulated amortization was as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Cost	\$ 149,780	149,780	149,780
Less: Accumulated amortization	44,363	44,363	44,363
Carrying value	<u>\$ 105,417</u>	<u>105,417</u>	<u>105,417</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the nine months ended September 30, 2021 and 2020. For related information, please refer to note 6(j) of the consolidated financial statements for the year ended December 31, 2020.

(l) 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, 2021				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	RMB	2.95~3.95	2021~2022	\$ 2,384,337
Unsecured loans	USD	0.73	2021	16,236
Unsecured loans	TWD	0.65~0.94	2021	452,205
Unsecured loans	JPY	0.58~0.98	2021~2022	486,795
Total				<u>\$ 3,339,573</u>

  

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

(Continued)

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

<b>September 30, 2020</b>				
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
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	2,924
Total				<b>\$ 4,131,706</b>

As of September 30, 2021, December 31 and September 30, 2020, the unused credit facilities amounted to \$13,564,766 thousand, \$17,885,356 thousand and \$14,194,672 thousand, respectively.

(ii) Short-term commercial paper payable

<b>September 30, 2021</b>				
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Commercial paper payable	TWD	0.63~0.73	2021	\$ 108,000
Discount				(32)
Total				<b>\$ 107,968</b>

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

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

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

As of September 30, 2021, December 31 and September 30, 2020, the unused credit facilities amounted to \$530,000 thousand, \$640,000 thousand and \$430,000 thousand, respectively.

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

(iii) Long-term borrowings

<b>September 30, 2021</b>				
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Secured loans	JPY	1.275	2038~2039	\$ 933,856
Unsecured loans	JPY	0.93545	2023	37,350
Unsecured loans	THB	1.92	2025	497,040
Unsecured loans	TWD	1.0267~1.0900	2023	500,000
Unsecured loans	RMB	3.8000~4.7500	2022~2023	200,613
Total				<b>\$ 2,168,859</b>
Current				\$ 331,544
Non-current				1,837,315
Total				<b>\$ 2,168,859</b>

  

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

(Continued)



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

	<b>September 30, 2020</b>			
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
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				<b>\$ 4,064,320</b>
Current				\$ 331,945
Non-current				3,732,375
Total				<b>\$ 4,064,320</b>

As of September 30, 2021, December 31 and September 30, 2020, the unused credit facilities amounted to \$6,547,125 thousand, \$2,920,966 thousand and \$3,485,197 thousand, respectively.

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

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

(m) Bonds payable

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Secured bonds	\$ 9,000,000	4,000,000	4,000,000
Less: discounts on bonds payable	156,823	19,702	25,076
Less: current portion of bonds payable	3,996,418	3,980,298	-
Total	<b>\$ 4,846,759</b>	<b>-</b>	<b>3,974,924</b>

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

- (ii) As August 11, 2021, the Group issued its 1st domestic secured bonds, and its major obligations are as follows:

<b>Item</b>	<b>110-1 Secured Bonds (Tranche A)</b>
1) Issue date	August 11, 2021
2) Issue period	5 years, commencing from August 11, 2021 and matured on August 11, 2026.
3) Offering amount	3,000,000 thousand
4) Denomination	Issued by par value, each value at 10 million, and total of 300 bonds
5) Coupon Rate	Annual interest rate 0.47%
6) Repayment	Bullet repayment at an amount equal to the principal amount of the Bonds
7) Interest Payment	According to coupon rate. Interest is payable annually.
8) Way of guarantee	Commissioned by the First Commercial Bank Co., Ltd. as a guarantee institution

  

<b>Item</b>	<b>110-1 Secured Bonds (Tranche B)</b>
1) Issue date	August 11, 2021
2) Issue period	7 years, commencing from August 11, 2021 and matured on August 11, 2028.
3) Offering amount	2,000,000 thousand
4) Denomination	Issued by par value, each value at 10 million, and total of 200 bonds
5) Coupon Rate	Annual interest rate 0.53%
6) Repayment	Bullet repayment at an amount equal to the principal amount of the Bonds
7) Interest Payment	According to coupon rate. Interest is payable annually.
8) Way of guarantee	Commissioned by the First Commercial Bank Co., Ltd. as a guarantee institution

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

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

<b>Item</b>	<b>105-1 Secured Bonds (Tranche A)</b>
1) Issue date	November 29, 2016
2) Issue period	5 years, commencing from November 29, 2016 and matured on November 29, 2021.
3) Offering amount	4,000,000 thousand
4) Denomination	Issued by par value, each value at 10 million, and total of 400 bonds
5) Coupon Rate	Annual interest rate 0.75%
6) Repayment	Bullet repayment at an amount equal to the principal amount of the Bonds
7) Interest Payment	According to coupon rate. Interest is payable annually.
8) Way of guarantee	Commissioned by the First Commercial Bank Co., Ltd. as a guarantee institution

- (n) Provisions

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Site restoration	\$ <u><u>12,134</u></u>	<u><u>12,134</u></u>	<u><u>12,134</u></u>

For the nine months ended September 30, 2021 and 2020, 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, 2020.

- (o) Lease liabilities

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Current	\$ <u><u>151,511</u></u>	<u><u>192,377</u></u>	<u><u>200,266</u></u>
Non-current	\$ <u><u>607,316</u></u>	<u><u>859,764</u></u>	<u><u>876,538</u></u>

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

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

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Interest on lease liabilities	<u>\$ 9,758</u>	<u>12,180</u>	<u>34,368</u>	<u>38,093</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 4,143</u>	<u>8,082</u>	<u>27,605</u>	<u>29,288</u>
Income from sub-leasing right-of-use assets	<u>\$ (309)</u>	<u>-</u>	<u>(926)</u>	<u>(613)</u>
Expenses relating to short-term leases	<u>\$ 10,020</u>	<u>32,759</u>	<u>52,826</u>	<u>95,973</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 1,997</u>	<u>988</u>	<u>5,368</u>	<u>4,828</u>

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

	<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Total cash outflow for leases	<u>\$ 283,089</u>	<u>324,890</u>

(p) 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, 2020 and 2019.

