



**Namchow Holdings Co., Ltd.**  
**(Formerly known as Namchow**  
**Chemical Industrial Co., Ltd.)**

**2019 Annual Report**

*Notice to readers*

*This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*

*Printed on May 15, 2020*

*Annual report inquiry URL: <http://mops.twse.com.tw>*

*Company website: <http://www.namchow.com.tw>*

(I) Spokesperson Information:

Name	Kan-Wen Li	Shih-Wei Wang (Representative)
Title	General Manager	Assistant Manager
Telephone	(02) 6619-3688	(02) 6619-3250
E-Mail :	<a href="mailto:Kevin@namchow.com.tw">Kevin@namchow.com.tw</a>	<a href="mailto:Brian.wang@namchow.com.tw">Brian.wang@namchow.com.tw</a>

(II) Addresses and Telephone Numbers of the Main Office:

Address of Main Office	No.100, Sec. 4, Yanping N. Rd., Taipei City 103, Taiwan (R.O.C.)
Telephone	(02) 6619-3000

(III) Addresses and Telephone Numbers of the Main Subsidiaries:

Name of company	Namchow Food Group (Shanghai) Co., Ltd.
Address	Unit 1801, 18F, Building 5, No. 889, Yishan Road, Xuhui District, Shanghai
Telephone	+86-21-61955770

(IV) Stock Transfer Information:

Name of Stock Transfer Agency	Agency Department of Chinatrust Commercial Bank
Address	5F, No. 83, Chongqing South Road Sec. 3, Taipei
Telephone	(02) 6636-5566
Website:	<a href="http://www.ctcbank.com">http://www.ctcbank.com</a>

(V) Certified Public Accountant for the Most Recent Year:

Name of Firm	KPMG Taiwan
Name of CPA	Po-Shu Huang, Lin Wu
Address	68F, No. 7, Section 5, Xinyi Road, Taipei City
Telephone	(02) 8101-6666
Website:	<a href="http://www.kpmg.com.tw">http://www.kpmg.com.tw</a>

(VI) Name of Trading Site for Listed Securities Overseas and Inquiry Information: None

(VII) Company website: <http://www.namchow.com.tw>

# Table of Contents

<b>I. Letter to Shareholders</b>	1
<b>II. Company Profile</b>	
(I) Date of Establishment	5
(II) Company History	5
<b>III. Corporate Governance Report</b>	
(I) Organizational System	11
(II) Background Information on Directors, Supervisors, General Managers, Vice General Managers, Assistant Managers and Heads of Various Departments and Branches	13
(III) Remunerations paid to directors, supervisors, general managers and vice general managers in recent years	23
(IV) Status of Corporate Governance	34
(V) Public Expenditure on CPAs	94
(VI) Information on Replacement of Accountants	95
(VII) Disclosure of Name, Position and Duration of Service at Firms or Their Associated Enterprises within the Past Year of Chairman, General Manager, and Managers in Charge of Financial or Accounting Affairs:	95
(VIII) Transfer of Stock Options and Changes in Equity Pledge of Directors, Supervisors, Managers and Shareholders Holding More Than 10% of Shares in the Latest Year and as of the Date of Printing of the Annual Report	96
(IX) Information of Relationship among Top 10 Shareholders Who Are Related, Spouses, or Relatives within the Second Degree of Kinship	98
(X) Shares Held by the Company, Directors, Supervisors, Managers of the Company and Businesses Controlled Directly or Indirectly by the Company of the Same Re-investment Business and the Consolidated Calculation of the Comprehensive Shareholding Ratio	100
<b>IV. Fundraising</b>	
(I) Capital and Shares	101
(II) Corporate Bonds	105
(III) Special Stock, Special Shares, Global Depositary Receipts, Employee Stock Option Certificates, Restricted Employee Shares and M&A or Acceptance of Transferred Shares of Another Company for the Issuance of New Shares	105
(IV) Implementation of Capital Utilization Plan	105
<b>V. Operational Status</b>	
(I) Business Content	106
(II) Overview of Marketing and Production/Distribution	123
(III) Information of Employees	155
(IV) Information on Environmental Protection Expenditure	156
(V) Employer-employee Relations	160
(VI) Important Contract	162

## **VI. Financial Status**

(I) Brief Balance Sheet and Income Statement for the Past Five Years -----	163
(II) Financial Analysis of the Past Five Years -----	167
(III) Audit Committee Review Report of the most recent annual financial report -----	171
(IV) Latest Financial Report -----	172
(V) Entity Financial Statement of the Latest Year Inspected and Authenticated by CPAs ---	172
(VI) Impact of the Latest Financial Difficulties Encountered by the Company and its Associated Enterprises on the Company's Financial Standing as of the Date of Printing of the Annual Report -----	173

## **VII. Discussion and Analysis of Financial Standing and Financial Performance and Risks**

(I) Financial Standing -----	174
(II) Financial Performance -----	175
(III) Cash Flow -----	176
(IV) Impact of the Latest Major Capital Expenditures on Financial Business -----	177
(V) Main Reasons for Profits or Losses of the Latest Re-investment Policy, Improvement Plan and Investment Plan for the Coming Year -----	177
(VI) Analysis and Assessment of Risks -----	180
(VII) Other important matters -----	183

## **VIII. Special Notes**

(I) Information of associated enterprises -----	184
(II) Organization of the Latest Private Placement Securities as of the Date of Printing of the Annual Report -----	201
(III) Holding or disposal of the Company's shares by its subsidiaries of the latest year and up to the date of printing of the Annual Report -----	201
(IV) Other matters requiring supplementary information -----	201

※ Latest Matters with Important Impact on Shareholder Rights or Security Prices Indicated in Article 36 Paragraph 2 Sub-paragraph 2 of the Securities Exchange Act as of the Date of Printing of the Annual Report -----	201
--	-----

# I. Letter to Shareholders

## I. 2019 Business Report

The Company's consolidated revenue was NTD 18,343,979 thousand in 2019, an increase of NTD 56,625 thousand (0.3%) from NTD 18,287,354 thousand in 2018. The profits amounted to NTD 964,149 thousand in 2019, a decrease of NTD 48,575 thousand (-4.8%) from NTD 1,012,724 thousand in 2018. Although consolidated revenue grew only slightly in 2019, it has set a new high for the Group's revenue. In 2019, with the concerted efforts of all employees of the Group, we are facing many challenges in the external operating environment. Most business units maintained revenue growth, among which Namchow (Thailand) and the ice cream business grew at a higher rate.

The Company made a profit of NTD 964,149 thousand in 2019. Although this decreased by NTD 48,575 thousand (-4.8%) from the profit of NTD 1,012,724 thousand in 2018, this was mainly due to the increase in income tax expenses compared to the previous year. The consolidated net profit still increased by 0.05% compared with the previous year. In terms of financial income and expenditure, in 2019, the total consolidated debts were NTD 17,435,169 thousand and the debt ratio was 73.09%. This compared with the total consolidated debt of NTD 15,812,842 thousand and debt ratio of 71.5% in 2018. The amount increased by NTD 1,622,327 thousand and the ratio increased by 1.59%, mainly due to the adoption of new accounting standards in 2019 to recognize lease liabilities. Cash inflows from business activities amounted to NTD 2,539,792 thousand and capital expenditures were NTD 1,923,881 thousand. Current ratio was 129.5%, better than the 119.8% seen in 2018; it shows that the overall financial situation was still good.

In terms of the development of the Group's products, the crystal soap series and antiseptic series of products have been known for their application of natural oils and absence of additives. The crystal soap series, in particular, has been certified by the United States Department of Agriculture (USDA) and carries the label as a green bio-based product. The biomass content is above 99%. The liquid crystal soap and the antrodia soap have also been certified by the US AMA Laboratories for its low sensitization. In the future, the focus will be placed on the research and development of laundry products that are highly biodegradable and multi-functional. The oil and fat business continues to develop healthy series and functional oils, and at the same time introduces advanced foreign oil and fat products, expand service orientation, and provide customers with all-round baking needs. In recent years, the newly developed NEBOS series of oils and fats have been released, and they have obtained the certification marks of "clean" and "no additions." The future will focus on the development of functional and special oils. The frozen dough line provides customized products according to the needs of various businesses, and continues to export to the global market. The ice cream business introduces new flavors every year, leading the trend, and establishing a cross-border platform and integration of different industries.

## II. Overview of the 2020 Business Plan

Namchow has always pursued products with high added value, giving priority to the interests of consumers. With a strong R&D team and customized services, we create competitive advantages to meet the different needs of customers. Sales of oil and fat products, frozen dough and frozen noodles have been growing year after year. Knowledge and skills in production, research and development, and management continue to be reinforced in order to secure solid operations on the market.

The oil and fat business of Namchow in Mainland China has been operating for 23 years. Adopting the consultation-oriented marketing approach, it has formed a community with its customers. Revenues over the past few years have shown significant growth. In response to increasing sales, in July 2017. The third oil and fat plant in Mainland China, the Shanghai Jinshan Plant was commissioned to contribute 40% to the throughput. It is also the largest plant with complete food ingredient traceability management that Namchow has invested in Mainland China. The second fresh cream plant built in Guangzhou was also commissioned in August 2017. Its throughput doubles that of the plant in Tianjin. In recent years, “Namchow Food Group (Shanghai) Co., Ltd.” has applied for listing in Shanghai, investing in local funds with local funds and strengthening Namchow’s competitiveness in the Mainland market.

Namchow has 29 years of history with its business in Thailand. Rising sales of baby rice crackers, cooked rice and porridge have brought the throughput to full capacity. In light of the promising future of the Southeast Asian, European and American markets, Namchow (Thailand) Ltd. acquired additional 20 thousand pings (a ping = 3.305785 m<sup>2</sup>) of land next to its existing factory in 2016. In October 2018, the construction and expansion plan was started, with an initial investment of about THB 1.37 billion to build a block of workshops and establish a snack line for baby rice crackers and baked breads respectively. These are expected to be put into production in the second quarter of 2020. After the expansion of production capacity, performance should experience substantial growth.

## III. Future Development Strategies and Impact from the External Environment

**Future development strategies:** Namchow keeps the global niche market in perspective while continuing to deeply invest in and take root in its sales of oil, fat, rice, flour and dairy products. So far, revenues contributed by foods have exceeded 96% of the overall revenue of the Group. In terms of oil, daily necessities and cooked rice, efforts are also made to develop biotechnology functional products. Taiwan, the Mainland, and Thailand have all begun exporting their products internationally in recent years. All business units have achieved significant growth as well.

**Competitive environment:** Competition never stops. As such, only by constant research, development, and innovation that help create exclusive value of an enterprise can it remain steady on the market and prevent from being eliminated. Our oil and fat business, for examples, features not only self-made oils and fats but also world-famous effective products. With the two

combined, they are exercising synergistic effects. We will drive the industry development and improvement and also create new opportunities through, for example, the concept of mother's cakes fad, to secure a space for the industry in consumers' heart.

**Regulatory Background:** Consumers have become more and more concerned about the quality, safety and hygiene of products over the past few years. In the 1980s, Namchow spontaneously introduced the idea of consumer protection. The Ministry of Health and Welfare announced the new Act Governing Food Safety and Sanitation at the end of 2015 for the sake of protecting food safety for consumers. In as early as 2014, Namchow already enforced traceability of ice cream products for comprehensive management from the source. It is the first of its kind in Taiwan. The oil and fat factory in Jinshan, Shanghai is one that applies comprehensive traceability management green technology. The Namchow Group took the lead in setting up a food safety office where the professionals in charge are responsible for strictly controlling the sources of all raw materials used by Namchow. In addition, it also includes the supervision of the daily food safety and hygiene implementation of the catering business and related education and training and the dissemination of information.

It has built the Group's food safety laboratory to verify the effectiveness of food supply chain food safety management and prevent international food safety issues in advance. This is done to ensure the provision of safe products so that customers can rest assured and eat at ease. In recent years, the government has also continuously revised relevant laws and regulations such as the Company Act and the Securities and Exchange Act, while and implementing new systems such as corporate governance. Our enterprise will definitely provide full cooperation.

**Overall environment:** Since January 2020, the impact of the new coronavirus originating from the mainland, a large number of corporate shutdowns and social distancing has occurred. The subsequent epidemic has spread on a large scale to other countries, which has brought about a global economic recession, Global companies are thus facing unprecedented challenges. In response to changes in consumer consumption patterns, Namchow is examining conditions and reconstructing to meet consumer needs. At the same time, it is strengthening quarantine measures and maintaining product safety to reduce the impact of the epidemic.

Separately, China and the United States were engaged in a trade war in 2018, resulting in successive depreciation of the currencies of Asian countries. The government increased the business income tax from 17% to 20% at the beginning of 2018 and also raised the base pay, which has impacted all Taiwanese businesses and also eliminated the profitable growth space of enterprises. In addition, the US-China trade dispute is still ongoing in 2019. Under the influence of increased geopolitical risks and weak economic performance in emerging markets, global economic growth is slowing. International raw material prices have also generally slowed and vendor investment is more conservative. Furthermore, economic developments have resulted in damage done to the environment and ecology and continuous climate warming. With the Paris Agreement officially took effect in 2016, enterprises inevitably will have to increase their overhead in order to tackle the "carbon reduction issue".

Namchow has long-term in-depth research and accumulated professional knowledge, and has been able to immediately grasp the best timing for the purchase of raw materials. A crisis is a turning point. In the economic downturn, there must be a new type of business model. On the one hand, the Company has more solidly and steadily strengthened product research and development, enhanced product competitiveness, and strengthened food safety risk control. On the other hand, it will better grasp new business opportunities, develop new businesses, take the helm and move forward, and create good business results.

Namchow has a history of 68 years since its establishment, and during this time it has been a people-oriented learning organization with continuous improvement of talent, adherence to integrity, attention to the social and economic environment, and investment in energy and resources. To grasp the trend of the situation and have contingency measures at any time, starting from the perspective of the rights of customers and consumers, it pursues sustainable corporate growth and profitability and creates better investment benefits for all shareholders.

To  
**Namchow General Shareholders Meeting**

**Chairman**    *Fei-Lung Chen*



## II. Company Profile

### (I) Date of Establishment: March 29, 1952

(The registered name was changed to Namchow Holdings Co.,Ltd. on August 25, 2017.)

### (II) Company History:

Namchow Holdings Co.,Ltd. was established in 1952 by Mr. Qizhi Chen, an overseas Chinese in the Philippines. He took over Namchow Industrial Co., Ltd. and reorganized it. The diversified developments of Namchow had to do with “raw materials, the technology, the distribution channel, and the culture”. Pulses and trends in the industrial setting have been kept track of following the principles of “knowing how to change, seeking to change, responding to change and remaining unchanged.” We are taking root in seven major fields, namely, “oils and fats/dairy products, flour, rice, dining, daily cleaners, biotechnology, and complex hotels” and we have production sites in Taiwan, Thailand, and the Mainland, with products sold all over the world. We are managing the global niche market on the belief of “sustainability”.

In order to improve the management efficiency and make the best of management efficacy as well as to enhance the long-term competitive advantages of the Group, Namchow Taiwan has transformed to be an investment holding company (with August 1, 2017 as the base date). In addition, the subsidiary in Shanghai started to apply for initial public offering (IPO) at the end of 2017 and submitted to China Securities Regulatory Commission the application for public listing of A share in 2018.

#### (I) Businesses of Namchow in Taiwan

1. Cleaners -- We started to produce soap in 1952 and glycerol in 1956. The most advanced equipment at the time Mazzoni in Italy was introduced in 1963 and then crystal detergent soap was developed, which remains a leading brand to this date. The bath soap workshop was added to the Taoyuan facility in 1980 for diversified management of daily cleaners such as bath soap and shampoo. In recent years, the awareness of environmental protection has risen, and it has also actively invested in the development of natural washing crystal series products.

Namchow’s lotion quality has stood the test and won numerous product certifications and awards. For example, it won the 16th “National Brand Yushan Award” in the cleaning category in 2019:

- National First Prize: Crystal Soap Dispenser Washing Liquid (The only award in the cleaning category)
- Best Popular Brand: Namchow Crystal (the only winner in the cleaning category)
- Best product category: Namchow crystal laundry soap liquid-antibacterial series, Namchow Crystal Liquid Soap Liquid-Scented Series, Namchow Crystal Grapefruit Seed Antibacterial Hand Wash Series, Crystal soap dishwashing liquid

2. Biotechnology-based daily necessities -- Nanchow launched the “Antrodia Cinnamomea Bath Soap” in 2014 which uses antrodia essence extracted by legacy exquisite soap manufacturing processes. It is the first product of Namchow introduced into the skin care products market. In 2018, Namchow launched the “Antrodia Tale Essence Soap” which was researched and developed for different skin types of men and women. It is divided into oily, neutral, and dry, for a total of 6 series products.
  - All series of products passed have the AMA laboratory certification of the US FDA as well as American dermatologist reviews of the body application test to ensure no irritation or allergens
  - The “Repairwear Antrodia Cinnamomea Essence Soap” obtained the 15th “National Brand Yushan Award”
3. Oils and fats -- Namchow started technical collaboration with Miyoshi Soap Corporation, one of the Top 10 oils and fats enterprises in Japan in 1971 in the production of baking oils and fats to supply bread, pastry, cookies, ice cream, and instant noodles manufacturers. “Butter Oil Substitute,” “Hi-Up,” “VEGE,” and other edible oil and fat products, have won the trust and support of customers. In recent years, we have successfully developed special oil and powder for mother’s cakes. Since 2017, the theme of “New mother’s cakes Tide” has continued, planning related activities to participate in annual baking exhibitions. Combined with the operators of province-wide Hanbiao business, we join together to take root in mother’s cakes culture and make every effort to create a modern Han cake process. Then it can be promoted in the international market. In 2019, the six highest grades of Namchow’s “NEBOS baking oil series” products were. They are the most advanced baking fat in Asia and comply with international regulations, having obtained Clean Label certification. This will assist customers in further expanding their export markets.

Namchow insists on becoming “the most trustworthy partner of the baking industry” and carefully practice consultation-based marketing and one-stop service to continue to create differential competitive advantages for customers. The traceability management system for tracing the sources of ingredients for oils and fats that were introduced in response to the food safety concern were in place and became completely operational in June 2017.
4. Ice cream -- International Royal Dairy Products Company was established in 1988. (In December 1997), Royal and Lucky merged to be Lucky Royal Co., Ltd., using “Duroyal” as its brand to develop unique and high value-added products and became one of the largest ice cream production and distribution companies throughout Taiwan. We developed “Kabisuo” top ice cream brand in 2004; and we entered the mainland market in 2013. In 2013, we produced high-quality ice cream and supplied it to convenience stores. We opened the first Duroyal Café themed restaurant in 2016. Since 2016, we have joined hands with well-known domestic and foreign brands (Old Zhennan Bakery, Guangquan Food, Huoweijia, Ovaltine, Dajiang Biomedicine, Hershey’s Chocolate, etc.) and retail channels (FamilyMart, PX Mart, etc.). This in-depth cooperation to develop authorized products has become a successful case of platform cooperation.

Of the first batch of enterprises participating in the “The Project of Traceability Cloud

Application on Safe Food” initiated by the Ministry of Economic Affairs in 2012, Lucky Royal Co., Ltd. was the only one that completely automated the internal system and implemented the traceability system for all products introduced.

5. Frozen dough -- Namchow set up the frozen dough factory at the Zhongli site in 1991. Namchow is known for its powerful capability in the research and development of frozen dough. Featuring desirable quality, safety, health, time-effectiveness, cost-effectiveness, manpower-saving, and easy-operations in addition to constant research and development of new products, Namchow has been able to create its own product features and become an indispensable best partner of the baking industry. It has been sold in Japan, Hong Kong, Shanghai, the US, Canada, Australia, and Dubai.

6. Frozen noodles -- The frozen noodles technical collaborative contract was signed with Katoji Co., Ltd. in Japan in 1998. Namchow became the first enterprise producing frozen noodles in Taiwan. “Sanuki” Frozen Noodles were introduced to the market in January 1999.

Frozen dough is yummy, convenient, fast, safe and healthy, making it an optimum choice for dining businesses that wish to enhance their operational performance. Overseas sales to the United States, Canada, Hong Kong, Australia, Switzerland, Austria, Indonesia and other places.

In 2019, our frozen noodle products participated in the Monde Selection World Quality Appraisal Awards hosted by the European Union. (This is one of the most representative and recognized food evaluation organizations in the international market.) Whether in respect to taste or quality, it has been recognized by international standards and has won seven silver awards and one bronze award.

7. Ambient-temperature rice -- NTD 300 million was invested in 2004 in the Zhongli site for the production of ambient temperature ready-to-serve rice. The cooked rice made of dietary fiber takes health and wellness as its demand, and has the effect of regulating blood sugar and blood lipids. It is the first domestic product that has been awarded a health food certification and is an exclusive and innovative product in the Taiwan market. The rice is meant mainly for export and has successfully entered markets in the US, Australia, Norway and the UK, among others so far.

High-fiber Aseptic Cook Rice is of good quality, and is very popular among consumers. It has also won many food selection awards. In 2019, “High-fiber Aseptic Cook Rice Healthy Multi-Grain Rice” won the “Food Innovation Award-Top Ten New Products of the Year” awarded by the first professional media in China, “Food Power FoodNEXT,” which focuses on diet.

#### 8. Gastronomy Business Division

(1) Chow Ho Benchangliu Professional Noodles Stores --- Chow Ho Enterprise was established in -1999 and the demonstrative noodles store “Benchangliu” was opened to be the antenna for collecting market information on frozen noodles and serve as the platform for exchange with customers. The store is located in the tourism factory in Taoyuan.

(2) Dian Shui Lou Restaurant --- The Dian Shui Lou restaurant’s Nanjing flagship store

opened in 2005. Subsequently, the Fuxing Store, Huaining Store, Nankan Store, Taoyuan Store, Linkou Store and Dazhi Store were successively opened in Taiwan. Shanghai: Yishan Store Japan: Yotsuya store/Shinjuku store. There are 7 in Taiwan, 1 in Shanghai and 2 in Japan.

Dian Shui Lou, known for its pursuit of advancement at all times, sufficient utilization of local food ingredients, and attentive services, has won repeated awards over the years. In 2018/2019, it was selected for the Bib Gourmand recommendation list of “Michelin Guide Taipei.”

(3) Taipei Paulaner Restaurant --- Paulaner is famous in Shanghai and returned to Taiwan in 2009 to open stores. The first store was located on the campus of the Taipei National University of the Arts in Guandu and the Taoyuan Tourism Factory was chosen for the establishment of the brewery. Both equipment and raw materials are imported from Germany.

9. Taoyuan Tourism Factory of Namchow -- Certified by the Government to be a tourism factory, the Taoyuan facility of Namchow opened in 2012. The factory has a floor area of 49586.85 square meters and covers seven major areas: (1) Namchow Founder Memorial Park; (2) Oil & Fat Visitor Hallway; (3) Crystal Soap Experience; (4) Dian Shui Lou Cultural Dining; (5) Benchangliu Demonstrative Noodles Store, Paulaner Brewery, and Dining Demonstrative Center; (6) Thailand Erawan Shrine Worship Area; and (7) Thailand Cultural House & Thai Food Restaurant.

Namchow Tourism Factory has developed a new look for it is closely related to tourism, education, people-to-people diplomacy and local clusters, demonstrating corporate social responsibility and the intention to promote the development of local industries.

## (II) Overseas Businesses of Namchow

1. Namchow (Thailand) -- Established in -1989, Namchow Thailand is the first overseas base of Namchow. The facility in Ban Pong became operational in 1991 to produce instant noodles, rice crackers, among other products. With settlement-oriented management, multiple food certificates have been obtained for many years to be the most powerful cornerstone for exports to Europe and America. Namchow Thailand is even recognized as a benchmark enterprise by the local government. It is also one of the preferred companies for the Thai government to receive foreign guests. In response to future business development, a five-year investment plan of NTD 5 billion was made in Thailand. The first phase invested THB 1.3 billion to build a new plant, warehouse and baby rice cracker production line, It is expected to be put into production in 2020.

Thin “rice crackers” produced by Namchow Thailand feature low in oil but high in health and tastiness, and received the “Golden Award” following the screening process by the German Agricultural Society. The product is sold to major continents such as Europe, Asia and America. Efforts have been devoted to the research and development of products such as rice crackers for babies, cooked rice and cooked porridge for the past years.

In 2015, the “Little Cook” instant noodles produced by Namchow Thailand officially

returned to Taiwan for sale, positioning it as “slow food noodles.” In 2017, it cooperated with Dian Shui Lou to launch “Little Cook Beef Noodles.” The Internet conducted a blind test and comparison of beef instant noodles, and “Little Cook braised half-rib and half-meat beef noodles” won the highest total score. In 2018, it will launch “Fired Chicken Noodle” with a price of NTD 248 to target the high-priced instant noodle market. In 2019, “Soy bean pig feet noodles” with a unit price of NTD 288 will be launched to provide new dinner options with exquisite cuisine.

2. Oils, fats and bakery businesses in Mainland-- Tianjin Namchow Oils and Fats Company was established in 1996. It has been cultivating and developing for many years, supplying baked fats, whipped cream, frozen dough, ice cream, baked goods fillings, and other products.

The oil and fats manufacturing facility of Namchow in Guangzhou was completed in 2007. Construction of the third production site in the Jinshan area of Shanghai began in 2015. The ceremony for commissioning Jinshan Plant 1 in Shanghai and the agricultural cooperation and sustainable development in Jinshan were held in 2016. Additional investment was made for the construction of Jinshan Plant 2. The western operation center was established in Chongqing, Sichuan, in 2017.

The Shanghai Jinshan Factory, with its food safety, full traceability, environmental protection and energy saving, is the first baking fat and food processing factory in mainland China. In terms of product quality and equipment manufacturing process, many excellent results have been achieved over the years. Furthermore, to focus on research and development and innovation, food safety and traceability, and environmental sustainability, it has obtained various certifications. It is this a representative local food production base.

3. Shanghai Paulaner Dining Business - Shanghai BaoLaiNa Co., Ltd. was established in - 1996 with technical authorization from the Germany Paulaner Group. The first Paulaner Restaurant was opened on Fenyang Road, Shanghai, in 1997. Combining high-quality brewed beer and authentic Bavarian dishes, Shanghai Paulaner operates with its unique dining charm and has developed many themed restaurants with different styles.

BLN Restaurants & Caterings currently has six Paulaner restaurants (Xintiandi Store, Binjiang Store, World Expo Store, Changning Raffles Store, National Convention and Exhibition Center Store, North Bund Store), one Xianzhixuan Teppanyaki (World Expo Store) and one Kafer Riverside One (North Bund Store). The Paulaner Changning Raffles store won the Experts' Choice award presented by Trip Expert in 2018.

Namchow is active, innovative and diligent, creating a win-win situation with customers; advancing with the times, pioneering the trend of the times, meeting consumer needs, and achieving the goal of serving customers. For example, in December 2019, the “Professional Exhibition on Restaurants and Catering Applications” was held for the first time to introduce frozen dough products such as semi-finished bread and Chinese desserts, which were carefully developed by Namchow. Through product diversification and standardized operating procedures, placing quality first, it can save time and labor costs and

position itself as the best partner for business travel and tourism operators.

Food safety has been a public concern for the past few years. Namchow also reinforces its management over the sources of materials for its oil and fat products. There is an internal safety committee in place, for which the General Manager of the Group serves as the convener. The committee is responsible for strictly supervising and controlling as well as having someone to physically visit the oils and fats suppliers overseas for inspections in order to ensure that sources of the raw materials meet national requirements.

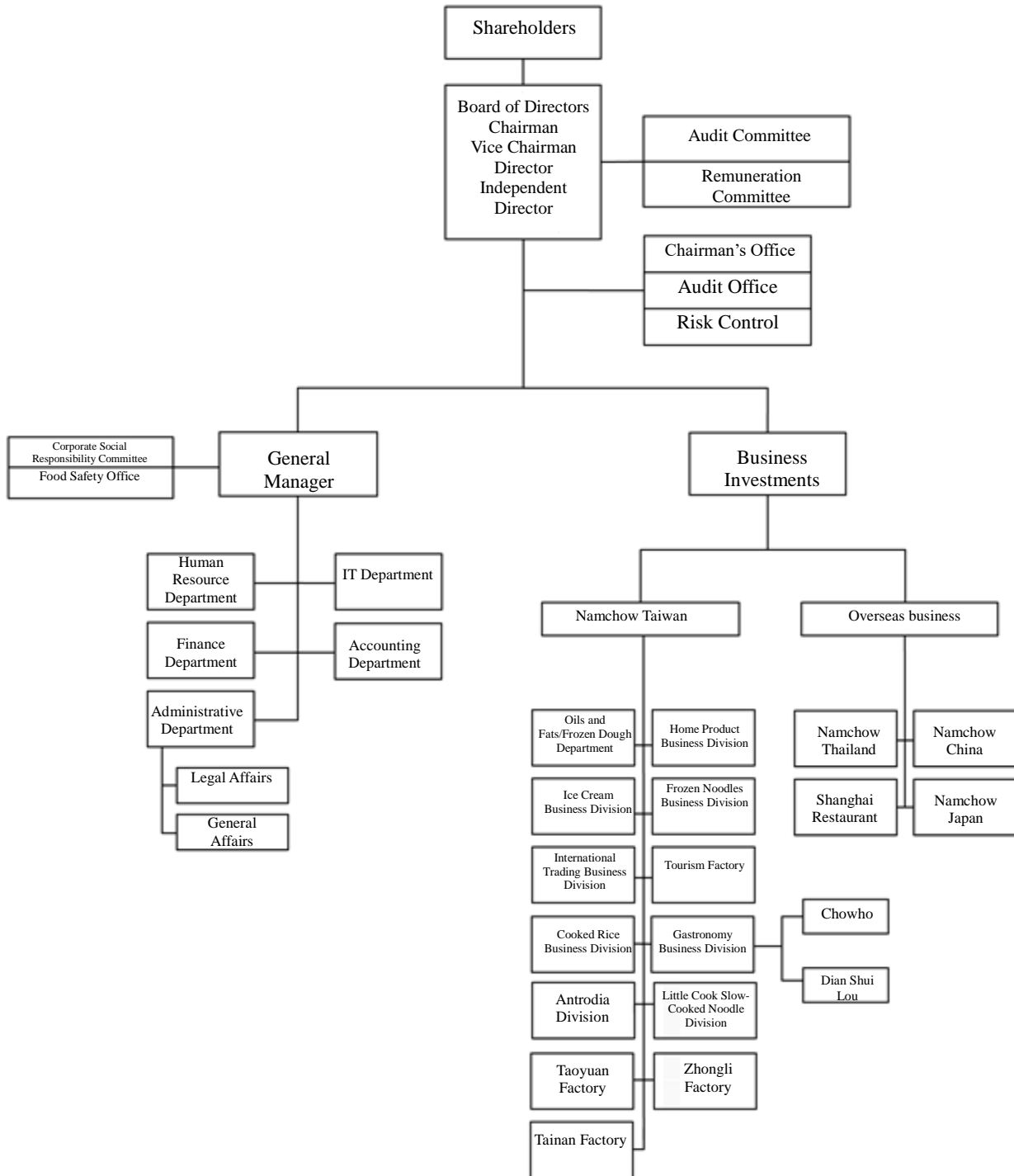
Furthermore, as the industrial environment changes quickly, “corporate social responsibility (CSR)” has become a required element for the enterprise to survive. Namchow started to prepare its CSR report in 2015 and everyone is assigned with specific tasks in the committee in order to help enforce related policies. In 2016, the business in China was included in the CSR report and in 2017, the business in Thailand was included. All business units of Namchow will take on a more rigid management attitude and fulfill its corporate social responsibility and citizenship in terms of corporate governance, food safety, and environmental sustainability. It won the traditional manufacturing industry silver award in the report category within the 2018 11th Taiwan Corporate Sustainability Awards (TCSA).

Namchow Group was established 68 years ago, and since then it has adhered to concepts of “integrity” and “sustainable management” while promoting the spirit of “as nature’s movement is ever vigorous , so must a gentleman ceaselessly strive along.” With continuous innovation and research, it creates value for customers, pays attention to consumer rights, and brings maximum operating benefits and rewards to all stakeholders, shareholders, and employees.

# III. Corporate Governance Report

## (I) Organizational System

### (I) Organizational structure



## (II) Major Departments and Their Scope of Operations

Department	Scope of Operations
Oils and Fats/Frozen Dough Department	Research and development, production, and distribution of professional oils and fats and frozen dough products
Home Product Business Division	Research and development, production, and distribution of daily cleaners
International Trading Business Division	Importation and exportation of goods, exportation affairs and procurement of raw materials, packing materials and equipment
Frozen Noodles Business Division	Research and development, production and distribution of frozen noodles
Cooked Rice Business Division	Research and development, production and distribution of aseptic cooked rice
Antrodia Division	Research and development, production and distribution of Antrodia cinnamomea soaps and related products
Little Cook Slow-Cooked Noodle Division	Research and development, production and distribution of “Little Cook” instant noodles
Joint Logistics Office for the Dining Business	Planning, implementation, and service windows for Namchow and reinvested dining businesses
Administrative function	Management of legal affairs and general affairs
Information	Development, construction, and management of the information system
Financial Affairs	Financial management and capital utilization plan
Accounting	Bookkeeping and taxes processing and management
Human Resources	Management of human resources and organizational development



Title (Note 1)	Nationality	Name	Gender	Date of Election/Inaugur ation Date	Tenure	Initial date of inauguration (Note 2)	Number of shares held at the time of election		Number of shares currently held		Current shares held by spouse and minors		Shares held in someone else's name		Main experience/education (Note 3)	Positions served at the Company and other companies at present	Other supervisors, directors or supervisors that are a spouse or within second degree of kinship			Remarks (Note 4)
							Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Sharehol ding ratio	Quantity of shares	Shareholdin g ratio			Title	Name	Relationship	
Vice Chairman	R.O.C.	Fei-Peng Chen	Male	05/30/2018	3 years	03/25/1966	36,942,995	12.56%	37,537,995	12.76%	0	0.00%	0	0.00%	Department of Economics, Soochow University	Director of Lucky Royal Co., Ltd. Director of Chow Ho Enterprise Co., Ltd. Director of Qizhi Business Administration Cultural Co., Ltd. Director of Hwa Zhin Co., Ltd. Director of Namchow (BVI) Ltd. Director of Namchow Cayman Islands Holdings Corporation Director of Nacia International Corporation Director of Namchow (Thailand) Ltd. Director of Yongju (Thailand) Ltd. Director of Dian Shui Lou Restaurant Business Co., Ltd. Director of Namchow Oil and Fat Co., Ltd. Director of Huaciang Industry Co., Ltd.	Chairman	Fei-Lung Chen	Brother	None
Director	R.O.C.	Representative of Lucky Royal Co., Ltd. Kan-Wen Li	Male	05/30/2018	3 years	06/09/2006 06/09/2006	46,041,259 26,583	15.65% 0.01%	46,041,259 26,583	15.65% 0.01%	0	0.00%	0	0.00%	National Chung Tsing University Masters of Business Administration	Director of Lucky Royal Co., Ltd. Director of Nacia International Corporation Director of Namchow Cayman Islands Holdings Corporation Director of Tianjin Yoshiyoshi Food Co., Ltd. Director of Tianjin Namchow Food Co., Ltd. Director of Guangzhou Namchow Food Co., Ltd. Director of Namchow (Thailand) Ltd. Director of Yongju (Thailand) Ltd. Director of Guangzhou Yoshiyoshi Food Co., Ltd. Director of Namchow Food Group (Shanghai) Co., Ltd. Director of Namchow Oil and Fat Co., Ltd.	None	None	None	None