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

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Operating costs	<u>\$ 1,240</u>	<u>1,062</u>	<u>3,884</u>	<u>3,213</u>
Operating expenses	<u>1,143</u>	<u>1,099</u>	<u>3,546</u>	<u>15,256</u>
Total	<u>\$ 2,383</u>	<u>2,161</u>	<u>7,430</u>	<u>18,469</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:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Operating costs	\$ 14,886	9,459	44,889	27,984
Operating expenses	26,897	18,922	80,479	53,302
Total	<u>\$ 41,783</u>	<u>28,381</u>	<u>125,368</u>	<u>81,286</u>

(q) 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:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Current tax expenses				
Current period	\$ 87,333	226,100	475,096	446,872
Adjustment for prior period	-	(37,664)	(3,136)	(37,664)
	<u>87,333</u>	<u>188,436</u>	<u>471,960</u>	<u>409,208</u>
Deferred tax benefit				
Origination and reversal of temporary differences	64,697	24,067	46,815	29,717
Income tax on continuing operations	<u>\$ 152,030</u>	<u>212,503</u>	<u>518,775</u>	<u>438,925</u>

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**

(r) Capital and other equity

Except for those mentioned below, there were no significant changes in capital for the nine months ended September 30, 2021 and 2020. Please refer to note 6(r) to the consolidated financial statements for the year ended December 31, 2020, for related information.

(i) Capital surplus

The components of capital surplus were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Share premium	\$ 1,280	1,280	1,280
Overaging unclaimed dividends	4,868	2,807	2,813
Treasury stock	1,183,820	1,092,060	1,092,060
Recognize changes in all equity in subsidiaries	2,273,017	117,892	117,892
	<u>\$ 3,462,985</u>	<u>1,214,039</u>	<u>1,214,045</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.

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**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, 2021, December 31 and September 30, 2020.

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 July 15, 2021 and June 30, 2020, the Company's shareholder meeting resolved to appropriate the 2020 and 2019 other earnings, respectively. These other earnings were appropriated as follows:

	<u>2020</u>	<u>2019</u>
	<u>March 12, 2021</u>	<u>March 26, 2020</u>
Date resolved by Board of Directors		
Dividends distributed to common shareholders:		
Cash	\$ <u>588,266</u>	<u>586,782</u>
Dividend Payout (dollars)	\$ <u><u>2</u></u>	<u><u>2</u></u>

(iii) Treasury stock

None shares were purchased by the Company and its subsidiaries during the nine months ended September 30, 2021 and 2020. The reason is that the subsidiaries held by long-term of the Company shares previous years. As of September 30, 2021, December 31 and September 30, 2020, the subsidiaries held the Company's shares as follows:

	<u>September 30, 2021</u>				
<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	49.05	11.51	\$ <u>2,258,324</u>	<u>530,114</u>

(Continued)

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

<u>Subsidiary name</u>	<u>December 31, 2020</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	47.00	11.51	<u>\$ 2,163,939</u>	<u>530,114</u>

  

<u>Subsidiary name</u>	<u>September 30, 2020</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>

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

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

(iv) Other equities (net for tax)

	<u>Foreign exchange differences arising from foreign operations</u>	<u>Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income</u>	<u>Non-controlling interests</u>	<u>Total</u>
Balance as of January 1, 2021	\$ (681,563)	(45,154)	162,100	(564,617)
Foreign exchange differences arising from foreign operations	(344,798)	-	(111,054)	(455,852)
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	(152,876)	-	-	(152,876)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	1,957	-	1,957
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, subsidiaries accounted for using equity method	-	456	-	456
Balance as of September 30, 2021	<u>\$ (1,179,237)</u>	<u>(42,741)</u>	<u>51,046</u>	<u>(1,170,932)</u>
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)
Disposal of investments in equity instruments designed 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>

(Continued)



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

(s) 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, 2021 and 2020, 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	
	2021	2020	2021	2020
Net income attributable to common shareholders of the Company	\$ <u>253,791</u>	<u>333,621</u>	<u>793,326</u>	<u>640,150</u>
Weighted-average number of common shares	<u>248,092</u>	<u>247,963</u>	<u>248,092</u>	<u>247,554</u>
Basic earnings per share (in NT dollars)	\$ <u>1.02</u>	<u>1.35</u>	<u>3.20</u>	<u>2.59</u>

ii) Diluted earnings per share

	For the three months ended September 30		Unit: thousand of shares For the nine months ended September 30	
	2021	2020	2021	2020
Net income attributable to common shareholders of the Company (diluted)	\$ <u>253,791</u>	<u>333,621</u>	<u>793,326</u>	<u>640,150</u>
Weighted-average number of common shares (basic)	248,092	247,963	248,092	247,554
Impact of potential common shares:				
Effect of employees' remuneration	<u>191</u>	<u>179</u>	<u>251</u>	<u>271</u>
Weighted-average number of shares outstanding (diluted)	<u>248,283</u>	<u>248,142</u>	<u>248,343</u>	<u>247,825</u>
Diluted earnings per share (in NT dollars)	\$ <u>1.02</u>	<u>1.34</u>	<u>3.19</u>	<u>2.58</u>

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

**Notes to the Consolidated Financial Statements**

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

For the three months ended September 30, 2021								
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	\$ 2,680,677	-	293,337	-	1,942	103,228	11,162	3,090,346
Taiwan	271,173	125,552	96,756	394,502	127,298	50,041	23,797	1,089,119
Thailand	-	-	-	-	51,349	-	338	51,687
New Zealand and Australia	-	-	-	-	269,378	-	-	269,378
United states	-	-	-	-	193,900	-	-	193,900
Europe	-	-	-	-	151,507	-	-	151,507
Others	6,135	-	-	-	54,037	3,058	-	63,230
	<u>\$ 2,957,985</u>	<u>125,552</u>	<u>390,093</u>	<u>394,502</u>	<u>849,411</u>	<u>156,327</u>	<u>35,297</u>	<u>4,909,167</u>

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

**Notes to the Consolidated Financial Statements**

	For the three 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	\$ 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
	<b>\$ 2,850,739</b>	<b>119,204</b>	<b>266,466</b>	<b>377,585</b>	<b>894,089</b>	<b>282,559</b>	<b>4,170</b>	<b>4,794,812</b>

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

**Notes to the Consolidated Financial Statements**

	For the nine months ended September 30, 2021							
	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	\$ 8,213,599	-	697,094	-	7,622	383,595	27,236	9,329,146
Taiwan	813,216	365,140	330,718	943,851	355,103	222,253	32,629	3,062,910
Thailand	-	-	-	-	143,600	-	1,027	144,627
New Zealand and Australia	-	-	-	-	762,121	-	-	762,121
United states	-	-	-	-	542,344	-	250	542,594
Europe	-	-	-	-	446,013	-	-	446,013
Others	15,187	-	-	-	184,859	8,651	-	208,697
	<b>\$ 9,042,002</b>	<b>365,140</b>	<b>1,027,812</b>	<b>943,851</b>	<b>2,441,662</b>	<b>614,499</b>	<b>61,142</b>	<b>14,496,108</b>

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

**Notes to the Consolidated Financial Statements**

For the nine months ended September 30, 2020								
	<b>Edible and non- edible oil products</b>	<b>Detergent products</b>	<b>Frozen dough</b>	<b>Ice cream products</b>	<b>Foods</b>	<b>Catering</b>	<b>Management, rental revenue and others</b>	<b>Total</b>
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
	<b>\$ 7,366,939</b>	<b>430,570</b>	<b>717,430</b>	<b>878,075</b>	<b>2,598,958</b>	<b>663,175</b>	<b>22,446</b>	<b>12,677,593</b>

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

(ii) Contract balance

	September 30, 2021	December 31, 2020	September 30, 2020
Contract liability	\$ <u>465,442</u>	<u>574,384</u>	<u>407,520</u>

The amount of revenue recognized (reversed) for the nine months ended September 30, 2021 and 2020, that was included in the contract liability balance at the beginning of the period was \$547,378 thousand and \$344,457 thousand, respectively.

(u) 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, 2021 and 2020, the estimated amounts of employees' compensation were \$2,814 thousand, \$3,936 thousand, \$9,357 thousand and \$7,527 thousand, respectively, and the estimated amounts of directors' remuneration were \$12,664 thousand, \$17,711 thousand, \$42,107 thousand and \$33,871 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 \$11,065 thousand and \$11,812 thousand, as well as its directors' \$44,261 thousand and \$47,248 thousand for the years 2020 and 2019, respectively. The estimated amounts mentioned above are based on the net profit before tax of each respective ending period, multiplied by the percentage of the remuneration to employees and directors as specified in the Company's article. The estimations are recorded under operating expenses and cost. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2020 and 2019. The aforementioned remuneration to employees and directors is consistent to the estimated amounts disclosed in the Company's consolidated financial statements for the years ended December 31, 2020 and 2019.

(v) Non-operating income and expenses

(i) Interest income

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Interest income from bank deposits	\$ <u>55,155</u>	<u>23,991</u>	<u>128,636</u>	<u>60,367</u>

(Continued)

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

(ii) Other income

	<b>For the three months ended September 30</b>		<b>For the three months ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Rental income	\$ 2,542	2,168	7,233	6,506
Dividend income	1,931	1,171	1,931	9,191
Other income—other				
Government grants	51,985	14,571	84,082	55,062
Others	<u>14,322</u>	<u>11,372</u>	<u>38,433</u>	<u>41,220</u>
Total other income—Other	<u>66,307</u>	<u>25,943</u>	<u>122,515</u>	<u>96,282</u>
Total other income	<u><b>\$ 70,780</b></u>	<u><b>29,282</b></u>	<u><b>131,679</b></u>	<u><b>111,979</b></u>

(iii) Other gains and losses

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Gains (losses) on disposal of property, plant and equipment	\$ 334	184	(28,135)	(1,056)
Gains (losses) on lease modification	34,621	(91)	34,634	869
Gains foreign exchange	23,954	17,196	53,647	13,926
Gains on financial assets at fair value through profit or loss	2,195	2,176	2,195	6,167
Recognize impairment loss	-	6	-	(1,950)
Others	<u>(35,594)</u>	<u>(9,380)</u>	<u>(51,836)</u>	<u>(11,082)</u>
Net other gains and losses	<u><b>\$ 25,510</b></u>	<u><b>10,091</b></u>	<u><b>10,505</b></u>	<u><b>6,874</b></u>

(iv) Finance costs

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Interest expense	<u><b>\$ 67,326</b></u>	<u><b>64,228</b></u>	<u><b>196,511</b></u>	<u><b>195,591</b></u>

(w) 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, 2020.

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

(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
<b>September 30, 2021</b>						
Non-derivative financial liabilities						
Secured loans	\$ 933,856	1,040,542	59,395	118,789	178,184	684,174
Unsecured loans	4,574,576	4,742,934	3,730,114	727,866	284,954	-
Short-term commercial paper payable	107,968	108,000	108,000	-	-	-
Accounts payable	1,180,210	1,180,210	1,180,210	-	-	-
Dividends payable	86,606	86,606	86,606	-	-	-
Other payables	1,357,923	1,357,923	1,357,923	-	-	-
Bonds payable(including current portion)	8,843,177	9,000,000	4,000,000	-	-	5,000,000
Lease liabilities	758,827	871,799	181,531	174,163	325,550	190,555
Guarantee deposits received	50	50	50	-	-	-
	<u>\$ 17,843,193</u>	<u>18,388,064</u>	<u>10,703,829</u>	<u>1,020,818</u>	<u>788,688</u>	<u>5,874,729</u>
<b>December 31, 2020</b>						
Non-derivative financial liabilities						
Secured loans	\$ 1,663,554	1,796,905	50,636	739,933	197,720	808,616
Unsecured loans	6,408,277	6,564,476	3,215,045	1,946,806	1,402,625	-
Short-term commercial paper payable	89,962	90,000	90,000	-	-	-
Accounts payable	1,161,973	1,161,973	1,161,973	-	-	-
Other payables	1,503,216	1,503,216	1,503,216	-	-	-
Bonds payable	3,980,298	4,000,000	4,000,000	-	-	-
Lease liabilities	1,052,141	1,235,604	234,620	232,814	400,723	367,447
Guarantee deposits received	50	50	50	-	-	-
	<u>\$ 15,859,471</u>	<u>16,352,224</u>	<u>10,255,540</u>	<u>2,919,553</u>	<u>2,001,068</u>	<u>1,176,063</u>
<b>September 30, 2020</b>						
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>