Title (Note 1)	Nationality	Name	Gender	Date of Election/Inauguration Date	Tenure	Initial date of inauguration (Note 2)	Number of shares held at the time of election		Number of shares currently held		Current shares held by spouse and minors		Shares held in someone else's name		Main experience/education (Note 3)	Positions served at the Company and other companies at present	Other supervisors, directors or supervisors that are a spouse or within second degree of kinship			Remarks (Note 4)
							Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio			Title	Name	Relationship	
Director	R.O.C.	Representative of Lucky Royal Co., Ltd. Ming-Fen Chou	Female	05/30/2018	3 years	05/30/2018	46,041,259	15.65%	46,041,259	15.65%	0	0.00%	0	0.00%	Master of Educational Technology, Texas A&M University Entrepreneurship Class of National Chengchi University	General Manager of Lucky Royal Co., Ltd. Director/General Manager of Chow Ho Enterprise Co., Ltd. Director of Namchow (Thailand) Ltd. Director of Shanghai Qiaohao Trading Co., Ltd. Director of Guangzhou Yoshi Director/General Manager of Huaciang Industry Co., Ltd. General Manager of Dian Shui Lou Restaurant Business Co., Ltd. Supervisor of Namchow Gastronomy Group Consulting Co., Ltd.	None	None	None	None
Director	R.O.C.	Hwa Zhin Co., Ltd. Representative Cheng-Wen Chen	Male	05/30/2018	3 years	06/09/2006 06/10/2015	675,884 0	0.23% 0.00%	864,884 0	0.29% 0.00%	0 1,495,000	0.00% 0.51%	0 0.00%	Masters, Graduate Institute of Financial Affairs, Golden Gate University	Executive Director of Shanghai Qizhi Business Consultation Co. Ltd. Director of Shanghai Namchow Food Co., Ltd. Executive Director of Shanghai Qiaohao Business Administration Co., Ltd. Executive Director of Shanghai Qiaohao Food Co., Ltd. Chairman of Shanghai Qiaohao Trading Co., Ltd. Chairman of Shanghai Baolaina Co., Ltd. Director of Tianjin Yoshiyoshi Food Co., Ltd. Director of Tianjin Namchow Food Co., Ltd. Director of Tianjin Qiaohao Food Co., Ltd. Director of Nacia International Corporation Chairman of Namchow Food Group (Shanghai) Co., Ltd. Director of Namchow Cayman Islands Holdings Corporation Director of Guangzhou Yoshiyoshi Food Co., Ltd. Director of Guangzhou Namchow Food Co., Ltd. Executive Director of Chongqing Xiaoxing Co., Ltd. Director of Namchow (BVI) Ltd. Director of Namchow (Thailand) Ltd. Director of Qizhi Business Administration Cultural Co., Ltd. Director of Huaqiao Industry Co., Ltd. Executive Director of Wuhan Qiaoxing Co., Ltd.	Chairman Director	Fei-Lung Chen Namchow Holdings CO.,Ltd. Employee Welfare Committee Representative Yi-Wen Chen	Father and Son Sister and Brother	None	

Title (Note 1)	Nationality	Name	Gender	Date of Election/Inauguration Date	Tenure	Initial date of inauguration (Note 2)	Number of shares held at the time of election		Number of shares currently held		Current shares held by spouse and minors		Shares held in someone else's name		Main experience/education (Note 3)	Positions served at the Company and other companies at present	Other supervisors, directors or supervisors that are a spouse or within second degree of kinship			Remarks (Note 4)
							Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio			Title	Name	Relationship	
Director	R.O.C.	Namchow Holdings CO.,Ltd Employee Welfare Committee Representative Yi-Wen Chen	Female	05/30/2019	3 years	05/30/2019	4,908,960	1.67%	4,908,960	1.67%	0	0	0	0.00%	Master of Arts, University of San Francisco	Chairman of Tianjin Namchow Food Co., Ltd. Chairman of Tianjin Yoshiyoshi Food Co., Ltd. Chairman of Tianjin Qiaohao Food Co., Ltd. Chairman of Guangzhou Namchow Food Co., Ltd. Chairman of Dian Shui Lou Restaurant Business Co., Ltd. Supervisor of Chow Ho Enterprise Co., Ltd. Vice Chairman of Namchow Food and Dining Consultation Co., Ltd. Supervisor of Qizhi Business Administration Cultural Co., Ltd. Chairman of Shanghai Namchow Food Co., Ltd. Chairman of Shanghai Qiaohao Food Co., Ltd. Supervisor of Shanghai Qiaohao Business Administration Co., Ltd. Director of Shanghai Qiaohao Trading Co., Ltd. Director of Namchow (BVI) Ltd. Vice Chairman of Shanghai Baolaina Co., Ltd. Chairman of Nankyo Japan Co., Ltd. Supervisor of Namchow Consultation Co., Ltd. Director of Namchow Food Group (Shanghai) Co., Ltd. Supervisor of Chongqing Xiaoxing Co., Ltd. Director of Nacia International Corporation Director of Namchow Cayman Islands Holdings Corporation Chairman of Guangzhou Yoshiyoshi Food Co., Ltd. Supervisor of Namchow Oil and Fat Co., Ltd. Supervisor of Huaciang Industry Co., Ltd. Director of Chowfu Biotechnology Co., Ltd.	Chairman Director Vice General Manager/Chief Operation Officer	Fei-Lung Chen Representative of Hwa Zhin Co., Ltd. Cheng-Wen Chen Cheng-Wen Chen	Father and Daughter Sister and Brother Sister and Brother	None
Independent Director	R.O.C.	Ting-Kuo Chen	Male	05/30/2018	3 years	06/10/2015	0	0	0	0	0	0	0	0	PhD in Business Administration, University of Michigan	Lecturer, Business Management, College of Business and Management, Tamkang University Chairman of the Chinese Academy of Business General Counsel of Ruentex Group Consultant and professor at Shanghai Fudan University, Shandong University, Zhejiang University, and Leadership Academy at the headquarters of China Petroleum and Chemical Corporation Director, consultant and professor at the Antai Management College of Shanghai Jiaotong University. Emeritus professor at the School of Management, Chinese University of Hong Kong	None	None	None	None
Independent Director	R.O.C.	Chin-Shih Lin	Male	05/30/2018	3 years	06/10/2015	0	0	0	0	0	0	0	0	Department of Accounting, Tamkang University	CPA at Chin-Shih Lin Accounting Firm Supervisor of Prolific Technology Inc.	None	None	None	None

Title (Note 1)	Nationality	Name	Gender	Date of Election/Inaugur ation Date	Tenure	Initial date of inauguration (Note 2)	Number of shares held at the time of election		Number of shares currently held		Current shares held by spouse and minors		Shares held in someone else's name		Main experience/education (Note 3)	Positions served at the Company and other companies at present	Other supervisors, directors or supervisors that are a spouse or within second degree of kinship			Remarks (Note 4)
							Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Sharehol ding ratio	Quantity of shares	Sharehold ing ratio			Title	Name	Relationship	
Independent Director	R.O.C.	Chun-Hsueh Chen	Male	05/30/2019	3 years	05/30/2019	2,000	0.00%	2,000	0.00%	2,000	0.00%	0	0.00%	National Chung Tsing University Department of Business Administration	Representative of Eni Chemicals (Italy) Taiwan Office General Manager of Taiwan Branch of SAB Asia Pacific General Manager of Pulong Enterprise Co., Ltd.	None	None	None	None

Note 1: Corporate shareholders shall list the names and representatives of corporate shareholders separately (if it is a representative of a juristic person shareholder, the name of the juristic person shareholder should be indicated); and the following Table 1 should be filled in.

Note 2: Fill in the time of first serving as director or supervisor of the company. If there is any interruption, it should be noted.

Note 3: For the experience relevant to the current position, such as employment at an audit and certification accounting firm or an associated enterprise during the said period, the title and responsibilities shall be specified.

Note 4: When the company's chairman and general manager or equivalent (top manager) are the same person, or spouse or relative within one degree of kinship to the other, the reason, rationality, necessity and relevant information of the corresponding measures should be explained (e.g., the number of independent directors should be increased, more than half of the directors should not be concurrent employees or managers, etc.).

Table 1: Major shareholders of institutional shareholders

May 2, 2020

Name of institutional shareholder (Note 1)	Major shareholders of institutional shareholders (Note 2)
Lucky Royal Co., Ltd.	Namchow Holdings Co., Ltd.(99.65%)
Hwa Zhin Co., Ltd.	Fei-Lung Chen (45%), Fei-Peng Chen (45%)
Namchow Holdings CO.,Ltd . Employee Welfare Committee	Not applicable

Note 1: If the directors and supervisors are representatives of juristic person shareholders, the name of the juristic person shareholders should be filled in.

Note 2: Fill in the name of the main shareholder of the juristic person shareholder (whose shareholding ratio falls in the top ten) and its shareholding ratio. If its major shareholder is a juristic person, it should be disclosed in Table 2 below.

Note 3: When the juristic person shareholder is not a company organizer, the names of shareholders and shareholding ratios that should be disclosed beforehand are the names of the funders or donors and their contributions or contribution ratios.

Table 2: Major shareholders of major shareholders who are institutions

May 2, 2020

Name of institution	Serial No.	Name of major shareholder of the institution	Shareholding ratio
Namchow Holdings Co., Ltd.	1	Lucky Royal Co., Ltd.	15.65%
	2	Fei-Peng Chen	12.76%
	3	Fei-Lung Chen	11.50%
	4	Cathay Life Insurance Company, Ltd.	5.85%
	5	Bank SinoPac as Custodian for Reva Spring Ltd. Investment Account	4.23%
	6	Bank SinoPac as Custodian for Ever Cosmos Ltd. Investment Account	3.65%
	7	Nomura Asset Management Taiwan Ltd. as fully authorized by Fubon Life Insurance Co., Ltd.	2.90%
	8	Investment Account with Norges Bank under the custodianship of Citibank Taiwan.	1.72%
	9	Namchow Holdings CO.,Ltd . Employee Welfare Committee	1.67%
	10	Hsiao-Chuan Chen-Huang	1.22%

Note 1: If the main shareholder is a juristic person as shown in Table 1 above, the name of the juristic person should be filled in.

Note 2: Fill in the name of the main shareholder of the juristic person (whose shareholding ratio falls in the top ten) and its shareholding ratio.

Note 3: When the juristic person shareholder is not a company organizer, the names of shareholders and shareholding ratios that should be disclosed beforehand are the names of the funders or donors and their contributions or contribution ratios.

Director and Supervisor Information (II)

May 2, 2020

Title	Name	Requirement	More than five years of work experience and the following professional eligibility	Compliance with the independence requirement (Note)												Number of other public offering companies where the position of part-time independent director is held
		Lecturer or higher ranking at the business, legal affairs, financial affairs or accounting department, or other departments relating to operation of public and private colleges and universities	Judge, prosecutor, lawyer, CPA or other professional technicians that have taken and approved in national exams required for corporate operation	Work experience required for business, legal affairs, financial affairs, accounting, or corporate operation	1	2	3	4	5	6	7	8	9	10	11	
Chairman	Fei-Lung Chen			✓						✓			✓	✓	✓	0
Director	Fei-Peng Chen			✓						✓			✓	✓	✓	0
Director	Lucky Royal Co., Ltd. Representative: Kan-Wen Li			✓			✓	✓		✓			✓	✓	✓	0
Director	Lucky Royal Co., Ltd. Representative: Ming-Fen Chou			✓			✓	✓		✓			✓	✓	✓	0
Director	Hwa Zhin Co., Ltd. Representative: Cheng-Wen Chen			✓			✓			✓			✓	✓		0
Director	Namchow Holdings CO.,Ltd . Employee Welfare Committee Representative: Yi-Wen Chen			✓			✓			✓			✓	✓		0
Independent Director	Ting-Kuo Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director	Chin-Shih Lin		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director	Chun-Hsueh Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: When any of the following conditions is met for each director or supervisor during the two years prior to and during their tenure, please check “✓” in the box underneath each conditional code

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or supervisor of the Company or its affiliates. (However, in the case of independent directors established and concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)
- (3) Not a natural person shareholder that holds by himself/herself or by his/her spouse or minor child in someone else’s name more than 1% of all circulating shares of the Company or is on the Top 10 shareholding list.
- (4) Not a manager of those listed in (1), or someone having a relationship with those listed in (2) or (3) including a spousal relationship, a second-degree kinship or closer, or an immediate blood relative

within three degrees of kinship.

- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings, or is designated as a representative in accordance with Article 27, Paragraph 1 or 2 of the Company Act. (However, in the case of independent directors established and concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)
- (6) Not a director, supervisor, or employee of another company controlled by the same person with more than half of the shares with voting rights on the company's board of directors. (However, in the case of independent directors established and concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)
- (7) Not a director, supervisor, or employee of another company or institution whose chairman, general manager, or equivalent position is the same person as that of the Company, or the spouse thereof. (However, in the case of independent directors established and concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)
- (8) Not a director, supervisor, or manager of a specific company or institution having financial or business dealings with the Company, or a shareholder holding 5% or more of shares. (However, if a specific company or institution holds more than 20% of the total issued shares of the company but not more than 50%, and the established independent director concurrently serves in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)
- (9) Not a partner, director, supervisor, manager, or spouse thereof of a company or institution that provides commercial, legal, financial, financial, accounting services or consultation to the company or any affiliate of the Company for amounts exceeding NT\$500,000 in the past two years. However, for members of the Remuneration Committee, Public Acquisitions Review Committee, or M&A Special Committee who perform their functions and powers in accordance with the relevant laws and regulations of the Securities and Exchange Act or the Corporate Mergers & Acquisitions Act, this limitation shall not apply.
- (10) Not the spouse or a relative within the second degree of kinship to any other director of the Company.
- (11) None of the conditions indicated under Article 30 of the Company Act.
- (12) Not a government agency, juristic person or its representative set forth in Article 27 of the Company Act.

(II) Background Information of General Managers, Vice General Managers, Assistant Managers and Heads of Various Departments and Branches.

Title (Note 1)	Nationality	Name	Gender	Date of Election/ Inauguration Date	Quantity of shares		Current shares held by spouse and minors		Shares held in someone else's name		Main experience/education (Note 2)	Positions at other companies held at present	Managers who are a spouse or a relative within the second degree of kinship			Remarks (Note 3)
					Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio			Title	Name	Relationship	
General Manager	R.O.C.	Kan-Wen Li	Male	09/09/1997	26,583	0.01%	0	0.00%	0	0.00%	Master of Business Administration, National Chung Tsing University	Director of Tianjin Namchow Food Co., Ltd. Director of Tianjin Yoshiyoshi Food Co., Ltd. Director of Guangzhou Namchow Food Co., Ltd. Director of Namchow Food Group (Shanghai ) Co., Ltd. Director of Guangzhou Yoshi Director of Yongju (Thailand) Director of Namchow Thailand Director of Lucky Royal Co., Ltd. Director of Namchow (Cayman Islands) Holdings Corporation Director of Nacia International Corporation Director of Namchow Oils and Fats	None	None	None	None
Division Chief Operation Officer	R.O.C.	Ming-Fen Chou	Female	05/24/2016	9,000	0.00%	0	0.00%	0	0.00%	Texas A&M University Educational Technology Master Entrepreneurship Class of National Chengchi University	General Manager of Lucky Royal Co., Ltd. Director/General Manager of Huaciang Industry Co., Ltd. Director/General Manager of Chow Ho Enterprise Co., Ltd. General Manager of Dian Shui Lou Restaurant Business Co., Ltd. Supervisor of Namchow Gastronomy Group Consulting Co., Ltd. Director of Shanghai Qiaohao Trading Co., Ltd. Director of Namchow Thailand Director of Guangzhou Yoshi	None	None	None	None
Division Chief Operation Officer	R.O.C.	Shu-Wen Tai	Female	01/01/2015	2,136	0.00%	0	0.00%	0	0.00%	Bachelor in Mass Communication, Fu Jen Catholic University	Director/General Manager of Namchow Oil and Fat Co., Ltd. Director of Namchow Thailand Supervisor of Nankyo Japan Co., Ltd. Director of Chi Chih Culture and Art Foundation	None	None	None	None
Division Vice General Manager	R.O.C.	Ming-Chuan Lin	Male	05/01/2013	0	0.00%	0	0.00%	0	0.00%	Department of International Trade, National Taipei University of Business	None	None	None	None	
Assistant Manager	R.O.C.	Jui-Tzu Chu	Female	01/01/2015	0	0.00%	0	0.00%	0	0.00%	Master of Food and Nutrition, Providence University	None	None	None	None	
Assistant Manager	R.O.C.	Ching-Hui Chiu	Female	08/13/2018	0	0.00%	0	0.00%	0	0.00%	Department of Risk Management and Insurance, Feng Chia University	None	None	None	None	
Assistant Manager	R.O.C.	Shih-Wei Wang	Male	10/09/2018	6000	0.00%	0	0.00%	0	0.00%	National Chengchi University EMBA Business Management Group	Supervisor of Tianjin Namchow Food Co., Ltd. Supervisor of Guangzhou Namchow Food Co., Ltd. Supervisor of Shanghai Qizhi Business Consulting Co., Ltd. Supervisor of Namchow Food Group (Shanghai ) Co., Ltd. Supervisor of Shanghai Qiaohao Food Supervisor of Shanghai Namchow Food Supervisor of Tianjin Qiaohao Food	None	None	None	None

Title (Note 1)	Nationality	Name	Gender	Date of Election/ Inauguration Date	Quantity of shares		Current shares held by spouse and minors		Shares held in someone else's name		Main experience/education (Note 2)	Positions at other companies held at present	Managers who are a spouse or a relative within the second degree of kinship			Remarks (Note 3)
					Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio			Title	Name	Relation ship	
Assistant Manager	R.O.C.	Chun-Fei Hou	Female	04/27/2020	0	0.00%	0	0.00%	0	0.00%	MBA, University of Illinois Champagne Campus	None	None	None	None	None

Note 1: It shall include the information of general managers, vice general managers, assistant managers, and heads of respective departments and branches; regardless of their title, the information has to be disclosed as long as their ranking is equivalent to that of a general manager, vice general manager, or assistant manager.

Note 2: For the experience relevant to the current position, such as employment at an audit and certification accounting firm or an associated enterprise during the said period, the title and responsibilities shall be specified.

Note 3: When the general manager or equivalent (top manager) and the chairman are the same person, or spouse or relative within one degree of kinship to the other, the reason, rationality, necessity and relevant information of the corresponding measures should be explained (e.g., the number of independent directors should be increased, more than half of the directors should not be concurrent employees or managers, etc.).

### (III) Remunerations paid to directors, supervisors, general managers and vice general managers in recent years

#### (I)

#### (1-1) Remuneration of general directors and independent directors

Title	Name	Remuneration for directors								After-tax earnings ratio of the sum of A, B, C, and D (%) (Note 10)		Remunerations for part-time employees								After-tax earnings ratio of the sum of A, B, C, D, E, F, and G (%) (Note 10)		Remuneration received from investee companies outside of subsidiaries or from the parent company. (Note 11)
		Remunerations (A) (Note 2)		Retirement and pension (B)		Remunerations for directors (C) (Note 3)		Operational expenditure (D) (Note 4)				Salary, bonus, and special expenditure (E) (Note 5)		Retirement and pension (F)		Remunerations for employees (G) (Note 6)						
		The Company	All companies within the Financial Report (Note 7)	The Company	All companies within the Financial Report (Note 7)	The Company	All companies within the Financial Report (Note 7)	The Company	All companies within the Financial Report (Note 7)	The Company	All companies within the Financial Report (Note 7)	The Company	All companies within the Financial Report (Note 7)	The Company		All companies within the Financial Report (Note 7)		The Company	All companies within the Financial Report (Note 7)			
Chairman	Fei-Lung Chen	0	0	0	0	25,277,903	25,277,903	115,200	115,200	2.63%	2.63%	30,222,108	34,193,627	385,524	417,036	0	0	0	0	5.81%	6.22%	None
Vice Chairman	Fei-Peng Chen	0	0	0	0	11,339,620	11,339,620	90,000	90,000	1.19%	1.19%	11,370,334	12,358,054	335,844	360,344	0	0	0	0	2.40%	2.50%	None
Director	Representative of Lucky Royal Co., Ltd. Kan-Wen Li																					
Director	Representative of Lucky Royal Co., Ltd. Ming-Fen Chou	0	0	0	0	10,630,894	10,630,894	0	0	1.10%	1.10%	14,589,390	54,068,301	364,680	652,404	209,771	0	774,545	0	2.68%	6.86%	None
Director	Representative of Hwa Zhin Co., Ltd. Cheng-Wen Chen																					
Director	Yi-Wen Chen, Representative of Namchow Holdings																					

	Co.,Ltd. Employee Welfare Committee																						
Independent Director	Ting-Kuo Chen																						
Independent Director	Chin-Shih Lin	0	0	0	0	0	0	1,939,333	1,939,333	0.2%	0.2%	0	0	0	0	0	0	0	0	0.2%	0.2%	None	
Independent Director	Chun-Hsueh Chen																						

1. Please state the policies, systems, standards and structure of independent directors' remuneration, and, according to the responsibilities, risks, time invested and other factors, describe the relevance to the remuneration amount: Independent directors of the Company are paid travel expenses, and are paid monthly regardless of profit or loss including business execution related expenses, and they do not participate in the Company's annual profit distribution.  
No other compensation, remuneration or expenses shall be paid.
2. Besides those disclosed in the above table, remunerations paid to directors in the most recent year for having provided services to all companies covered in the Financial Report (such as working as a consultant who is not an employee): None

**\*The Company established an Audit Committee on June 17, 2019 and all supervisors resigned. In addition, Yi-Wen Chen was newly appointed as a director from the prior role as supervisor.**

(2-1)Remuneration bracket table

Remuneration level of each director of the company	Name of director			
	Sum of the said four types of remunerations (A+B+C+D)		Sum of the said seven types of remunerations (A+B+C+D+E+F+G)	
	The Company (Note 8)	In the Company's Financial Report (Note 9) H	The Company (Note 8)	All companies within the Financial Report (Note 9) I
Less than NT\$1,000,000	Chin-Shih Lin, Ding-Guo Chen, Chun-Hsueh Chen	Chin-Shih Lin, Ding-Guo Chen, Chun-Hsueh Chen	Chin-Shih Lin, Ding-Guo Chen, Chun-Hsueh Chen	Chin-Shih Lin, Ding-Guo Chen, Chun-Hsueh Chen
NTD 1,000,000 (inclusive) - NTD 2,000,000 (exclusive)	Namchow Holdings CO.,Ltd. Yi-Wen Chen, Representative of Employee Welfare Committee	Namchow Holdings CO.,Ltd. Yi-Wen Chen, Representative of Employee Welfare Committee	Namchow Holdings CO.,Ltd. Yi-Wen Chen, Representative of Employee Welfare Committee	
NTD 2,000,000 (inclusive) - NTD 3,500,000 (exclusive)	Kan-Wen Li, Representative of Lucky Royal Co., Ltd.; Ming-Fen Chou, Representative of Lucky Royal Co., Ltd.	Kan-Wen Li, Representative of Lucky Royal Co., Ltd.; Ming-Fen Chou, Representative of Lucky Royal Co., Ltd.	Ming-Fen Chou, Representative of Lucky Royal Co., Ltd.	
NTD 3,500,000 (inclusive) - NTD 5,000,000 (exclusive)	Cheng-Wen Chen, Representative of Hwa Zhin Co., Ltd.	Cheng-Wen Chen, Representative of Hwa Zhin Co., Ltd.		
NTD 5,000,000 (inclusive) - NTD 10,000,000 (exclusive)			Cheng-Wen Chen, Representative of Hwa Zhin Co., Ltd.	Yi-Wen Chen
NTD 10,000,000 (inclusive) - NTD 15,000,000 (exclusive)	Fei-Peng Chen	Fei-Peng Chen	Kan-Wen Li	Ming-Fen Chou
NTD 15,000,000 (inclusive) - NTD 30,000,000 (exclusive)	Fei-Lung Chen	Fei-Lung Chen	Fei-Peng Chen	Fei-Peng Chen, Kan-Wen Li, Cheng-Wen Chen
NTD 30,000,000 (inclusive) - NTD 50,000,000 (exclusive)				
NTD 50,000,000 (inclusive) - NTD 100,000,000 (exclusive)			Fei-Lung Chen	Fei-Lung Chen
Over NTD 100,000,000				
Total	9 people	9 people	9 people	9 people

Note 1: Names of directors shall be listed separately (both the name of the institution and its representative shall be listed for an institutional shareholder), and listing general directors and independent directors separately, and individual payments made shall be disclosed through a summary. If the director is also a general manager or vice general manager, this table and the following table shall be completed (Remuneration of general manager and deputy general manager).

Note 2: The remunerations paid to directors in the latest year (including salaries, additional pay, service pay, various prizes, rewards, among others)

Note 3: The value of remunerations approved to be assigned to directors by the Board of Directors in the most recent year

Note 4: Related expenses for carrying our tasks incurred by directors in the latest year (including transportation, special expenditure, various allowances, dormitory, and car, among other actual items provided) For housing, automobiles and other transportation tools or expenses that are specific to individuals, the nature and cost of the assets provided, the actual or market-value-based rental, the cost of gasoline and other payments shall be disclosed. If a driver is assigned, please indicate the pay available for the driver but it may not be included in the calculation of remunerations.

Note 5: Salaries, additional pay, service pay, various prizes, rewards, transportation, special expenditure, various allowances, dormitory, cars and other actual items that are claimed by directors and employees (including part-time general managers, vice general managers, other managers and employees) in the latest year. For housing,

automobiles and other transportation tools or expenses that are specific to individuals, the nature and cost of the assets provided, the actual or market-value-based rental, the cost of gasoline and other payments shall be disclosed. If a driver is assigned, please indicate the pay available for the driver but it may not be included in the calculation of remunerations. In addition, salaries recognized in accordance with IFRS 2: “stock-based payment transaction”, including employee stock option certificates, restricted employee shares, and participation in subscribing shares in cash capital increase, shall also be included as part of the remunerations.

- Note 6: This means that directors and employees (including part-time general managers, vice general managers, other managers, and employees) having claimed employee remunerations (including shares and cash) shall disclose employee remunerations distributed through the Board of Directors in the most recent year. If it is impossible to estimate the value planned to be distributed this year, follow the actual value distributed last year and calculated proportionally and Exhibit 1-3 shall be completed.
- Note 7: The total value of remunerations paid to directors of the Company by all companies in the Consolidated Report (including the Company) shall be disclosed.
- Note 8: For the total value of various remunerations paid to each director by the Company, disclose the name of the director in the respective bracket.
- Note 9: For the total value of various remunerations paid to each director of the Company by all companies (including the Company) in the Consolidated Report, disclose the name of the director in the respective bracket.
- Note 10: Net profit after tax refers to the net profit after tax in the most recent year’s individual or separate entity financial reports.
- Note 11: a. The value of related remunerations claimed by directors of the Company from reinvested businesses other than subsidiaries or the parent company shall be specified in this column. (If there is none, please fill in “None”)  
b. In the event that directors of the Company claim related remunerations from reinvested businesses other than subsidiaries or the parent company, the said remunerations shall be combined in Column I of the remuneration bracket table and the name of the column shall be changed to “parent company and all reinvested businesses.”  
c. Remunerations are the compensation, rewards (including rewards for employees, directors, and supervisors) and operational expenditures claimed by supervisors of the Company who serve as the director, supervisor, or manager at a reinvested business other than the subsidiary or at the parent company.

\* The content of the remunerations disclosed in this table differs from the idea of income indicated in the Income Tax Act. As such, the purpose of this table is for disclosure of information only, not for taxation.

## (2-2) Remunerations of supervisors

Title	Name	Remunerations for supervisors						A · After-tax earnings ratio of the sum of B and C (Note 8)		Remuneration received from investee companies outside of subsidiaries or from the parent company. (Note 9)
		Remunerations (A) (Note 2)		Remunerations (B) (Note 3)		Operational expenditure (C) (Note 4)		The Company	All companies within the Financial Report (Note 5)	
		The Company	All companies within the Financial Report (Note 5)	The Company	All companies within the Financial Report (Note 5)	The Company	All companies within the Financial Report (Note 5)			
Supervisor	Yi-Wen Chen, Representative of Namchow Holdings CO.,Ltd. Employee Welfare Committee (Outgoing)	0	0	0	0	0	0	0.00%	0.00%	None
Supervisor	Ting-Chen Wu (Outgoing)									

\*The Company established an Audit Committee on June 17, 2019 and all supervisors resigned. In addition, Yi-Wen Chen was newly appointed as a director from the prior role as supervisor.

(3-1)Remuneration bracket table

Remuneration level of each supervisor of the company	Name of supervisor	
	Sum of the said three types of remunerations (A+B+C)	
	The Company (Note 6)	All companies within the Financial Report (Note 7) D
Less than NT\$1,000,000		
NTD 1,000,000 (inclusive) - NTD 2,000,000 (exclusive)		
NTD 2,000,000 (inclusive) - NTD 3,500,000 (exclusive)		
NTD 3,500,000 (inclusive) - NTD 5,000,000 (exclusive)		
NTD 5,000,000 (inclusive) - NTD 10,000,000 (exclusive)		
NTD 10,000,000 (inclusive) - NTD 15,000,000 (exclusive)		
NTD 15,000,000 (inclusive) - NTD 30,000,000 (exclusive)		
NTD 30,000,000 (inclusive) - NTD 50,000,000 (exclusive)		
NTD 50,000,000 (inclusive) - NTD 100,000,000 (exclusive)		
Over NTD 100,000,000		
Total	0 people	0 people

Note 1: Names of supervisors shall be listed separately (both the name of the institution and its representative shall be listed for an institutional shareholder) and individual payments made shall be disclosed through a summary.

Note 2: The remunerations paid to supervisors in the latest year (including salaries, additional pay, service pay, various prizes, rewards, among others).

Note 3: Value of remunerations approved by the Board of Directors to be distributed to supervisors in the most recent year.

Note 4: Related expenses for carrying out tasks incurred by supervisors in the latest year (including transportation, special expenditure, various allowances, dormitory, and car, among other actual items provided) . For housing, automobiles and other transportation tools or expenses that are specific to individuals, the nature and cost of the assets provided, the actual or market-value-based rental, the cost of gasoline and other payments shall be disclosed. If a driver is assigned, please indicate the pay available for the driver but it may not be included in the calculation of remunerations.

Note 5: The total value of remunerations paid to supervisors of the Company by all companies in the Consolidated Report (including the Company) shall be disclosed.

Note 6: For the total value of various remunerations paid to each supervisor by the Company, disclose the name of the supervisor in the respective bracket.

Note 7: For the total value of various remunerations paid to each supervisor of the Company by all companies (including the Company) in the Consolidated Report, disclose the name of the supervisor in the respective bracket.

Note 8: After-tax pure earnings are those in the latest year. When the International Financial Reporting Standards are adopted, after-tax pure earnings are those indicated in the entity or individual financial report from the most recent year.

Note 9: a.The value of related remunerations claimed by supervisors of the Company from reinvested businesses other than subsidiaries shall be specified in this column.

b.In the event that supervisors of the Company claim related remunerations from reinvested businesses other than subsidiaries, the said remunerations shall be combined in Column D of the remuneration bracket table and the name of the column shall be changed to “all reinvested businesses.”

c. Remunerations are the compensation, rewards (including rewards for employees, directors, and supervisors) and operational expenditures claimed by supervisors of the Company who serve as the director, supervisor or manager at a reinvested business other than the subsidiary.

\* The content of the remunerations disclosed in this table differs from the idea of income indicated in the Income Tax Act. As such, the purpose of this table is for disclosure of information only, not for taxation.

(3-2) Remunerations for general managers and vice general managers (The names shall be summarized and disclosed reflective of the bracket.)

Title	Name	Salaries (A) (Note 2)		Retirement and pension (B)		Prizes and special expenditure (C) (Note 3)		Employee remunerations (D) (Note 4)				After-tax earnings ratio of the sum of A, B, C, and D (Note 8)		Remuneration received from investee companies outside of subsidiaries or from the parent company (Note 9)
		The Company	All companies within the Financial Report (Note 5)	The Company	All companies within the Financial Report (Note 5)	The Company	All companies within the Financial Report (Note 5)	The Company		All companies within the Financial Report (Note 5)		The Company	All companies within the Financial Report (Note 5)	
								Current value	Stock value	Current value	Stock value			
General Manager	Kan-Wen Li	4,558,572	17,132,485	364,680	952,012	10,030,818	24,593,906	209,771	0	671,365	0	1.57%	4.5%	None
Chief Operation Officer	Ming-Fen Chou													
Chief Operation Officer	Shu-Wen Tai													
Vice General Manager of Business Department	Ming-Chuan Lin													

\* Regardless of their title, the information has to be disclosed as long as their ranking is equivalent to that of a general manager or vice general manager (e.g. president, chief executive officer, general director, etc.).

Remuneration bracket table

Bracket by which remunerations are paid to respective general managers and vice general managers of the Company	Name of General Manager/Vice General Manager	
	The Company (Note 6)	All companies within the Financial Report (Note 7) E
Less than NT\$1,000,000		
NTD 1,000,000 (inclusive) - NTD 2,000,000 (exclusive)		
NTD 2,000,000 (inclusive) - NTD 3,500,000 (exclusive)		
NTD 3,500,000 (inclusive) - NTD 5,000,000 (exclusive)		Ming-Chuan Lin
NTD 5,000,000 (inclusive) - NTD 10,000,000 (exclusive)		Shu-Wen Tai
NTD 10,000,000 (inclusive) - NTD 15,000,000 (exclusive)	Kan-Wen Li	Ming-Fen Chou
NTD 15,000,000 (inclusive) - NTD 30,000,000 (exclusive)		Kan-Wen Li
NTD 30,000,000 (inclusive) - NTD 50,000,000 (exclusive)		
NTD 50,000,000 (inclusive) - NTD 100,000,000 (exclusive)		
Over NTD 100,000,000		
Total	1 person	4 people

Note 1: Names of general managers and vice general managers shall be listed separately and individual payments made shall be disclosed through a summary. If the director is also a general manager or vice general manager, this table and the above table (1-1 or 1-2) shall be completed.

Note 2: Salaries, additional pay, and service pay for general managers and vice general managers in the latest year.

Note 3: Various prizes, awards, transportation, special expenditure, various allowances, dormitory, cars, and other actual items provided and other compensations for general managers and vice general managers in the latest year. For housing, automobiles and other transportation tools or expenses that are specific to individuals, the nature and cost of the assets provided, the actual or market-value-based rental, the cost of gasoline and other payments shall be disclosed. If a driver is assigned, please indicate the pay available for the driver but it may not be included in the calculation of remunerations. In addition, salaries recognized in accordance with IFRS 2: "stock-based payment transaction", including employee stock option certificates, restricted employee shares, and participation in subscribing shares in cash capital increase, shall also be included as part of the remunerations.

Note 4: Employee remunerations (including stock and cash) distributed to general managers and vice general managers as approved by the Board of Directors in the latest year. If it is impossible to estimate the value planned to be distributed this year, follow the actual value distributed last year and calculate proportionally. In addition, the attached Table 1-3 shall be completed. After-tax pure earnings are those in the latest year. When the International Financial Reporting Standards are adopted, after-tax pure earnings are those indicated in the entity or individual financial report from the most recent year.

Note 5: The total value of remunerations paid to general managers and vice general managers of the Company by all companies in the Consolidated Report (including the Company) shall be disclosed.

Note 6: For the total value of various remunerations paid to each general manager and vice general manager by the Company, disclose the name of the general manager and the vice general manager in the respective bracket.

Note 7: For the total value of various remunerations paid to each general manager and vice general manager of the Company by all companies (including the Company) in the Consolidated Report, disclose the name of the general manager and vice general manager in the respective bracket.

Note 8: After-tax pure earnings are those in the latest year. When the International Financial Reporting Standards are adopted, after-tax pure earnings are those indicated in the entity or individual financial report from the most recent year.

Note 9: a. The value of related remunerations claimed by general managers and vice general managers of the Company from reinvested businesses other than subsidiaries shall be specified in this column.

b. In the event that general managers and vice general managers of the Company claim related remunerations from reinvested businesses other than subsidiaries, the said remunerations shall be combined in Column E of the remuneration bracket table and the name of the column shall be changed to “all re-invested businesses.”

c. Remunerations are the compensation, rewards (including rewards for employees, directors, and supervisors) and operational expenses, among others, claimed by general managers and vice general managers of the Company who serve as the director, supervisor, or manager at a reinvested business other than the subsidiary.

\* The content of the remunerations disclosed in this table differs from the idea of income indicated in the Income Tax Act. As such, the purpose of this table is for disclosure of information only, not for taxation.

(II) Names and distribution of managers assigned with employee rewards

	Title (Note 1)	Name (Note 1)	Stock value	Current value	Total	After-tax earnings ratio (%)
Manager	General Manager	Kan-Wen Li	0	892,934	892,934	0.09%
	Chief Operation Officer	Ming-Fen Chou				
	Chief Operation Officer	Shu-Wen Tai				
	Vice General Manager of Business Department	Ming-Chuan Lin				
	Assistant Manager	Jui-Tzu Chu				
	Assistant Manager	Shu-Ling Huang				
	Assistant Manager	Ching-Hui Chiu				
	Assistant Manager	Shih-Wei Wang				

\*Associate Ms. Shu-Ling Huang resigned on January 31, 2020

Note 1: The name and title of the individual shall be disclosed but distribution of profits may be disclosed through a summary.

Note 2: Employee remunerations (including stock and cash) distributed to managers through the Board of Directors in recent years. If it is impossible to estimate the value planned to be distributed this year, follow the actual value distributed last year and calculate proportionally. After-tax pure earnings are those in the latest year. When the International Financial Reporting Standards are adopted, after-tax pure earnings are those indicated in the entity or individual financial report from the most recent year.