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

	<b>Foreign currency</b>	<b>Exchange rate</b>	<b>TWD</b>
<b>September 30, 2021</b>			
Financial assets:			
Monetary assets:			
USD	\$ 4,240	27.85	118,072
Financial liabilities:			
Monetary liabilities:			
USD	\$ 1,649	27.85	45,918
EUR	10,127	32.32	327,310
<b>December 31, 2020</b>			
Financial assets:			
Monetary assets:			
USD	\$ 2,391	28.48	68,104
Financial liabilities:			
Monetary liabilities:			
USD	\$ 10,704	28.48	304,842
EUR	5,399	35.02	189,058
<b>September 30, 2020</b>			
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

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, 2021 and 2020 would have increased (decreased) the net income after tax for the nine months ended September 30, 2021 and 2020 by \$2,552 thousand and \$3,794 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, 2021 and 2020, foreign exchange gains (losses) (including realized and unrealized abortions) amounted to \$23,954 thousand, \$17,196 thousand, \$53,647 thousand and \$13,926 thousand, respectively.

(Continued)

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

(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 \$25,565 thousand and \$59,934 thousand for the nine months ended September 30, 2021 and 2020, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing and time deposits at floating rates.

(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, 2021				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 260,610	-	260,610	-	260,610
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	22,235	22,235	-	-	22,235
<b>Total</b>	<b>\$ 282,845</b>	<b>22,235</b>	<b>260,610</b>	<b>-</b>	<b>282,845</b>

(Continued)

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

		December 31, 2020				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss						
Non derivative financial assets mandatorily measured at fair value through profit or loss						
	\$	227,426	-	227,426	-	227,426
Financial assets at fair value through other comprehensive income						
Stocks listed on domestic markets						
		19,822	19,822	-	-	19,822
Total	\$	247,248	19,822	227,426	-	247,248
		September 30, 2020				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss						
Non derivative financial assets mandatorily measured at fair value through profit or loss						
	\$	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		16,991	15,726	-	1,265	16,991
Total	\$	236,623	15,726	219,632	1,265	236,623

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.

(Continued)

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

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, 2021 and 2020.

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**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 and liquidation	(25,901)
September 30, 2020	<u>\$ 1,265</u>

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"> <li>Multiplier of price-to-earnings ratio (As of September 30, 2020 was 0.93)</li> <li>Market illiquidity discount rate (As of September 30, 2020 was 20%)</li> </ul>	<p>The estimated fair value would increase (decrease) if</p> <ul style="list-style-type: none"> <li>the multiplier were higher (lower)</li> <li>the market illiquidity discount were lower (higher)</li> </ul>

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:

	Input	Assumptions	Other comprehensive income	
			Favorable	Unfavorable
<b>September 30, 2020</b>				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	5%	81	(81)

(Continued)

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

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

(x) Financial risk management

The objective and policies of the consolidated company are identical to those disclosed in note 6(w) of the consolidated financial statement for the year ended 2020.

(y) 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, 2020; 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, 2020. For related information, please refer to note 6(x) of the consolidated financial statements for the year ended December 31, 2020.

(z) 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, 2021 and 2020.

(aa) The reconciliation of liabilities arising from financing activities

For the nine months ended September 30, 2021 and 2020, the reconciliation of liabilities arising from financing activities were as follows:

	<b>January 1, 2021</b>	<b>Cash flows</b>	<b>Non-cash changes</b>		<b>September 30, 2021</b>
			<b>Foreign exchange movement</b>	<b>Others</b>	
Short-term borrowings	\$ 2,998,640	430,526	(89,593)	-	3,339,573
Short-term commercial paper payable	89,962	18,000	-	6	107,968
Bonds payable (including current portion)	3,980,298	5,000,000	-	(137,121)	8,843,177
Long-term borrowings (including current portion)	5,073,191	(2,717,038)	(187,294)	-	2,168,859
Lease liabilities	1,052,141	(198,216)	(13,738)	(81,360)	758,827
Total liabilities from financing activities	<u>\$ 13,194,232</u>	<u>2,533,272</u>	<u>(290,625)</u>	<u>(218,475)</u>	<u>15,218,404</u>

  

	<b>January 1, 2020</b>	<b>Cash flows</b>	<b>Non-cash changes</b>		<b>September 30, 2020</b>
			<b>Foreign exchange movement</b>	<b>Others</b>	
Short-term borrowings	\$ 3,642,940	522,318	(33,552)	-	4,131,706
Short-term commercial paper payable	-	319,850	-	-	319,850
Long-term borrowings (including current portion)	4,161,407	(81,571)	(15,516)	-	4,064,320
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>

(Continued)

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

**(7) Related-party transactions**

(a) Names and relationship with related parties

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

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. For the nine months ended September 30, 2021 and 2020, the Group recognized the amount of \$29 thousand, \$6 thousand, \$103 thousand and \$36 thousand as interest expense, respectively. As of September 30, 2021, December 31 and September 30, 2020, the balance of lease liabilities amounted to \$10,395 thousand, \$0 thousand and \$2,090 thousand, respectively.