Note 3: For the applicability of managers, follow the Tai-Cai-Zheng-San No. 0920001301 letter dated March 27, 2003.

- (1) General Managers and people of equivalent ranking
- (2) Vice general managers and people of equivalent ranking
- (3) Assistant managers and people of equivalent ranking
- (4) Head of Department of Finance
- (5) Head of Accounting Department
- (6) Other people handling corporate affairs and signature rights

Note 4: If directors, general managers, and vice general managers receive employee remunerations (including stock and cash), this table needs to be completed in addition to Exhibit 1-2.

(III) Compare and describe separately the analysis of ratios of total remunerations paid to directors, supervisors, general managers, and vice general managers of the Company for the past two years by the Company and all companies in the Consolidated Report in after-tax earnings indicated in the entity or individual financial reports. In addition, describe correlation among the remuneration payment policy, standards and combination, remuneration establishing procedures, and management efficacy and risks in the future.

1. Ratios of remunerations paid in the past two years in after-tax earnings indicated in the entity financial report:

Year	The Company		All companies in the Consolidated Report	
	2018	2019	2018	2019
Total remunerations for directors	105,738,823	106,870,601	141,910,728	152,187,261
Ratio of total remunerations for directors in after-tax earnings indicated in the entity financial report	10.44%	11.09%	14.01%	15.78%
Total value of remunerations for supervisors	2,638,860	0	10,226,782	0
Ratio of total remunerations for supervisors in after-tax earnings indicated in the entity financial report	0.26%	0.00%	1.01%	0.00%
Total value of remunerations for general managers and vice general managers	14,343,075	15,163,841	41,650,564	43,349,768
Ratio of total remunerations for general directors and vice general directors in after-tax earnings indicated in the entity financial report	1.42%	1.57%	4.11%	4.50%

Note: The after-tax earnings were NTD 1,012,724,000 in the 2018 Entity Financial Report and those were NTD 964,148,860 in the 2019 Entity Financial Report.

2. Correlation among the remuneration payment policy, standards and combination, remuneration establishing procedures, and management efficacy and risks in the future:

- (1) The Company set up the Remuneration Committee in compliance with the “Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter”. The Committee evaluates and decides on the remuneration payment policy according to the company’s management strategy, manpower utilization policy, and payment capability and establishes and periodically reviews the remuneration levels for directors, supervisors, and managers of the Company and provides the Board of Directors with suggestions in accordance with the latter’s reference while making decisions by referring to the findings obtained by the Company through the compensation survey conducted by a professional compensation survey institution.
- (2) Criteria for paying remunerations to directors and supervisors of the Company are

defined in the Articles of Incorporation of the Company.

- (3) Salaries for general managers and vice general managers of the Company are paid according to their personal performance and their contribution to the overall operation of the Company. It shall be paid according to the market salary level surveyed by the professional institution. The distribution of bonus is to be based on the performance management guidelines of the Company with reference to the annual management performance of the Company and the individual.
- (4) Risk in the future: Liability insurance has been purchased for directors and supervisors as required by the Articles of Incorporation of the Company.

## (IV) Status of Corporate Governance

### (I) Board of Directors

The Board of Directors met 8 times (A) in the latest year. Attendance of directors and supervisors in the meetings is as follows:

Title	Name (Note 1)	Actual frequency of attendance (being seated) in meetings B	Frequency of attendance through proxy	Actual attendance (seated) rate (%) [B/A] (Note 2)	Remarks
Chairman	Fei-Lung Chen	8	0	100%	Shareholders' Meeting of May 30, 2018 Re-election
Vice Chairman	Fei-Peng Chen	6	2	75%	Shareholders' Meeting of May 30, 2018 Re-election
Director	Kan-Wen Li, Representative of Lucky Royal Co., Ltd.	8	0	100%	Shareholders' Meeting of May 30, 2018 Re-election
Director	Ming-Fen Chou, Representative of Lucky Royal Co., Ltd.	8	0	100%	Shareholders' Meeting of May 30, 2018 Re-election
Director	Hwa Zhin Co., Ltd. Representative: Cheng-Wen Chen	5	3	62.5%	Shareholders' Meeting of May 30, 2018 Re-election
Director	Representative of Namchow Holdings CO.,Ltd. Employee Welfare Committee Yi-Wen Chen	4	0	100%	Shareholders' Meeting of May 30, 2019 Newly appointed in additional election (Number of meetings during service: 4 times)
Independent Director	Ting-Kuo Chen	7	1	87.5%	Shareholders' Meeting of May 30, 2018 Re-election
Independent Director	Chin-Shih Lin	8	0	100%	Shareholders' Meeting of May

					30, 2018 Re-election
Independent Director	Chun-Hsueh Chen	3	1	75%	Shareholders' Meeting of May 30, 2019 Newly appointed in additional election (Number of meetings during service: 4 times)
Supervisor	Representative of Namchow Holdings CO.,Ltd. Employee Welfare Committee Yi-Wen Chen	2	0	50%	Shareholders Meeting of June 8, 2016 Re-election (Number of meetings during service: 4 times) Resigned May 29, 2019 The Audit Committee replaced supervisors, June 17, 2019
Supervisor	Ting-Chen Wu	4	0	80%	Shareholders Meeting of June 8, 2016 Newly appointed in re-election (Number of meetings during service: 5 times) Term expired June 16, 2019 The Audit Committee replaced supervisors, June 17, 2019

Other details to be documented:

(I) The items included in Article 14-3 of the Securities and Exchange Act and other comments objected or retained by other Independent Directors in record or the resolutions of the Board of directors in a written statement should indicate the date, period, content of the motion, opinions of all Independent Directors and how the company handles the opinion of the Independent Directors.

1. A total of 8 Board of Directors meetings were held by the company throughout 2019. There are no items included in Article 14-3 of the Securities Exchange Act and comments

objected or retained by other Independent Directors in record or the resolutions of the Board of directors in a written statement.

(II) For the enforcement of recusal upon conflicts of interest among directors, the name of the director, content of the proposal, reason for the recusal, and participation in the voting process or not shall be described.

1. Article 31 of the Company's Corporate Governance Best-Practice Principles stipulates that:

Directors of the Company shall be highly self-disciplined. For proposals brought forth by the Board of Directors that will undermine the interests of directors themselves and the Company's interests, the directors shall recuse themselves and may not take part in the discussion and voting process. They may not exercise voting rights on behalf of other directors in this case, either. Self-discipline shall be expected among directors, too. No inadequate mutual support is allowed.

For spontaneous recusals of directors, they shall be specified in the meeting agenda of the Board of Directors.

2. Article 15 of the Board of Directors Meeting Rules of the Company stipulates:

For matters to be discussed in the meeting that concern the interests of participating directors or the institutions they represent, there should be descriptions of important contents concerning conflicts of interest in the current meeting. In cases of undermining interests of the Company, the directors may not take part in the discussion and voting process and shall recuse themselves during discussion and voting and they may not exercise voting rights on behalf of other directors.

For a resolution, the votes that directors are not allowed to exercise as voting rights as indicated in the foregoing paragraph are entitled to will not be counted in the overall number of voting rights.

3. Proposals relating to the Company's Board of Directors and concerning directors in the latest year up to the date of printing of Annual Report:

(1) On January 16, 2019, the Board of Directors discussed the proposal detailing individual values of year-end bonus of 2018 for 4 directors who are managers at the same time and 5 managers of the Company submitted by the Remuneration Committee. The four directors of the Company, namely Chairman Fei-Lung Chen, Vice Chairman Fei-Peng Chen, and Directors Kan-Wen Li, and Ming-Fen Chou were recused in accordance with the Company Act and Article 15 of the Board of Directors Meeting Rules of the Company: Directors who are stakeholders of matters being discussed shall recuse themselves.

Voting outcome of this case: The case was approved unanimously among the attending directors, without taking into account the directors who recused themselves from discussion and voting.

(2) On March 12, 2019, the Board of Directors discussed the remuneration of independent directors: The Company's currently-appointed independent directors Ding-Guo Chen and Mr. Chin-Shih Lin, who recused themselves as required by the Company Act and Article 15 of the Board of Directors Meeting Rules of the Company for conflicts of interest between him and what was being discussed.

Voting outcome of the case: Except for independent directors Mr. Ding-Guo Chen and

Mr. Chin-Shih Lin, who recused themselves, it was unanimously approved by the attending directors.

- (3) On April 17, 2019, the Board of Directors discussed the value of remunerations to be issued separately to 5 directors and 2 supervisors for 2018 as submitted by the Remuneration Committee. The five directors of the Company, namely Chairman Fei-Lung Chen, Vice Chairman Fei-Peng Chen, and Directors Kan-Wen Li, Cheng-Wen Chen, and Ming-Fen Chou were recused in accordance with the Company Act and Article 15 of the Board of Directors Meeting Rules of the Company: Directors who are stakeholders of matters being discussed shall recuse themselves.

Voting outcome of this case: The case was approved unanimously among the attending directors, without taking into account the directors who recused themselves from discussion and voting.

- (4) (2) May 14, 2019 the Board of Directors discussed the individual remuneration payment amounts payable to 2018 managers of the Company submitted by the Remuneration Committee. Directors Kan-Wen Li and Ming-Fen Chou recused themselves in compliance with the Company Act and the requirements in Article 15 of the Company's Board of Directors Meeting Rule for conflicting interest between him and what was being discussed.

Voting outcome of the case: Except for directors Kan-Wen Li and Ming-Fen Chou, who recused themselves, it was unanimously approved by the attending directors.

- (5) August 13, 2019 the board of directors discussed proposal by the Remuneration Committee regarding individual amounts of mid-year bonuses in 2019 for five directors of the Company, namely, Chairman Alfred Chen, Vice Chairman Fei-Peng Chen, Directors Kan-Wen Li, Ming-Fen Chou, and Yi-Wen Chen; as well as six managers. The five directors of the Company, namely Chairman Fei-Lung Chen, Vice Chairman Fei-Peng Chen, and Directors Kan-Wen Li, Ming-Fen Chou, and Yi-Wen Chen were recused in accordance with the Company Act and Article 15 of the Board of Directors Meeting Rules of the Company: Directors who are stakeholders of matters being discussed shall recuse themselves.

Voting outcome of this case: The case was approved unanimously among the attending directors, without taking into account the directors who recused themselves from discussion and voting.

- (6) December 27, 2019: The Board of Directors discussed the proposal detailing individual values of year-end bonus of 2019 for directors and managers of the Company submitted by the Remuneration Committee. The five directors of the Company, namely Chairman Fei-Lung Chen, Vice Chairman Fei-Peng Chen, and Directors Kan-Wen Li, Ming-Fen Chou, and Yi-Wen Chen were recused in accordance with the Company Act and Article 15 of the Board of Directors Meeting Rules of the Company: Directors who are stakeholders of matters being discussed shall recuse themselves.

Voting outcome of this case: The case was approved unanimously among the attending directors, without taking into account the directors who recused themselves from discussion and voting.

- (7) On May 14, 2020, the Board of Directors discussed the proposal for individual

payment of directors' remuneration for 2019 as submitted by the Remuneration Committee. The six directors of the Company, namely Chairman Fei-Lung Chen, Vice Chairman Fei-Peng Chen, and Directors Kan-Wen Li, Cheng-Wen Chen, Ming-Fen Chou, and Yi-Wen Chen were recused in accordance with the Company Act and Article 15 of the Board of Directors Meeting Rules of the Company: Directors who are stakeholders of matters being discussed shall recuse themselves.

Voting outcome of this case: The case was approved unanimously among the attending directors, without taking into account the directors who recused themselves from discussion and voting.

(III) Reinforced assessments of functional objectives of the Board of Directors (e.g. to set up the Audit Committee and to enhance information transparency, among others) and implementation status of the objectives of the immediate year and the latest year.

1. It was decided in the general shareholders' meeting of 2014 that independent directors will be added according to law under Article 18 of the Company's "Articles of Incorporation".
2. In response to the addition of independent directors, the "Guidelines for Electing Board Directors and Supervisors" and the "Procedures for the Acquisition or Disposal of Assets of the Company" were amended through the general shareholders' meeting in 2014.
3. December 11, 2014 The Board of Directors decided to revise the Company's "Corporate Governance Best-Practice Principles" and "Ethical Corporate Management Best Practice Principles".
4. June 10, 2015 Ding-Guo Chen and Chin-Shih Lin were elected independent directors through the general shareholders' meeting.
5. December 29, 2015 the Board of Directors decided to establish the Company's "CSR Practical Principles".
6. March 13, 2017 The Board of Directors decided to establish the "Code of Conduct", the "Operating Procedure for Handling Major Internal Information", the "Merger and Acquisition Information Disclosure Self-discipline Regulations", and the "Regulations Governing Controlling Legal Person Shareholders Exercising Rights and Participating in Decision-making".
7. March 28, 2017 The Board of Directors decided to formulate the "Honest Management Operating Procedure" and "Behavioral Guide and the Board of Directors Self-evaluation or Peer Review Guidelines".
8. January 16, 2019, The Board of Directors decided to establish the "Organic Rules for Audit Committee" and to set up an audit committee.
9. August 13, 2019 The board of directors decided to revise the board's self-assessment or peer assessment methods and the Organic Rules for Audit Committee.
10. June 17, 2019 An audit committee was formally established, consisting of three independent directors.
11. May 14, 2020 The board of directors decided to revise the corporate social responsibility (CSR) code of practice.

Note 1: If directors and supervisors are institutions, names of shareholders and the representative of the institutions shall be disclosed.

- Note 2: (1) In the event that directors or supervisors leave before a year is completed, the date when they leave should be indicated in the memo column. The actual attendance (seated) rate (%), on the other hand, shall be calculated by the number of Board of Directors meetings held during service and the frequency number of attendance (being seated) in the meetings.
- (2) Before a year is completed, upon any re-election of the directors or supervisors, names of the said directors/supervisors, new and old, shall be listed and it shall be specified in the remarks column that a specific director or supervisor is old, new, or re-elected and the date of re-election. The actual attendance (seated) rate (%), on the other hand, is to be calculated by the number of Board of Directors meetings held during service and the frequency number of attendance (being seated) in the meetings.

(II) State of operations of the Audit Committee

The company set up an audit committee to replace supervisors on June 17, 2019.

The Audit Committee met 3 times (A) in the latest year. Attendance of independent directors in the meetings is as follows:

Title	Name	The actual frequency of attendance in the meetings (B)	Frequency of attendance through proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Independent Director	Ting-Kuo Chen	2	1	66.7%	June 17, 2019 Establishment of the Audit Committee
Independent Director	Chin-Shih Lin	3	0	100%	June 17, 2019 Establishment of the Audit Committee
Independent Director	Chun-Hsueh Chen	3	0	100%	June 17, 2019 Establishment of the Audit Committee

Other details to be documented:

I If there any of the following situations arise the operation of the Audit Committee, the date of the board meeting should be stated, as well as the period, and motion content, the results of the Audit Committee's resolutions and the Company's handling of the Audit Committee's comments.

(I) Matters listed in Article 14-5 of the Securities and Exchange Act: No objections passed.

(II) Except for pre-opening matters, other resolutions that have not been approved by the Audit Committee but have been approved by two-thirds or more of all directors: No such situation.

II For the enforcement of recusal upon conflicts of interest among independent directors, the name of the independent director, content of the proposal, reason for the recusal, and participation in the voting process or not shall be described: No such situation.

III communication between independent directors and the internal audit head and the CPA (Should include major matters, methods and results of communication on the company's financial and business conditions).

1. In accordance with the 2019 audit plan approved by the board of directors, the Company prepares an "Audit Report" every month and submits it to the Audit Committee for inspection. It is been completed on schedule on a monthly basis, and follows the guidelines of public issuing companies to establish an internal control system. The audit report and follow-up report will be delivered or notified to independent directors for inspection, providing audit conclusions and various reporting materials for future reference.

2. Each audit report must track the improvement of its internal control deficiencies and abnormal events, and make a tracking report quarterly to submit to the Audit Committee.

3. The internal audit supervisor attends the Audit Committee and the board of directors to report audit business quarterly in accordance with regulations, and communicates with independent directors through the Audit Committee.

4. The summary of the communication between independent directors and internal audit supervisors in 2019 is summarized as follows:

Date	Communication meeting	Communication items	Communication results
08/13/2019	Audit Committee	Internal audit results report from May to June 2019	No comments at this meeting

11/12/2019	Audit Committee	Internal audit results report from July to September 2019	No comments at this meeting
12/25/2019	Audit Committee	Internal audit results report in October 2019	No comments at this meeting
03/26/2020	Audit Committee	Internal audit results report from November 2019 to January 2020	No comments at this meeting
05/13/2020	Audit Committee	Internal audit results report from February to March 2020	No comments at this meeting

5. The Company submits the results of the annual financial statement check of the CPAs to the audit committee meeting, and regularly arranges accountants to brief and explain to the audit committee before the committee meeting. The audit committee of the Company has good communication with CPAs.