(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	
	2021	2020	2021	2020
Short-term employee benefits	\$ 27,795	35,087	123,116	116,792
Post-employments benefits	300	704	1,161	1,698
	<u>\$ 28,095</u>	<u>35,791</u>	<u>124,277</u>	<u>118,490</u>

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

Pledged assets	Object	September 30, 2021	December 31, 2020	September 30, 2020
Other non-current assets:				
Time deposits	Operating lease deposits	\$ -	-	124
Property, plant and equipment:				
Land	Long-term borrowings	1,797,929	1,802,421	1,786,861
Buildings	Long-term borrowings	864,458	805,826	831,385
		<u>\$ 2,662,387</u>	<u>2,608,247</u>	<u>2,618,370</u>

(Continued)

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

**(9) Commitments and contingencies**

(a) Major contracts not recognized the commitment:

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

	September 30, 2021	December 31, 2020	September 30, 2020
Acquisition of property, plant and equipment	\$ <u>120,728</u>	<u>26,139</u>	<u>86,854</u>

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

	September 30, 2021	December 31, 2020	September 30, 2020
Unused letters of credit for purchases of materials	\$ <u>802,497</u>	<u>966,951</u>	<u>1,244,843</u>

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

	September 30, 2021	December 31, 2020	September 30, 2020
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, 2021
One year	\$ 776
Less than five years	3,103
More than five years	<u>2,392</u>
	<u>\$ 6,271</u>

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

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events: None.**

(Continued)



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

**(12) Other**

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

By function By nature	Three months ended September 30, 2021			Three months ended September 30, 2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	242,321	345,399	587,720	262,646	371,141	633,787
Labor and health insurance	78,010	39,246	117,256	87,838	34,699	122,537
Pension	16,126	28,040	44,166	10,521	20,021	30,542
Remuneration of directors	-	13,976	13,976	-	18,766	18,766
Others	14,534	23,656	38,190	16,087	23,669	39,756
Depreciation (note 1)	163,521	97,669	261,190	177,415	89,227	266,642
Amortization	-	-	-	-	-	-

By function By nature	Nine months ended September 30, 2021			Nine months ended September 30, 2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	749,348	1,106,030	1,855,378	710,457	1,078,126	1,788,583
Labor and health insurance	230,717	124,792	355,509	245,403	87,111	332,514
Pension	48,773	84,025	132,798	31,197	68,558	99,755
Remuneration of directors	-	46,055	46,055	-	37,033	37,033
Others	44,685	70,599	115,284	50,245	76,007	126,252
Depreciation (note 1)	522,531	292,618	815,149	521,667	273,397	795,064
Amortization	-	-	-	-	-	-

Note 1: Depreciation expenses for investment property recognized under non-operating income and expenses — other gains and losses amounting to \$800 thousand, \$792 thousand, \$2,420 thousand and \$2,377 thousand for the three months ended September 30, 2021 and 2020 and the nine months ended September 30, 2021 and 2020 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.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Notes to the Consolidated Financial Statements

#### (13) Other disclosures

##### (a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the nine months ended September 30, 2021:

##### (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 (Note 2)	Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
1	Lucky Co.	Namchow BVI Co.	Other receivable—related parties	Yes	57,783	-	-	(Note 3)	Short term financing	-	(Note 3)	-	-	-	1,162,125 (Note 1)	1,162,125 (Note 1)
2	Namchow Food Co.	Tianjin Namchow Co.	Other receivable—related parties	Yes	1,655,080	1,639,843	1,639,843	-	Short term financing	-	Capital for operation	-	-	-	5,324,220 (Note 4)	5,324,220 (Note 4)
2	Namchow Food Co.	Guangzhou Namchow Co.	Other receivable—related parties	Yes	323,485	320,507	320,507	-	Short term financing	-	Capital for operation	-	-	-	5,324,220 (Note 4)	5,324,220 (Note 4)
2	Namchow Food Co.	Shanghai Namchow Co.	Other receivable—related parties	Yes	1,420,249	1,407,353	1,407,353	-	Short term financing	-	Capital for operation	-	-	-	5,324,220 (Note 4)	5,324,220 (Note 4)

Note 1: Based 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 2: The transactions within the Group were eliminated in the consolidated financial statements.

Note 3: Dividend receivable transferred to the loan extended with no cash outflow.

Note 4: Based on the Namchow Food 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 Namchow Food Co.'s stockholder's equity.

##### (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	8,578,291	1,638,995	1,479,581	715,918	-	17.25 %	8,578,291	Y	N	N

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

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

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

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

Unit: thousand dollars/thousand of shares

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Remarks
				Number of shares	Book value	Holding percentage	Market value	
The Company	Stock: Capital Securities Co., Ltd.	—	Financial assets at fair value through comprehensive income—non-current	1,185	18,018	0.05 %	18,018	
Lucky Co.	Stock: The Company	The Company	Financial assets at fair value through comprehensive income—non-current	46,041	2,258,324	15.65 %	2,258,324	Note 1
Lucky Co.	Stock: Capital Securities Co., Ltd.	—	Financial assets at fair value through comprehensive income—non-current	277	4,217	0.01 %	4,217	
Guangzhou Namchow Co.	Structured deposits: E.Sun Commercial Bank structured deposits	—	Financial assets at fair value through profit or loss—current	-	260,610	- %	260,610	

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Notes to the Consolidated Financial Statements