Communication between independent directors and accountants is summarized as follows:

Date	Communication items	Communication results
03/26/2020	<ol style="list-style-type: none"> <li>Annual financial report verification scope, responsibilities, key matters verification statement (investment evaluation using equity method, impairment of accounts receivable, inventory measurement, customer loyalty plan) and internal controls and other matters.</li> <li>The company's self-edited financial report shows the current status and schedule description.</li> </ol>	No comments at this meeting
05/13/2020	<ol style="list-style-type: none"> <li>Interim financial report review scope, responsibilities, content (accounts receivable, inventory), legal compliance, and internal controls and other matters.</li> <li>After each quarter, the content and notes of the quarterly report will be explained and communicated in front of the board of directors.</li> </ol>	No comments at this meeting

Important resolutions of the Audit Committee in 2019 and up to the date of publication of the annual report:

Date	Board/Session	Important resolution matters	Resolution	The Company's handling of the opinions of the audit committee
08/13/2019	1st Board 1st Meeting	<ol style="list-style-type: none"> <li>In order to cooperate with the company's establishment of an audit committee to replace the supervisor's authority and the latest revision of the latest regulations, it is proposed to amend a total of 12 internal regulations.</li> <li>Endorsement guarantees of the Company acting as a subsidiary</li> </ol>	After consultation with the chairman, all the members presented without objection	Reported to the board of directors of the Company for resolution

Date	Board/Session	Important resolution matters	Resolution	The Company's handling of the opinions of the audit committee
11/12/2019	1st Board 2nd Meeting	1. Endorsement guarantees of the Company acting as a subsidiary	After consultation with the chairman, all the members presented without objection	Reported to the board of directors of the Company for resolution
12/25/2019	1st Board 3rd Meeting	<ol style="list-style-type: none"> <li>1. For the requirements of working capital in 2020, it was requested to authorize the chairman to represent the Company in finance related matters such as contracting of loan cases with financial institutions.</li> <li>2. In respect to working capital requirements of subsidiaries in 2020 (subsidiaries including reinvestments by subsidiaries), when the Company intends to act as an endorsement guarantor, it authorizes the chairman to represent the Company to handle matters connected with financial institutions.</li> <li>3. For other companies that do business with the Company, if there are any operational needs in 2020, the Company may serve as a guarantor and the Chairman is authorized to handle related matters with financial institutions at his full discretion on behalf of the Company.</li> <li>4. Stipulation of the Company's 2020 annual Audit Plan.</li> <li>5. Endorsement guarantees of the Company acting as a subsidiary</li> </ol>	After consultation with the chairman, all the members presented without objection	Reported to the board of directors of the Company for resolution
03/26/2020	1st Board 4th Meeting	1. Review the Company's 2019 annual business report and individual and consolidated financial	After consultation with the chairman, all	Reported to the board of directors of the Company for

Date	Board/Session	Important resolution matters	Resolution	The Company's handling of the opinions of the audit committee
		statements. 2. The Company's 2019 earnings distributions 3. Change the company's financial report CPA 4. Design of internal control system in 2019 and implementation of valid "Statement of Internal Control System" 5. Endorsement guarantees of the Company acting as a subsidiary	the members presented without objection	resolution
05/13/2020	1st Board 5th Meeting	1. Endorsement guarantees of the Company acting as a subsidiary	After consultation with the chairman, all the members presented without objection	Reported to the board of directors of the Company for resolution

Participation of supervisors in the operations of the Board of Directors

In the most recent year, the Board of Directors met five times (A). The Company set up an Audit Committee to replace the supervisors on June 17, 2019. Before the establishment of the Audit Committee, attendance was as follows:

Title	Name	The actual frequency of being seated in the meetings (B)	Actual seated rate (%) (B/A) (Note)	Remarks
Supervisor	Namchow Holdings CO.,Ltd . Employee Welfare Committee Representative Yi-Wen Chen	2	50%	Re-elected through the shareholders' meeting on June 8, 2016 (Number of meetings during service: 4 times) Resigned May 29, 2019 The Audit Committee replaced supervisors, June 17, 2019
Supervisor	Ting-Chen Wu	4	80%	Newly elected through the shareholders' meeting on June 8, 2016 (Number of meetings during service: 5 times) Term expired June 16, 2019 The Audit Committee replaced supervisors, June 17, 2019

Other details to be documented:

(I) Composition and Responsibilities of Supervisors:

- (I) Communication between Supervisors and Company employees and shareholders (e.g. communication channel and method, among others)
- Article 45 of the Company's Corporate Governance Best-Practice Principles stipulates that:  
To facilitate discovery of possible loopholes of the Company in a timely manner, communication channels should be available at the Company among its employees, shareholders, stakeholders, and supervisors.  
Once found, loopholes shall be prevented from spreading by supervisors taking appropriate measures in a timely manner. When it is required, reporting to related competent authorities or units shall also be done.  
In the event that independent directors, general managers, and heads of the finance, accounting, R&D, and internal audit departments or the CPA of the Company resigns or is replaced, supervisors shall get into the bottom to find out the underlying causes. Supervisors shall be responsible for compensating the Company for its losses that result from their negligence at work.
  - Communication: Supervisors can communicate with employees and shareholders by means of various reporting forms or channels, such as by phone, fax or through email.

(II) Communication between supervisors and the internal audit head and the CPA (e.g. on the financial and business status of the Company, the means, and the results, among others)

- Article 44 of the Company's Corporate Governance Best-Practice Principles stipulates that:  
Supervisors may investigate the business and financial status of the Company at any time and related departments in the Company shall cooperate by providing the

required books and documents.

When inspecting the Company's finance and business operations, supervisors may authorize an attorney or the CPA with the review on behalf of the Company. The Company, however, shall inform related people of their confidentiality obligation.

The Board of Directors or managers shall submit reports as requested by supervisors and may not obstruct, circumvent or refuse inspection behavior of supervisors for any reason.

While supervisors fulfill their duties, the Company shall provide with necessary assistance as required, with the necessary and reasonable expenses incurred to be borne by the Company.

2. Communication: Supervisors understand the operational status and audit status of the Company by means of the audit reports periodically provided by the audit unit and communicate with audit supervisors during Board of Directors' meetings. Supervisors may also communicate with the CPA by phone, through email, by fax, and through meetings in order to understand the financial and operational status of the Company.

- II. If supervisors seated in Board of Directors meetings state opinions, the date of the Board of Directors meeting, session number, contents of the proposal, and decision made by the Board of Directors, and how stated opinions of the supervisors are handled by the Company shall be described.

Supervisors did not state opinions while being seated in the Board of Directors' meetings throughout 2019.

Note:

- \* In case of resignation of supervisors before the year is completed, the date of resignation shall be stated in the remark column. The actual seated rate (%), on the other hand, shall be calculated by the number of actual frequency of the supervisors being seated in the meetings during their tenure.
- \* Before a year is completed, upon any re-election of supervisors, names of the said supervisors, new and old, shall be listed and it shall be specified in the remark column that a specific supervisor is old, new, or re-elected, and the date of re-election. The actual seated rate (%), on the other hand, is calculated by the frequency of the supervisor being seated in the meetings during his/her tenure.

(III) Corporate governance implementation status and deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(I) Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Board of Directors decided on August 13, 2019 to amend the Company’s “Corporate Governance Best-Practice Principles” and upload it to the MOPS, and additionally disclose it in the Investors Relations section of the Company’s website. Related web page <a href="http://www.namchow.com.tw/IR/15.html">http://www.namchow.com.tw/IR/15.html</a>	Compliant
II. Shareholding structure and shareholders’ rights (I) Does the Company have internal operating procedures in place to deal with shareholder recommendations, doubts, disputes and litigation matters according to the procedures?		V	(I) Article 13 of the Company’s “Corporate Governance Best-Practice Principles” stipulates that: To ensure protection over shareholders’ rights, the Company shall have specialists to properly handle shareholder suggestions, questions and disputes. The Company has not yet established an internal operating procedure to deal with the foregoing matters. However, an accounting department associate is responsible for coordinating shareholders’ related matters. The stakeholders section of	Compliant

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(II) Does the company have a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders?	V		the website discloses that there is a shareholder contact window to deal with shareholder related issues. (II) Based on the register of shareholders maintained by the stock agency (Agency Department of Chinatrust Commercial Bank), the Company grasps the identities of its main shareholders and their ultimate controllers, and it regularly reports monthly insider shareholding changes. The Accounting Department is in charge of this.	Compliant
(III) Has the company established and implemented risk management and firewall systems within its affiliated enterprises?	V		(III) The Company has established a separate internal control system that is in operation to implement risk monitoring of subsidiaries, in accordance with the “Regulations Governing Establishment of Internal Control Systems by Public Companies” and the “Measures for the Management of Transactions with Related Persons.”	Compliant
(IV) Has the company established internal rules against insiders trading with	V		(IV) The Company has stipulated “Management Control Operation Measures to Prevent Insider Transactions,” which governs all	Compliant

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
undisclosed information?			employees, managers and directors of the Company, and anyone who knows the news of the Company based on occupation or control relationships, It prohibits any conduct that may involve insider trading, and is publicized to directors and managers at appropriate times every year .	
(III) Composition and Responsibilities of the Board of Directors (I) Has the Board of Directors developed and implemented a diversified policy for the composition of its members?	V		(I) 1. The composition of the Company's board of directors should be considered as diversified, and it formulates appropriate diversified policies on its own operations, operating types and development needs. It should include but is not limited to the following two major standards: (I) Basic conditions and values: gender, age, nationality and culture. (II) Professional knowledge and skills: professional backgrounds (such as law, accounting, industry, finance, marketing, or technology), professional skills, and	Compliant

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(II) Does the Company voluntarily establish other functional committees in addition to Remuneration Committee and Audit Committee that are established as required by laws?		V	<p>industrial experience. Board members should generally have executive positions.</p> <p>2. Among the nine directors of the company (including 2 female directors and 3 independent directors), their professional backgrounds includes business management, leadership decision-making, industry knowledge, operational judgment, crisis management, and international market insights. In addition, 4 directors have financial accounting expertise and 1 director has legal expertise. Please refer to the corporate governance related website.</p> <p><a href="http://www.namchow.com.tw/IR/15a1.html">http://www.namchow.com.tw/IR/15a1.html</a></p> <p>(II) The Company has established a Remuneration Committee and an Audit Committee in accordance with the law. No other functional committees are set up; it will continuously consider requirements for future installation.</p>	Compliant

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(III) Does the company formulate the board's performance assessment and evaluation method, conduct performance evaluation annually and regularly, and report the results of the performance evaluation to the board of directors, and apply it to individual directors' remuneration and nomination renewal?		V	(III) The Company approved the establishment of the "Board of Directors Self-evaluation or Peer Review Guidelines" in order to consolidate corporate governance, to improved functionality of the Board of Directors, and to enhance the operating efficiency of the Board of Directors. However, the performance evaluation method of the board of directors has not been formulated and implemented. In the future, performance evaluation will be conducted in accordance with the requirements of the competent authority.	Non-compliant
(IV) Does the Company assess the independence of CPAs on an annual basis?	V		(IV) 1. According to Article 28 of the Company's "Corporate Governance Best-Practice Principles," the Company should regularly (at least once a year) evaluate the independence of the appointed accountant. Starting from 2020, the independence and suitability assessment of CPAs has been conducted and completed in March. 2. The standards for assessing the accountability of accountants have been determined by reference to	Compliant

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			Article 47 of the Certified Public Accountant Act and Article 10 of the Norm of Professional Ethics for Certified Public Accountants. They also evaluate related items such as the independence of accountants, the number of years of auditing services, the interests of the company and its related companies that are not involved, and the management level that does not involve the decision-making of the company and its related companies, and the results of obtaining CPA certification.	
(IV) For a TWSE/TPEX listed company, is it equipped with qualified and an appropriate number of corporate governance personnel, and does it appoint a corporate governance director responsible for corporate governance related matters (including but not limited to providing information needed by directors and		V	<ol style="list-style-type: none"> <li>1. Corporate governance tasks at the Company are performed by different units, namely the Department of Finance, the Accounting Office, the Administration Office (Legal Affairs), the Department of Human Resources, the Purchase Department, and the Audit Office.</li> <li>2. Materials required for directors and supervisors to perform tasks are to be provided by respective departments described above. The executive secretary of the Board of Directors is responsible for matters relating Board of Directors' meetings. Currently, the accounting assistant manager is taking care of them.</li> </ol>	Compliant

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
supervisors to carry out business, assisting directors and supervisors to comply with laws and regulations, handling matters related to meetings of the board of directors and shareholders' meeting in accordance with the law, and producing minutes of board meetings and shareholders' meetings)?			The Department of Finance is responsible for matters relating to shareholders' meetings and the Accounting Office is responsible for initial company registration and registration of changes. The Legal Affairs Office is responsible for registering and changing registered information of the Company.	
(V) Does the company establish a communication channel and build a designated section on its website for stakeholders (including without limitation shareholders, employees, customers, and suppliers, etc.) and properly respond to corporate social responsibility issues	V		<p>1. Depending on the respective business unit, the Company will have related departments to communicate with stakeholders and a designated section for stakeholders is available on the Company's website in order to properly respond to corporate social responsibility issues that stakeholders are concerned about. (<a href="http://www.namchow.com.tw/csr02.html">http://www.namchow.com.tw/csr02.html</a>)</p> <p>2. There is also a designated section for investors set up by the Company.</p>	Compliant

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
that stakeholders are concerned about?			( <a href="http://www.namchow.com.tw/IR/01.html">http://www.namchow.com.tw/IR/01.html</a> )	
VI. Does the company designate a professional shareholder service agency to deal with affairs relating to shareholders meetings?	V		The Company authorizes China Trust with the professional shareholder service, which, internally, is the responsibility of the Company's Accounting Department.	Compliant
VII. Disclosure of Information				
(I) Has the company established a corporate website to disclose information regarding the company's financial, business and corporate governance status?	V		(I) The company has a website (URL: <a href="http://www.namchow.com.tw">http://www.namchow.com.tw</a> ) that discloses the Company's financial business and corporate governance information in the Stakeholder Area of the Investor Relations page.	Compliant
(II) Does the company have other information	V		(II) Other means of information disclosure: 1. The English website is already set	Compliant

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
disclosure channels (e.g., maintaining an English website, appointing responsible people to handle information collection and disclosure, creating a spokesperson system, webcasting investor conference on company website)?			<p>up for the Company.</p> <p>2. The English Financial Report, Shareholders' Annual Report and Meeting Minutes and Corporate Social Responsibility Report are already disclosed on the Company's website.</p> <p>3. Staff at the Accounting Office have been designated to take charge of collecting information on the Company and disclosure major information on the Company; information will be entered and announced through the MOPS periodically.</p> <p>4. Spokesperson, acting spokesperson, shareholder service and investment correspondence groups are available to consolidate the spokesperson system</p> <p>5. Website of the investor conference: <a href="http://www.namchow.com.tw/IR/11.html">http://www.namchow.com.tw/IR/11.html</a></p>	
(III) Does the Company announce and declare its annual		V	(III) The Company has completed the process in accordance with Article 36 of the Securities and Exchange Act	Compliant

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarter financial reports and the monthly operating situation as early as possible within the prescribed time limit?			<ol style="list-style-type: none"> <li>1. Announce and declare the annual financial report within three months after the end of the fiscal year;</li> <li>2. Announce and file quarterly reports within 45 days after the end of the first quarter, second quarter, and third quarter of the fiscal year</li> <li>3. Before the tenth of each month, announce and declare the operational conditions of the previous month.</li> </ol>	
VIII. Is there any other important information available to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and	V		<ol style="list-style-type: none"> <li>1. Employee rights: The Employee Welfare Committee is already set up for the Company, with group insurance of employees, manager liability insurance, and integrity insurance of related employees purchased.</li> <li>2. Employee care: <ol style="list-style-type: none"> <li>① Employee Welfare Committee has been set up</li> <li>② Public folders are available in the Outlook feature to be accessed by respective business units and functional or administrative units of the Company. The folders provide staff with information on business operation,</li> </ol> </li> </ol>	Compliant

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			<p>health insurance, labor insurance, and welfare.</p> <p>3. Investor relations: There is a section for Investors on the website of the Company to disclose company information and provide it to investors.</p> <p>4. Supplier relations: Desirable supplier relationship is maintained. By comparing prices, it ensures the legitimacy of raw materials pricing and compliance with health laws and regulations such as FGMP, HACCP, ISO9001, ISO22000, FSC22000, CNS mark, certification criteria for health foods and recommendation requirements for disease preventive products to help control quality of raw materials and equipment and to ask suppliers to provide with corresponding product laboratory test certificates.</p> <p>5. Rights of interested parties: The Company keeps communication channels open with its corresponding bank and other creditors, employees, consumers, suppliers, communities, or stakeholders of the Company and respect and maintain legal rights that it is entitled to.</p> <p>In case of management acquisitions, the Company shall pay attention to the soundness of the Company's financial structure in the future.</p> <p>When the legal rights of stakeholders are infringed upon, the Company shall handle them adequately by the principle of sincerity.</p>	

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>There is the Stakeholders section available on the website of the Company.</p> <p>6. Implementation of risk management policies and risk measurement standards: The Company's major operational policies, investment cases, endorsement guarantees, capital loans, bank financing and other major proposals have been evaluated and analyzed by appropriate authorities and implemented in accordance with the resolution of the board of directors. The audit office has also drafted its annual audit plan based on the results of the risk assessment and implements it exactly. This is done to implement the supervision mechanism and control the implementation of various risk management functions.</p> <p>7. Implementation of customer policies:</p> <p>① Protection of consumer rights of end customers: It is the Company's policy to provide consumers with healthy, safe, and desirable quality products so that they can eat healthily and safely. Related certifications on the manufacture and the sanitary, safe, and healthy benefits of products have been obtained; products of optimum quality are provided to consumers. The liability insurance has been purchased for products. In addition, there is the 0800 hotline for customer service.</p> <p>② Competitive advantages of clients: It is the Company's policy to create a Win-Win situation that contributes to co-</p>	

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>prosperity and co-sharing of maximum benefits among downstream customers. Downstream clients are provided with the Company's information through the Company's website, the Outlook feature and the ERP system. In addition, quality, health, and safety of products are maintained to seek various certifications, to promote brand publicity, and to provide clients and employees with information on how to enhance their technical and marketing/management capabilities by means of the bi-monthly professional journal entitled "Namchow Frozen Dough and Baking Oils and Fats" that is issued by an associated enterprise.</p> <p>8. Purchase of liability insurance by the Company for its directors and supervisors: the Company has purchased liability insurance for the tasks performed by directors during their tenure as required by laws in accordance with the Articles of Incorporation or decisions reached through shareholders' meetings in order to minimize and dilute the risk of major damage to the Company or borne by shareholders as a result of wrong or negligent behavior of directors.</p> <p>9. Continuing education sought by directors and supervisors: Continuing education sought by directors and supervisors in 2019:</p>	

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>Fei-Lung Chen</p> <p>12.04 3 hours Taiwan Corporate Governance Association Insider trading prevention and response</p> <p>12.05 3 hours Taiwan Corporate Governance Association Big Data Analysis and Corporate Fraud Detection and Prevention</p> <p>Fei-Peng Chen</p> <p>12.04 3 hours Taiwan Corporate Governance Association Insider trading prevention and response</p> <p>12.05 3 hours Taiwan Corporate Governance Association Big Data Analysis and Corporate Fraud Detection and Prevention</p> <p>Kan-Wen Li</p> <p>5.15 3 hours Taiwan Stock Exchange and Taipei Exchange ESG Investment Promotion Forum</p> <p>5.15 3 hours Taiwan Stock Exchange</p>	

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>and Taipei Exchange Task Force on Climate-Related Financial Disclosures (TCFD) Promotion Forum</p> <p>Cheng-Wen Chen 12.04 3 hours Taiwan Corporate Governance Association Insider trading prevention and response</p> <p>12.05 3 hours Taiwan Corporate Governance Association Big Data Analysis and Corporate Fraud Detection and Prevention</p> <p>Ming-Fen Chou 12.04 3 hours Taiwan Corporate Governance Association Insider trading prevention and response</p> <p>12.05 3 hours Taiwan Corporate Governance Association Big Data Analysis and Corporate Fraud Detection and Prevention</p> <p>Yi-Wen Chen 11.12 3 hours Taiwan Institute of</p>	

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>Directors</p> <p>The 8th Annual Chinese Family Business Forum</p> <p>12.04 3 hours Taiwan Corporate Governance Association</p> <p>Insider trading prevention and response</p> <p>12.05 3 hours Taiwan Corporate Governance Association</p> <p>Big Data Analysis and Corporate Fraud Detection and Prevention</p> <p>12.10 3 hours Taiwan Corporate Governance Association</p> <p>Corporate Strategy: Past, Present, Future</p> <p>Ting-Kuo Chen</p> <p>5.23 3 hours Taiwan Corporate Governance Association</p> <p>Trends and risk management of digital technology and artificial intelligence</p> <p>10.23 3 hours Taiwan Corporate Governance Association</p> <p>Operational Practice of Enterprise Performance Management and Reward Mechanisms</p>	

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>Chin-Shih Lin</p> <p>3.27 7 hours Key points and uncertainties in tax declaration, National Federation of CPA Associations of ROC</p> <p>7.18 3 hours National Federation of Certified Public Accountant Associations of the Republic of China Derivative financial instruments practice and accounting treatment</p> <p>7.23 3 hours National Federation of Certified Public Accountant Associations of the Republic of China Family Business Inheritance and Closed Company Charter Planning</p> <p>8.02 3 hours National Federation of Certified Public Accountant Associations of the Republic of China Analysis of the latest interpretation letter of business tax and tax administrative relief cases under the Taxpayer Rights Protection Act</p>	

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>8.28 3 hours Taiwan Corporate Governance Association Analysis of the tax-related issues of wealth supervision and inheritance</p> <p>11.27 3 hours National Federation of Certified Public Accountant Associations of the Republic of China Introduction of important contract terms of corporate mergers and acquisitions</p> <p>12.07 3 hours National Federation of Certified Public Accountant Associations of the Republic of China “Powers” and “Responsibilities” of Independent Directors</p> <p>12.09 3 hours National Federation of Certified Public Accountant Associations of the Republic of China Succession Law Case Explanations</p> <p>Chun-Hsueh Chen</p> <p>12.03 3 hours Taiwan Corporate</p>	

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>Governance Association Analysis of top ten global risks in 2019</p> <p>12.04 3 hours Taiwan Corporate Governance Association Insider trading prevention and response</p> <p>12.05 3 hours Taiwan Corporate Governance Association Big Data Analysis and Corporate Fraud Detection and Prevention</p> <p>12.13 3 hours Taiwan Corporate Governance Association Audit Committee Operation Practices</p>	
<p>(IX) Explain improvements made according to corporate governance evaluation results released in the most recent year by the corporate governance center of Taiwan Stock Exchange and provide priorities to be reinforced and measures among those pending improvement. (Not required for companies not included in the evaluation)</p>				
<p>Self-assessment of corporate governance was completed through the “Corporate Governance Evaluation System” established by the corporate governance center of Taiwan Stock Exchange. The result of the fifth intake was 36%-50%, the same result as the fourth intake.</p> <ol style="list-style-type: none"> <li>In order to implement the policy of diversification of directors, two additional directors were elected in 2019 (Including one independent director), with two female directors on the board of directors.</li> <li>The Audit Committee was established in June 2019, and its first meeting was held in August.</li> <li>In December 2019, independent directors of the Company communicated with internal audit</li> </ol>				

Assessed areas	Operational status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>supervisors and accountants regarding financial reports and financial business status. In the same month, the results of this communication were disclosed on the Company's website.  Related website:<a href="http://www.namchow.com.tw/IR/15.html">http://www.namchow.com.tw/IR/15.html</a></p> <p>4. In 2020, the performance of the board of directors will be evaluated according to the requirements of the competent authority.</p>				

Note: Regardless of the answer, "Yes" or "No," descriptions need to be provided in the summary column.

(IV) If the Company has a Compensation Committee, the composition, responsibilities, and operations of the Committee shall be disclosed.

1. Membership of Remuneration Committee

Status (Note 1)	Requirement	More than five years of work experience and the following professional eligibility			Compliance with the independence requirement (Note 2)										Number of other public offering companies with part-time membership of their Remuneration Committee	Remarks		
		Lecturer or higher ranking at the business, legal affairs, financial affairs, or accounting department, or other departments relating to corporate operation of public and private colleges and universities	Judge, prosecutor, lawyer, CPA, or other professionals and technicians that have taken and been approved in national exams required for corporate operation	Work experience required for business, legal affairs, financial affairs, accounting, or corporate operation	1	2	3	4	5	6	7	8	9	10				
Independent Director	Ting-Kuo Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Chin-Shih Lin		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Others	Hai-Ming Chen	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	

Note 1: Provide “director, independent director, or others” for the “status.”

Note 2: When any of the following conditions is met for each member during the two years prior to and during their tenure, please check “✓” in the box underneath each conditional code.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or supervisor of the Company or its affiliates. (However, in the case of independent directors established and concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)
- (3) Not a natural person shareholder that holds by himself/herself or by his/her spouse or minor child in someone else’s name more than 1% of all circulating shares of the Company or is on the Top 10 shareholding list.
- (4) Not a manager of those listed in (1), or someone having a relationship with those listed in (2) or (3) including a spousal relationship, a second-degree kinship or closer, or an immediate blood relative within three degrees of kinship.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings,

or is designated as a representative in accordance with Article 27, Paragraph 1 or 2 of the Company Act. (However, in the case of independent directors established and concurrently serving in the company or its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)

- (6) Not a director, supervisor, or employee of another company controlled by the same person with more than half of the shares with voting rights on the company's board of directors. (However, in the case of independent directors established and concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)
- (7) Not a director, supervisor, or employee of another company or institution whose chairman, general manager, or equivalent position is the same person as that of the Company, or the spouse thereof. (However, in the case of independent directors established and concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)
- (8) Not a director, supervisor, or manager of a specific company or institution having financial or business dealings with the Company, or a shareholder holding 5% or more of shares. (However, if a specific company or institution holds more than 20% of the total issued shares of the company but not more than 50%, and the established independent director concurrently serves in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)
- (9) Not a partner, director, supervisor, manager, or spouse thereof of a company or institution that provides commercial, legal, financial, financial, accounting services or consultation to the company or any affiliate of the Company for amounts exceeding NT\$500,000 in the past two years. However, for members of the Remuneration Committee, Public Acquisitions Review Committee, or M&A Special Committee who perform their functions and powers in accordance with the relevant laws and regulations of the Securities and Exchange Act or the Corporate Mergers & Acquisitions Act, this limitation shall not apply.
- (10) None of the conditions indicated under Article 30 of the Company Act

2. Responsibilities of the Remuneration Committee:

The Committee shall pay attention as good-will administrator and truthfully exercise the following functions while at the same time submitting suggestions to the Board of Directors for discussion. Suggestions regarding the compensation and rewards for supervisors, however, are to be submitted to the Board of Directors for discussion and shall be limited to those authorized to be handled by the Board of Directors under the Articles of Incorporation or decisions made through shareholders' meetings.

- (1) Stipulate and periodically discuss the annual and long-term performance goals and compensation and reward policies, systems, standards, and structures for directors, supervisors, and managers of the Company.
- (2) Periodically evaluate the accomplishment of performance goals by directors, supervisors, and managers of the Company and stipulate the contents and values of their individual compensation and rewards.

3. State of operations of the Remuneration Committee

- (1) The Company's Remuneration Committee has 3 members in total.
- (2) Current members will serve from June 19, 2018 to June 18, 2021. The Remuneration Committee met 6 times (A) in the latest year. Qualification and attendance of members are as follows:

Title	Name	The actual frequency of attendance in the meetings (B)	Frequency of attendance through proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener	Ting-Kuo Chen	6	0	100%	
Member	Chin-Shih Lin	6	0	100%	
Member	Hai-Ming Chen	5	1	83%	

Other details to be documented:

- (I) If the Board of Directors does not accept or modifies suggestions provided by the Remuneration Committee, the date of the Board of Directors' meeting, the session number, contents of the proposal, decisions made by the Board of Directors and management of opinions from the Remuneration Committee by the Company should be stated (If the compensation and rewards approved by the Board of Directors are superior to those advised by the Remuneration Committee, there should be descriptions of the differences and reasons considered).
- (II) For decisions made by the Remuneration Committee, as long as there are members objecting or having their reservations that are recorded or stated in writing, the date of the Remuneration Committee meeting, the session number, contents of the proposal, and how opinions from all members and from opposing members are handled should be described.

Note:

- (1) In the event that members of the Remuneration Committee resign before a year is completed, the date of resignation should be indicated in the remark column. The actual attendance rate (%), on the other hand, shall be calculated by the number of Remuneration Committee meetings held during service and the

frequency number of attendance in the meetings.

- (2) Before a year is completed, upon any re-election of Remuneration Committee members, new and old, shall be listed and it shall be specified in the remark column that a specific member is old, new, or re-elected, and the date of re-election. The actual attendance rate (%), on the other hand, is to be calculated by the number of Remuneration Committee meetings held during service and the frequency number of attendance in the meetings.

(V) Social responsibility situation and its differences and causes versus Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies

Assessed areas	Operational status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief Descriptions (Note 2)	
(I) Does the Company follow the principle of materiality, conduct risk assessments on environmental, social and corporate governance issues related to company operations, and formulate relevant risk management policies or strategies? (Note 3)	V		(I) The Company follows the GRI guidelines and “AA1000 Stakeholder Negotiation Standard” to establish a systematic analysis model and complete the major theme confirmation. The principle of materiality covers environmental, social and corporate governance issues, and carries out risk assessments and formulates relevant strategies for these issues. (Please refer to Namchow Group’s 2019 Corporate Social Responsibility Report and the chapter on “Significant Theme Analysis and Management”)	Compliant
II. Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the Board of Directors?	V		(II) The Company’s CSR promoting policy is made by the Board of Directors and jointly implemented by respective functional units under the General Manager’s Office while its implementation status is reported by the General Manager to the Board of Directors.	Compliant
III. Environmental Issues (I) Has the Company established a suitable environmental		V	(I) 1. Although the Company has not established a comprehensive environmental management	Non-compliant

Assessed areas	Operational status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief Descriptions (Note 2)	
<p>management system based on its industrial characteristics?</p> <p>(II) Has the Company endeavored to improve the efficiency of resource utilization and used recycled materials which have a low impact on the environment?</p>	V		<p>system based on industry characteristics, nonetheless, the working environment and the natural environment have been maintained and reported in accordance with public safety building regulations, fire protection regulations, labor hygiene and safety regulations, and waste cleanup laws.</p> <p>2. Factories in mainland China and Thailand have established ISO14000 certification to establish an environmental management system that allows companies to continuously improve their environmental performance. (Valid periods are until 2021 and 2022)</p> <p>(II) 1. The Company authorizes a registered service provider to take charge of the recycling of waste.</p> <p>2. Products are the main focus of the Company. The materials used have to meet food-grade requirements. For the wrapping materials, the primary external packaging materials are selected from suppliers of corrugated</p>	Compliant

Assessed areas	Operational status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief Descriptions (Note 2)	
(III) Does the Company assess the potential risks and opportunities of climate change for the Company now and in the future, and take measures to deal with climate-related issues?		V	<p>carton boxes carrying the environmental protection symbol of the Taiwan's Environmental Protection Administration.</p> <p>(III) The company has no clear countermeasures against the potential risks brought about by climate change. The design of solar panels used in the construction of the new plant will reduce energy use and support the development of new energy.</p>	Non-compliant
(IV) Does the company count greenhouse gas emissions, water consumption and the volume of total waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water management or other waste management?		V	<p>(IV) 1. The Company has counted greenhouse gas emissions, water consumption and the volume of total waste in the past three years, However, the Company's energy saving and carbon reduction strategies, greenhouse gas reduction strategies, and water consumption or other waste management policies have not yet been proposed.</p> <p>2. The general affairs staff in the respective offices of the Company and specialists at the</p>	Compliant

Assessed areas	Operational status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief Descriptions (Note 2)	
			<p>respective facilities are responsible for managing the workplace of employees and protecting the natural environment.</p> <p>3. In 2019, the Taoyuan factory completed its greenhouse gas inventory. In the future, it will gradually plan greenhouse gas reduction policies and targets.</p>	
<p>IV. Social Issues</p> <p>(I) Has the Company developed the relevant management policies and procedures in accordance with relevant regulations and international human rights conventions?</p>	V		<p>(I) 1. Employee rights: Labor Insurance, National Health Insurance, and appropriations for the pension fund have been precisely taken care of according to laws.</p> <p>2. Insurance: Public accidents liability insurance and group insurance have also been purchased for employees.</p> <p>3. The guidelines for preventing against sexual harassments and filing complaints accordingly have been established and implemented in compliance with laws and regulations such as the Act of Gender Equality in Employment, the Occupational Safety and Health Act, and the People with Disabilities Rights Protection Act promulgated by the government.</p> <p>4. Other management methods and procedures: The Code of</p>	Compliant

Assessed areas	Operational status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief Descriptions (Note 2)	
(II) Has the Company formulated and implemented reasonable employee welfare measures (including salary, vacation and other benefits, etc.), and appropriately reflected business performance or results in employee compensation?	V		<p>Conduct has been established and released in Outlook to be followed by employees.</p> <p>(II) The company has established comprehensive and reasonable employee welfare measures. This includes the establishment of a competitive salary system, a vacation system that complies with laws and regulations, various types of insurance, benefits distribution, employee scholarships, etc. Employee bonuses and bonuses are allocated and distributed annually based on operating performance.</p>	Compliant
(III) Does the Company provide employees with a safe and healthy work environment as well as periodic safety and health education?	V		<p>(III) The Company's workplace is configured in compliance with applicable requirements of the Occupational Safety and Health Act and is the responsibility of specialized safety staff. More than 3,000 person-times and 17,000 hours of training for workplace safety education in 2019.</p> <p>The Tianjin Plant, Shanghai Plant and Guangzhou Plant obtained OHSAS18001 or ISO45001 occupational safety and health management system verification. (Validity periods are until 2020 and 2021)</p>	Compliant

Assessed areas	Operational status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief Descriptions (Note 2)	
(IV) Has the Company implemented an effective training program that helps employees develop skills over the course of their career?	V		respectively.) (IV) The company's human resources policy includes the investment of substantial resources, providing employees with diversified education and training, building the necessary basic skills for employees, and cultivating the abilities needed for future development and promotion.	Compliant
(V) Regarding customer health and safety, customer privacy, marketing and labeling of products and services, whether the company complies with relevant regulations and international standards, and formulates relevant consumer protection policies and appeal procedures?	V		(V) 1. The company has set up a food safety office to strictly control the safety of products to protect the health of customers. Through transparent and legal compliance marketing and labeling, it lets customers feel at ease. 2. We set up a consumer service center (0800) to immediately respond to consumer inquiries and concerns. 3. Respecting customer privacy, the collection, processing and use of customer data are subject to the regulations of the relevant privacy protection laws and regulations in the place of operation.	Compliant
(VI) Has the Company formulated supplier management policies, where suppliers are		V	(VI) The Company has not yet formulated a policy on environmental and social assessment of suppliers.	Compliant

Assessed areas	Operational status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief Descriptions (Note 2)	
required to follow relevant regulations on issues such as environmental protection, occupational safety and health or labor and their implementation?			However, the contract signed by the main supplier has specified that if the supplier is involved in violation of its corporate social responsibility policy and it has a significant impact on the environment and society, the terms of the contract may be terminated or cancelled at any time.	
V. Does the Company refer to the internationally-prepared reporting standards or guidelines, preparation of corporate social responsibility reports and other reports that disclose the company's non-financial information? Did the preliminary report obtain the confidence or assurance opinion of the third-party verification unit?	V		<ol style="list-style-type: none"> <li>1. The corporate social responsibility report prepared by the company is based on the core options of the Global Sustainability Report Guidelines and the disclosure guidelines for the food processing industry.</li> <li>2. In response to the Taiwan Stock Exchange's request that the listed food industry should strengthen the disclosure of seven indicators, KPMG was commissioned to perform the work of confidence and issue a report of confidence.</li> </ol>	Compliant
<p>VI. If the Company has enacted the Corporate Social Responsibility Best Practice Principles in accordance with the "Corporate Social Responsibility Best Practice Principles" for TWSE/GTSM Listed Companies, please describe the difference between its operation and the Principles:</p> <ol style="list-style-type: none"> <li>1. December 29, 2015 the Board of Directors decided to establish the Company's "CSR Practical Principles".</li> <li>2. The Company is led by the General Manager to lead the relevant functional department heads to prepare the corporate social responsibility report. Since 2014, we have successively</li> </ol>				

Assessed areas	Operational status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief Descriptions (Note 2)	
			completed the preparation of corporate social responsibility reports, and they have been published on the company website. In 2017, the CSR Committee proposed the sustainable development vision and policy and it was approved by the chairman. In 2019, all public institutions were to accomplish short-, medium-, and long-term goals based on the United Nations Sustainable Development Goals. A CSR committee will be convened and report to the board of directors in response to the management policy and specific promotion plan.	
<p>VII. Other Important Information to Help Understand Utilization of Corporate Social Responsibilities:</p> <p>1. Environmental Protection: Related costs of environmental protection of the Namchow Group totaled NTD 91,524 thousand in 2019.</p> <p>2. Community involvement and social service: Free access to the Taoyuan Tourism Factory of Namchow is available. Services available include crystal soap marking DIY, Dian Shui Lou steamed dumplings DIY, Dian Shui Lou egg tart DIY, Kabisuo honey toast DIY, Paulaner pizza DIY, and Kabisuo ice cream DIY. The factory facilitates people-to-people diplomacy, industrial exchange and welcomes visits by government agencies and schools of all levels.</p> <p>3. Contributions to society:</p> <p>① Namchow has been adhering to its corporate management and product development principle of “safeguarding the Earth and protecting future generations.” It provides safety, healthy, and quality products and dining services.</p> <p>② In Bakery Show 2019, 9 Clean Label products were at display. Products of this series feature transparency and simplicity, without addition of emulsifiers, artificial sweeteners, colors, spices, and preservatives, among other artificial additives. All are replaced by natural ingredients. Also at display during the show were 6 Gluten Free products in order to satisfy the needs of consumers allergic to gluten.</p> <p>③ In 2019, “Namchow Crystal Soap” won the 16th National Brand Yushan Award-Best Popular Brand &amp; National First Award &amp; Best Product Award.</p> <p>4. Public interest: Besides providing practical training opportunities for interns through industry-academia collaboration programs, the Namchow Group is also happy to sponsor schools with a variety of resources. The Company continues to sponsor the National Taiwan University summer medical service delegation with cleaning anti-septic products so that they could go to the outlying tribe in Daren Township of Taiwan for an 8-day free clinic and community service tour. In addition, we have been donating resources over the long term and striking a balance</p>				