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

Unit: thousand dollars

Name of company	Counter-party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Accounts / notes receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
Lucky Co.	Huaciang Co.	Subsidiary	Purchase	(226,373)	(50) %	Note 1	-	-	(53,452)	(35) %	Note 2
Huaciang Co.	Lucky Co.	Subsidiary	(Sales)	226,373	29 %	Note 1	-	-	53,452	29 %	Note 2
Tianjin Yoshi Yoshi Co.	Tianjin Namchow Co.	Subsidiary	Purchase	234,103	(64) %	Note 1	-	-	(55,770)	68 %	Note 2
Tianjin Namchow Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	(Sales)	(234,103)	(12) %	Note 1	-	-	55,770	20 %	Note 2
Namchow Food Co.	Tianjin Namchow Co.	Subsidiary	Purchase	1,414,624	(26) %	Note 1	-	-	(170,157)	15 %	Note 2
Tianjin Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(1,414,624)	(74) %	Note 1	-	-	170,157	62 %	Note 2
Namchow Food Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	945,438	(17) %	Note 1	-	-	(350,203)	31 %	Note 2
Guangzhou Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(945,438)	(50) %	Note 1	-	-	350,203	70 %	Note 2
Namchow Food Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	Purchase	387,935	(7) %	Note 1	-	-	(12,595)	(52) %	Note 2
Tianjin Yoshi Yoshi Co.	Namchow Food Co.	Subsidiary	(Sales)	(387,935)	(78) %	Note 1	-	-	12,595	- %	Note 2
Namchow Food Co.	Shanghai Namchow Co.	Subsidiary	Purchase	2,234,769	(41) %	Note 1	-	-	(339,202)	30 %	Note 2
Shanghai Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(2,234,769)	(84) %	Note 1	-	-	339,202	84 %	Note 2
Chongqing Qiaoxing Co.	Tianjin Namchow Co.	Subsidiary	Purchase	219,619	(8) %	Note 1	-	-	(38,632)	7 %	Note 2
Tianjin Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(219,619)	(11) %	Note 1	-	-	38,632	14 %	Note 2
Chongqing Qiaoxing Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	Purchase	110,273	(4) %	Note 1	-	-	(17,192)	4 %	Note 2
Tianjin Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(110,273)	(22) %	Note 1	-	-	17,192	57 %	Note 2
Chongqing Qiaoxing Co.	Shanghai Namchow Co.	Subsidiary	Purchase	380,027	(15) %	Note 1	-	-	(60,161)	11 %	Note 2
Shanghai Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(380,027)	(14) %	Note 1	-	-	60,161	15 %	Note 2
Chongqing Qiaoxing Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	606,796	(23) %	Note 1	-	-	(88,931)	16 %	Note 2
Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(606,796)	(32) %	Note 1	-	-	88,931	18 %	Note 2
Guangzhou Yoshi Yoshi Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	312,233	(68) %	Note 1	-	-	(59,520)	79 %	Note 2
Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	(Sales)	(312,233)	(16) %	Note 1	-	-	59,520	12 %	Note 2
Namchow Food Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	Purchase	384,672	(7) %	Note 1	-	-	(152,432)	14 %	Note 2
Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	Subsidiary	(Sales)	(384,672)	(62) %	Note 1	-	-	152,432	83 %	Note 2
Chongqing Qiaoxing Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	Purchase	229,645	(9) %	Note 1	-	-	(31,410)	6 %	Note 2
Guangzhou Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(229,645)	(37) %	Note 1	-	-	31,410	17 %	Note 2
Namchow Food Co.	Chongqing Qiaoxing Co.	Subsidiary	Purchase	107,776	(2) %	Note 1	-	-	(97,608)	9 %	Note 2
Chongqing Qiaoxing Co.	Namchow Food Co.	Subsidiary	(Sales)	(107,776)	(4) %	Note 1	-	-	97,608	22 %	Note 2
Shanghai Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	Purchase	757,607	(56) %	Note 1	-	-	(148,440)	38 %	Note 2
Chongqing Qiaoxing Co.	Shanghai Namchow Co.	Subsidiary	(Sales)	(757,607)	(25) %	Note 1	-	-	148,440	33 %	Note 2

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Notes to the Consolidated Financial Statements

Note 1: Depending on capital movement motor adjustment.

Note 2: All intercompany accounts and transactions are eliminated.

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

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party (Note 1)	Turnover rate	Overdue amount		Amounts received in subsequent period	Allowances for bad debts
					Amount	Action taken		
Guangzhou Namchow Co.	Namchow Food Co.	Subsidiary	350,203	2.68	-		86,716 (As of November 11, 2021)	-
Tianjin Namchow Co.	Namchow Food Co.	Subsidiary	170,157	6.15	-		86,716 (As of November 11, 2021)	-
Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	Subsidiary	152,432	2.15	-		47,694 (As of November 11, 2021)	-
Shanghai Namchow Co.	Namchow Food Co.	Subsidiary	339,202	6.30	-		173,432 (As of November 11, 2021)	-
Chongqing Qiaoxing Co.	Namchow Food Co.	Subsidiary	148,440	4.35	-		- (As of November 11, 2021)	-

Note1: The transactions within the Group were eliminated in the consolidated financial statements.

Note2: Loan to the subsidiary.

(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	234,103	No significant differences	1.61 %
1	Tianjin Namchow Co.	Tianjin Yoshi Yoshi Co.	3	Accounts receivable	55,770	No significant differences	0.18 %
1	Tianjin Namchow Co.	Namchow Food Co.	3	Sales revenue	1,414,624	No significant differences	9.76 %
1	Tianjin Namchow Co.	Namchow Food Co.	3	Accounts receivable	170,157	No significant differences	0.54 %
1	Tianjin Namchow Co.	Chongqing Qiaoxing Co.	3	Sales revenue	219,619	No significant differences	1.52 %
1	Tianjin Namchow Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	38,632	No significant differences	0.12 %
2	Guangzhou Namchow Co.	Namchow Food Co.	3	Sales revenue	945,438	No significant differences	6.52 %
2	Guangzhou Namchow Co.	Namchow Food Co.	3	Accounts receivable	350,203	No significant differences	1.12 %
2	Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	3	Sales revenue	606,796	No significant differences	4.19 %
2	Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	88,931	No significant differences	0.28 %
2	Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	3	Sales revenue	312,233	No significant differences	2.15 %
2	Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	3	Accounts receivable	59,520	No significant differences	0.19 %
3	Tianjin Yoshi Yoshi Co.	Namchow Food Co.	3	Sales revenue	387,935	No significant differences	2.68 %

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Notes to the Consolidated Financial Statements

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount (Notes 3 and 4)	Trading terms	Percentage of the total consolidated revenue or total assets
3	Tianjin Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	3	Sales revenue	110,273	No significant differences	0.76 %
4	Shanghai Namchow Co.	Namchow Food Co.	3	Sales revenue	2,234,769	No significant differences	15.42%
4	Shanghai Namchow Co.	Namchow Food Co.	3	Accounts receivable	339,202	Determined capital demand	1.08 %
4	Shanghai Namchow Co.	Chongqing Qiaoxing Co.	3	Sales revenue	380,027	No significant differences	2.62 %
4	Shanghai Namchow Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	60,161	No significant differences	0.19 %
5	Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	3	Sales revenue	384,672	No significant differences	2.65 %
5	Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	3	Accounts receivable	152,432	No significant differences	0.49 %
5	Guangzhou Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	3	Sales revenue	229,645	No significant differences	1.58 %
5	Guangzhou Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	31,410	No significant differences	0.10 %
6	Chongqing Qiaoxing Co.	Namchow Food Co.	3	Sales revenue	107,776	No significant differences	0.74 %
6	Chongqing Qiaoxing Co.	Namchow Food Co.	3	Accounts receivable	97,608	No significant differences	0.31 %
6	Chongqing Qiaoxing Co.	Shanghai Namchow Co.	3	Sales revenue	757,067	No significant differences	5.22 %
6	Chongqing Qiaoxing Co.	Shanghai Namchow Co.	3	Accounts receivable	148,440	No significant differences	0.47 %
7	Namchow Oil and Fat Co.	Huaciang Co.	3	Sales revenue	98,348	No significant differences	0.68 %
7	Namchow Oil and Fat Co.	Huaciang Co.	3	Accounts receivable	32,262	No significant differences	0.10 %
8	Huaciang Co.	Lucky Co.	3	Sales revenue	226,373	No significant differences	1.56 %
8	Huaciang Co.	Lucky Co.	3	Accounts receivable	53,452	No significant differences	0.17 %
9	Namchow Food Co.	Tianjin Namchow Co.	3	Other receivable-related parties	1,639,843	Determined capital demand	5.23 %
9	Namchow Food Co.	Guangzhou Namchow Co.	3	Other receivable-related parties	320,507	Determined capital demand	1.02 %
9	Namchow Food Co.	Shanghai Namchow Co.	3	Other receivable-related parties	1,407,353	Determined capital demand	4.49 %

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.

(Continued)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 2021 (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, 2021	December 31, 2020	Shares	Percentage of ownership			
The Company	Namchow Thailand	Bangkok, Thailand	Manufacturing and selling instant noodles and rice cracker	1,027,405	1,027,405	9,245	100.00 %	2,303,200	295,243	295,243 Note 3
The Company	Mostro	Bangkok, Thailand	Manufacturing and selling food	10,201	10,201	100	100.00 %	29,458	1,022	1,022 Note 3
The Company	Nacia Co.	Tortola, British Virgin Islands	Holding of investments	343,443	343,443	1	100.00 %	11,797,478	920,505	920,505 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 %	4,491	(6,467)	(6,450) 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 %	605,076	47,989	(43,928) Note 3
The Company	NBP Co.	Taipei, Taiwan	Publishing, distributing and selling printed publications	763	763	80	80.00 %	183	12	10 Note 3
The Company	Nankyo Japan Co.	Tokyo, Japan	Catering services, Bistro and wine-selling	446,180	446,180	- (Note 2)	100.00 %	39,166	(76,107)	(76,107) 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 %	762	(189)	(189) Note 3
The Company	Chow Food Co.	Taipei, Taiwan	Development of biotechnology products	49,000	39,000	1,300	100.00 %	5,990	(5,227)	(5,215) 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 %	557,417	72,966	73,514 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 %	254,320	(8,443)	(8,643) Note 3
Lucky Co.	Namchow BVI Co.	Tortola, British Virgin Islands	Holding of investments	293,793	228,970	6,705	93.32 %	59,328	(51,102)	(46,348) Notes 1 and 3
Lucky Co.	Dian Shui Lou Co.	Taipei, Taiwan	Liquor importing and retailing	222,000	222,000	10,400	100.00 %	(66,940)	(102,358)	(102,293) Notes 1 and 3
Lucky Co.	Namchow Gastronomy Consulting Co.	Taipei, Taiwan	Catering services and food consulting	14,000	14,000	500	100.00 %	824	(1,817)	(1,817) Note 3
Lucky Co.	NBP Co.	Taipei, Taiwan	Publishing, distributing and selling printed publications	100	100	10	10.00 %	23	12	1 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 %	11,789,367	920,587	920,587 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 4 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, 2021	Investment flow during current period		Cumulative investment (amount) from Taiwan as of September 30, 2021	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (loss) (note 2)	Book value as of September 30, 2021	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
Shanghai Qiaohao Co.	Holding of investments and international trade	669,270	(3)	-	-	-	-	(95,568)	100.00 %	(95,669) ((2)b.)	185,108	-
Shanghai Qiaohao Enterprise Management Co.	Business management and investment consulting	961	(3)	-	-	-	-	-	100.00 %	- ((2)b.)	861	-
Shanghai Qiaohao Food Co.	Food packaging, selling and trading of restaurant equipment and trading	704,181	(3)	-	-	-	-	(61,790)	100.00 %	(61,790) ((2)b.)	386,542	-
Tianjin Qiaohao Food Co.	Food packaging, selling and trading of restaurant equipment and trading	90,836	(3)	-	-	-	-	(8,041)	100.00 %	(8,041) ((2)b.)	35,913	-
Namchow Food Co.	Food packaging, dairy product and product purchasing management and selling	1,131,881	(3)	-	-	-	-	1,182,337	81.73 %	1,087,573 ((2)a.)	10,882,591	506,146
Tianjin Namchow Co.	Manufacturing and selling of edible fat	756,875	(3)	372,813	-	-	372,813	294,880	81.73 %	270,705 ((2)a.)	1,826,746	45,974
Tianjin Yoshi Yoshi Co.	Developing , manufacturing, and selling of dairy products and related services	121,100	(3)	-	-	-	-	92,517	81.73 %	84,565 ((2)a.)	650,864	-
Guangzhou Yoshi Yoshi Co.	Developing , manufacturing, and selling of dairy products and related services	452,150	(3)	-	-	-	-	77,187	81.73 %	70,620 ((2)a.)	451,591	-
Guangzhou Namchow Co.	Manufacturing and selling of edible fat	544,950	(3)	-	-	-	-	214,920	81.73 %	198,177 ((2)a.)	2,014,557	279,529
Shanghai Namchow Co.	Selling, developing, manufacturing and processing of fats and frozen food	676,597	(3)	-	-	-	-	222,794	81.73 %	204,403 ((2)a.)	850,068	-
Chongqing Qiaoxing Co.	Food packaging dairy product and product purchasing management and selling	94,200	(3)	-	-	-	-	165,414	81.73 %	151,582 ((2)a.)	632,615	-
Wuhan Qianxing CO.	The technical service of baking oil and fat product	215,250	(3)	-	-	-	-	4,571	81.73 %	4,149 ((2)a.)	171,979	-
Shanghai Qizhi Co.	Business management and investment consulting services	4,541	(3)	-	-	-	-	360	100.00 %	- ((2)b.)	360	8,085
Bao Lai Na Co.	Multinational eateries, and the promotion, and management of self-made beers	112,018	(3)	226,649	-	-	226,649	(48,111)	93.00 %	(43,488) ((2)c.)	53,484	35,967

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

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

(Continued)

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

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 firm 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: the financial statements were not reviewed by the auditors of the parent company and were recognized as investment income (loss) under the equity method.

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

(ii) Limitation on investment in Mainland China:

<b>Company name</b>	<b>Accumulated investment amount in Mainland China as of September 30, 2021</b>	<b>Investment (amount) approved by Investment Commission, Ministry of Economic Affairs</b>	<b>Maximum investment amount set by Investment Commission, Ministry of Economic Affairs</b>
The Company	372,813	3,373,763	5,146,974
Lucky Co.	226,649	194,406	1,743,187

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

(d) Major shareholders:

Unit: Share

<b>Shareholder's Name</b>	<b>Shareholding</b>	<b>Shares</b>	<b>Percentage</b>
Lucky Royal Co., Ltd.		46,041,259	15.65 %
Chen Fei Lung		33,814,934	11.49 %
Chen Fei Peng		19,537,995	6.64 %

**(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.

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

## **Notes to the Consolidated Financial Statements**

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

	<b>Edible and non-edible oil products</b>	<b>Detergent products</b>	<b>Frozen dough</b>	<b>Ice cream products</b>	<b>Foods</b>	<b>Catering</b>	<b>Management, rental revenue and others</b>	<b>Adjustments elimination</b>	<b>Total</b>
<b>Three months ended September 30, 2021</b>									
Revenue:									
Revenue from external customers	\$ 2,957,985	125,552	390,093	394,502	849,411	156,327	35,297	-	4,909,167
Inter-segment revenues	55,063	-	1,221	6,724	82,286	2,225	50,263	(197,782)	-
<b>Total revenue</b>	<b>\$ 3,013,048</b>	<b>125,552</b>	<b>391,314</b>	<b>401,226</b>	<b>931,697</b>	<b>158,552</b>	<b>85,560</b>	<b>(197,782)</b>	<b>4,909,167</b>
Reportable segment profit or loss	\$ 302,311	(559)	16,494	45,856	101,121	(53,171)	(25,887)	(3,098)	383,067
Interest income and other income									125,936
Other gains and losses									25,510
Finance costs									(67,326)
Net income before tax									<b>\$ 467,187</b>
	<b>Edible and non-edible oil products</b>	<b>Detergent products</b>	<b>Frozen dough</b>	<b>Ice cream products</b>	<b>Foods</b>	<b>Catering</b>	<b>Management, rental revenue and others</b>	<b>Adjustments or elimination</b>	<b>Total</b>
<b>Three months ended September 30, 2020</b>									
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	45,022	-	1,386	6,949	77,413	3,339	63,608	(197,717)	-
<b>Total revenue</b>	<b>\$ 2,895,761</b>	<b>119,204</b>	<b>267,852</b>	<b>384,534</b>	<b>971,502</b>	<b>285,898</b>	<b>67,778</b>	<b>(197,717)</b>	<b>4,794,812</b>
Reportable segment profit or loss	\$ 452,152	1,011	20,864	35,744	133,267	(31,202)	(51,190)	1,507	562,153
Interest income and other income									53,273
Other gains and losses									10,091
Finance costs									(64,228)
Net income before tax									<b>\$ 561,289</b>

(Continued)



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

## **Notes to the Consolidated Financial Statements**

	<b>Edible and non-edible oil products</b>	<b>Detergent products</b>	<b>Frozen dough</b>	<b>Ice cream products</b>	<b>Foods</b>	<b>Catering</b>	<b>Management, rental revenue and others</b>	<b>Adjustments or elimination</b>	<b>Total</b>
<b>Nine months ended September 30, 2021</b>									
Revenue:									
Revenue from external customers	\$ 9,042,002	365,140	1,027,812	943,851	2,441,662	614,499	61,142	-	14,496,108
Inter-segment revenues	143,887	-	3,441	19,046	243,586	9,889	154,631	(574,480)	-
<b>Total revenue</b>	<b>\$ 9,185,889</b>	<b>365,140</b>	<b>1,031,253</b>	<b>962,897</b>	<b>2,685,248</b>	<b>624,388</b>	<b>215,773</b>	<b>(574,480)</b>	<b>14,496,108</b>
Reportable segment profit or loss	<u>\$ 1,263,838</u>	<u>14,479</u>	<u>49,405</u>	<u>75,284</u>	<u>247,952</u>	<u>(185,858)</u>	<u>(133,011)</u>	<u>(4,566)</u>	1,327,523
Interest income and other income									260,315
Other gains and losses									10,505
Finance costs									(196,511)
Net income before tax									<u><u>\$ 1,401,832</u></u>
<b>Nine months ended September 30, 2020</b>									
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)	-
<b>Total revenue</b>	<b>\$ 7,489,802</b>	<b>430,570</b>	<b>721,369</b>	<b>897,647</b>	<b>2,831,006</b>	<b>675,577</b>	<b>195,149</b>	<b>(563,527)</b>	<b>12,677,593</b>
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><u>\$ 1,105,572</u></u>

(Continued)

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

- (a) For the three months and nine months ended September 30, 2021 and 2020, inter-segment revenues amounted to \$197,782 thousand, \$197,717 thousand, \$574,480 thousand and \$563,527 thousand, respectively, should be eliminated from total revenue.
- (b) For the three months and nine months ended September 30, 2021 and 2020, share of associate profit (loss) under equity method amounted to \$(3,098) thousand, \$1,507 thousand, \$(4,566) thousand and \$(9,802) thousand, respectively, should be eliminated.