Assessed areas	Operational status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief Descriptions (Note 2)	
			<p>between quality control and service through United Way institutions in order to give back to society. In 2019, a total of 384 boxes of materials were donated by the Detergents Business to 38 recipient institutions in need.</p> <p>5. Consumer rights: There is the 0800 consumer service hotline available, and product liability insurance and public accident liability insurance have been purchased.</p> <p>6. Human rights: The public accident liability insurance and group insurance have been purchased and construction safety and management have been implemented. The “Namchow Guidelines for Preventing Sexual Harassments and Filing Complaints” are established and the complaint channel is made available.</p> <p>7. Safety and health:</p> <p>① Employee safety and health: Public accident liability insurance has been purchased.</p> <p>② Safety and healthy products and production lines:</p> <p>a. 1)CNS Mark: Since 1952 when Namchow Soap became the fifth product to bear the CNS mark in Taiwan, it is now the only one that has been in existence among the Top 180 products approved for the CNS Mark back then.</p> <p>b. 2)Disease prevention products: Disease prevention products reviewed and recommended by the Institute for Biotechnology and Medicine Industry as authorized by the Centers for Disease Control of the Ministry of Health and Welfare include Namchow Crystal Grapefruit Seed Spray Dry Hand Wash, Namchow Crystal Grapefruit Seed Antiseptic Hand Wash Solution and Namchow Crystal Grapefruit Seed Antiseptic Hand Soap.</p> <p>c. 3)Health foods: Health foods reviewed and approved by the Ministry of Health and Welfare include Dietary Fiber Cooked Rice Healthy Grains and Dietary Fiber Cooked Rice Double-Wheat.</p> <p>d. Other certifications obtained by Namchow products include FGMP, ISO9001, ISO22000, FSSC 22000, BRC, IFS, ISO14000, ISO-14064-1, HACCP, SGS, and food industry enterprise integrity management system certification. The validity period of the relevant certifications covers 2019. (Please refer to the appendix of Namchow Group’s 2019 Corporate Social Responsibility Report)</p> <p>③ There is already a Food Safety and Health Office and food safety regulatory supervisor under the General Manager’s office of associated enterprises of Namchow to take charge of communicating food safety-related laws and regulations, organizing educational training and monitoring compliance and perform ultimate review and audit supervision on the legitimacy of operations relating to the labeling of additives in raw materials of</p>	

Assessed areas	Operational status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief Descriptions (Note 2)	
<p>foods produced by respective business units and food safety and health.</p> <p>④ Namchow Oils and Fats already completed collection of all data that have to be registered on the Food and Drug Administration registry as required by law, including its profile and scope of operations as well as archiving of factory data. In addition, to go with the Food and Drug Administration traceability information management system, the Taoyuan Plan already finished uploading traceability information of 100% of its products to the shared cloud platform and then to the government food cloud (Food and Drug Administration traceability information management system 3.0), including its profile and the monthly traceability data (incoming materials/production batch/whereabouts) and electronic receipts are used in order to fulfill the purpose of the government’s electronic management over the traceability of foods. The QRCODE practice for labeling of finished products was successfully introduced and has been applied to the tracing of the whereabouts of shipments each day.</p> <p>⑤ The Ice Cream business of Namchow Taiwan has developed an in-house digital food safety tracing system that precisely accounts for every detail from the source of raw materials and additives used to where products are distributed to is now in pace. When combined with the Duroyal Ice Cream division private cloud, consumers are given easy access to accurate information on all products offered.</p>				

Note 1: If the operational status is “Yes,” please explain the important policies, strategies, measures and implementations adopted. If the operational status is “No,” please explain the reasons and explain the plan to adopt related policies, strategies and measures in the future.

Note 2: If the CSR Report has been prepared, how can the CSR Report be accessed and the index page number be indicated in the Operational Status column instead.

Note 3: The principle of materiality refers to those who have significant environmental, social and corporate governance issues that have a significant impact on the company’s investors and other stakeholders.

(VI) Ethical business performance conditions, as well as differences and reasons for differences with Ethical Corporate Management Best Practice Principles for TWSE / GTSM Listed Companies

Assessed areas	Operational Status (Note)			Departure from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
<p>(I) Establishment of ethical corporate management policy and proposal</p> <p>(I) Has the Company formulated the ethical management policy approved by the board of directors, and in the regulations and external documents expressed the policies and practices of operating in good faith, and the commitment of the board of directors and senior management to actively implement business policies?</p>	V		<p>(I) In March 2017, the board of directors of the Company formally adopted the “Ethical Corporate Management Best Practice Principles” and “Code of Ethical Conduct.” And then, the “Ethical Corporate Management Best Practice Principle and Guide” was formulated. In addition to disclosing the Company’s ethical management policy in its internal regulations, company websites or other promotional channels, it shall also declare this on occasions such as product conferences and external events such as corporate briefings, so that suppliers, customers, and related institutions and personnel can clearly understand the philosophy and regulation of the Company in the pursuit of business integrity, establishing a corporate culture of ethical management.</p>	Compliant
<p>(II) Has the company established an assessment mechanism for the risk of dishonesty, regularly analyzing and evaluating business activities with a high risk of dishonesty in the business scope, and formulated a plan to prevent dishonesty, and</p>	V		<p>(II) In its “Ethical Corporate Management Best Practice Principles,” the Company respectively adopts the precautionary measures for the conduct of the second paragraph 2 of Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies,.” This includes the</p>	

Assessed areas	Operational Status (Note)			Departure from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
<p>cover at a minimum the preventive measures for various acts under Article 7, Paragraph 2 of “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?”</p> <p>(III) Does the company specify the operating procedures, behavior guidelines, disciplinary penalties and grievance system in the plan to prevent dishonesty, and implement it, and regularly review and revise the pre-disclosure plan?</p>	V		<p>prohibition of giving and receiving bribes, prohibition of illegal political contributions, improper charitable donations or sponsorships, unreasonable gifts, hospitality or other improper benefits.</p> <p>(III) The company prohibits dishonest behaviors in the “Ethical Corporate Management Best Practice Principles.” It also has operating procedures and conduct guidelines for honest operations, and clearly sets out preventive measures to prevent dishonesty.</p>	
<p>(II) Consolidation of ethical corporate management</p> <p>(I) Has the Company evaluated the ethical records of parties it does business with and stipulated ethical conduct clauses in business contracts?</p>	V		<p>(I) The Company conducts business activities in a fair manner, and before business correspondence begins, it considers the legitimacy and presence of dishonest behavior records or not of the agents, suppliers, customers, or other counterparts in business transactions and avoid doing business with those with prior records of dishonest behavior. In addition, the Prohibition of Bribery Clause has been added to the procurement contract and the engineering contract draft. It also specifies the terms of good faith in each important transaction contract.</p>	Compliant
<p>(II) Has the Company set up a special unit under the board of directors to promote</p>	V		<p>(II) The Company’s Human Resource Department has been assigned to devise and execute integrity policies</p>	

Assessed areas	Operational Status (Note)			Departure from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
<p>corporate ethical management, and regularly reports (at least once a year) to the board of directors on its ethical management policies and plans to prevent dishonesty and supervision and implementation?</p> <p>(III) Has the Company established policies to prevent conflict of interests, provided appropriate channels for filing related complaints and implemented the policies accordingly?</p>	V		<p>along with related preventive measures. It reports its progress regularly to the board of directors.</p> <p>(III) The Company has established its “Ethical Corporate Management Best Practice Principles” and “Code of Moral Conduct” to make sure that the staff of the Company act in compliance with its moral standards and to let stakeholders know the moral standards that should be followed by the Company’s staff while carrying out tasks. In case of any violation of regulatory requirements or the Code of Moral Conduct found with the Company’s staff, it shall be reported to the manager, the internal audit head, the human resources office or other appropriate supervisors and sufficient information shall be provided so that the Company can handle it properly. The Company shall keep the identity of the informants and the content of report in strict confidence and spare no efforts to protect the personal safety of the informants.</p>	
<p>(IV) Has the Company established an effective accounting system for the implementation of ethical management, internal control system, and the</p>	V		<p>(IV) The Company has established effective accounting and internal control systems for business activities at higher risk of dishonest behavior. There is no outstanding account or secretly retained account.</p>	

Assessed areas	Operational Status (Note)			Departure from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
<p>evaluation result of the risk of dishonesty by the internal audit unit, to formulate relevant audit plans, and check the compliance with the plan to prevent dishonesty, or entrusted an accountant to perform the audit?</p> <p>(V) Does the Company hold internal and external educational training on operational integrity regularly?</p>	V		<p>The systems are discussed from time to time as well to make sure that their design and implementation continue to be valid. The internal audit staff of the Company shall periodically inspect compliance with the system indicated in the preceding paragraph and produce the Audit Report to be submitted to the Board of Directors.</p> <p>The internal audit unit evaluates the risk of dishonesty at the end of each year, draws up the related audit plan every other year and uses it to check compliance with the plan to prevent dishonesty.</p> <p>(V) In the management meeting, it promotes the ethical management policy and does not regularly conducts internal ethical management education and training. It invites well-known experts and scholars in the industry to teach topics related to ethical management. And, if necessary, it sends supervisors and related personnel to participate in external training on ethical management organized by the competent authorities and relevant agencies.</p>	
<p>(III) Reporting System of the Company</p> <p>(I) Does the Company provide incentives and means for employees to report malpractices? Does the company assign dedicated personnel to investigate reported malpractices?</p>	V		<p>(I) The Company has set up an email inbox and encourages employees to report on unethical practice or wrongdoing. The informants will be awarded in accordance with the regulation of the Company governing reward and punishment depending on the severity of the</p>	Compliant

Assessed areas	Operational Status (Note)			Departure from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
(II) Has the Company established standard operating procedures for accepting complaints, follow-up measures to be taken after the investigation is completed, and relevant confidentiality mechanisms?	V		incident. If there is false accusation or malicious personal attack, the person involved shall be subject to disciplinary action and may be dismissed for severe violation. (II) The Company is staffed by the Human Resources Department as the designated unit, and if necessary, the legal unit or other relevant departments provide assistance. If the persons involved in the report are regular employees, report to the division/function head. If the persons involved are Directors or senior executives, report to an Independent Director or Audit Committee.	
(III) Does the Company assure employees who reported on malpractices that they will not be prosecuted for making such reports?	V		(III) The personnel of the Company responsible for handling reports and complaints will keep the identity of the informants and the content of report in strict confidence and promise to protect the informants against improper treatment due to the report.	
(IV) Reinforced Information Disclosure Has the Company, on its website and on the market observation post system, disclosed the content and promotion effectiveness of its Ethical Corporate Management Best Practice Principles?	V		(I) Disclosure of the company's Ethical Corporate Management Best Practice Principles through the company's website ( <a href="http://www.namchow.com.tw/IR/15.html">http://www.namchow.com.tw/IR/15.html</a> ) (II) Disclose the Company's Ethical Corporate Management Best Practice Principles through the Market Observation Post System ( <a href="http://mops.twse.com.tw/mops/web/t100sb04_1">http://mops.twse.com.tw/mops/web/t100sb04_1</a> )	Compliant
(V) If the Company has its own Ethical Corporate Management Best Practice Principles established according to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe the differences between its implementation and the principles:				

Assessed areas	Operational Status (Note)		Summary	Departure from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No		
The Company established the new Ethical Corporate Management Best Practice Principles on December 11, 2014. Review of the Rules did not reveal differences between actual implementation and the established guidelines.				
VI. Other important information that helps understand the implementation of ethical corporate management of the Company: (e.g. discussion and correction of the Ethical Corporate Management Best Practice Principles established by the Company) The Company established the new Ethical Corporate Management Best Practice Principles on December 11, 2014.				

Note: Regardless of the answer, “Yes” or “No,” descriptions need to be provided in the summary column.

(VII) How they may be found shall be disclosed if the Company has established Corporate Governance Principles and related regulations:

Website of the Namchow Group: [www.namchow.com.tw](http://www.namchow.com.tw)

MOPS <http://mops.twse.com.tw/mops/web/index>

(VIII) Other important information that is sufficient to boost knowledge of corporate governance shall be disclosed as well:

Website of the Namchow Group: [www.namchow.com.tw](http://www.namchow.com.tw)

MOPS <http://mops.twse.com.tw/mops/web/index>

(IX) Matters that should be disclosed regarding the implementation of the internal control system:

1. Internal Control Statement:

Namchow Holdings Co., Ltd.

Internal Control System Statement

Date: March 27, 2020

For the Company's internal control system of 2019, we would like to declare as follows according to the results of spontaneous inspections:

- I The Company knows that establishing, enforcing and maintaining an internal control system is the responsibility of the Company's Board of Directors and managers and has such a system in place already. It is meant to reasonably ensure fulfillment of the operational efficacy and efficiency (including profits, performance, and protection of asset security), reliability of financial reports, and compliance with applicable laws and regulations, among other goals.
- II. The internal control system has its inherited restrictions that cannot be overcome with improved design. An effective internal control system can also only reasonably ensure the fulfillment of the three goals stated above and its effectiveness may change as the environment or situation changes. There is a self-surveillance mechanism; however, built inside the internal control system of the Company that helps the Company take a corrective action against deficiencies confirmed.
- III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Governing Regulations for Public Company's Establishment of Internal Control System" (hereinafter referred to as "Governing Regulations") that are related to the effectiveness of internal control systems. The items adopted in the "Governing Regulations" for determining the internal control system are the five constitutional elements of the internal control system divided according to the management and control process: 1. control environment, 2. risk assessment, 3. control process, 4. information and communication, and 5. supervision. Each element further encompasses several items. Please refer to "Governing Regulations" for details.
- IV. The Company has adopted the abovementioned determining items and conducted inspection of the design and effectiveness of its internal control system.
- V. Pursuant to the results of the abovementioned inspections, the Company is of the view that the design and implementation of its internal control system as of December 31, 2019 (including its supervision and management of subsidiaries), including its awareness the extent by which the operating effects and efficiency goals are fulfilled, reliability of financial reporting, and compliance with relevant laws and regulations, are such that it is effective and capable of reasonably ensuring that the aforementioned goals can be achieved.
- VI. This Statement constitutes a major part of the Company's Annual Report and the Company's Prospectus that are made available to the public. The Company shall be legally liable under

Articles 20, 32, 171 and 174 of the Securities and Exchange Act with respect to any unlawful aspects such as falsehood or concealment of facts in relation to the aforesaid statement.

VII. This Statement was approved at the meeting of the Company's Board of Directors on March 26, 2020 with no Directors expressing dissent out of the 7 Directors in attendance.

Namchow Holdings Co., Ltd.

Chairman: Fei-Lung Chen

General Manager: Kan-Wen Li

2. When a CPA is authorized to review the internal control system, the Review Report prepared by the CPA shall be disclosed: NA.

- (X) Any legal sanctions against the Company or its internal personnel, or any disciplinary action taken by the Company against its own personnel for violating internal control requirements, in the latest year or during the current fiscal year up to the printing of the Annual Report; and a description of the main shortcomings in the company's internal control system as well as an indication of measures for improvement: None
- (XI) Important decision reached in shareholders' meetings and made by the Board of Directors in the latest year as of the date of printing of Annual Report.

Shareholders' Meeting:

1. The following were approved in the general shareholders' meeting on May 30, 2019.
  - (1) The 2018 Business Report and Financial Statement were recognized.  
Implementation: Announcement and declaration of financial reports, among others, were completed on March 29, 2019.
  - (2) The 2018 earnings distribution form of the Company was recognized. Stock dividends in the value of NTD 792,155,597 thousand, that is, NTD 2.70 per share, are to be distributed. Once approved in the general shareholders' meeting, the Board of Directors will be authorized to set the baseline date for distribution of cash dividends separately.  
Implementation: It was determined in the Board of Directors meeting on June 10, 2019 that July 2 would be the baseline date for distribution of cash dividends while cash dividends were actually issued on July 25.
  - (3) Revision of the Company's "Articles of Incorporation" for Articles 18, 18-1, 19, 31-1, and 34.
  - (4) Amendment of the Company's "Procedures for the Election of Directors and Supervisors."
  - (5) Amendment of the Company's "The Procedures for the Acquisition or Disposal of Assets".
  - (6) Amendment of the Company's "Operational Procedures for Loaning Funds to Others".
  - (7) Amendment of the Company's "Operational Procedures for Endorsements/Guarantees".
  - (8) With the added election of two directors (Including one independent director), the election results for new directors included Namchow Holdings CO.,Ltd . Employee Welfare Committee (representative: Yi-Wen Chen). The independent director is Chun-Hsueh Chen. The term of office is from May 30, 2019 to June 18, 2021.

Board of Directors:

1. The decision was approved on January 16, 2019.
  - (1) Proposal on the respective values of the year-end bonus payable to directors who are manager at the same time and managers for 2018 as submitted by the Remuneration Committee.

- (2) Establishment of the Organic Rules for Audit Committee and setup of an audit committee.
  - (3) Audit of financial reports by CPAs Po-Shu Huang and Lin Wu of KPMG since 2019.
  - (4) Endorsement of the guarantee provided by the Company as the guarantor for the subsidiary Nankyo Japan Co., Ltd. in the latter's short-term loan with the Toseong Branch of JihSun Bank worth JPY 500 million.
2. The decision was approved on March 12, 2019.
- (1) The 2019 general shareholders' meeting to take place at 9:00 am on May 30 (Thursday), 2019, in the Vision Room of Taipei Foundation of Finance on 6F-6 at No. 51, Hengyang Road, Taipei City.
  - (2) The Remuneration Committee submitted the ratios of remunerations for directors and supervisors and those for employees of the Company for 2018.
  - (3) Submission during the shareholders' meeting for endorsement of the 2018 Business Report and individual and consolidated financial statements of the Company following verification by supervisors
  - (4) Submission during the shareholders' meeting for endorsement of the earnings proposal consisting of NTD 2.70 per share to be distributed as part of the Company's cash dividends of 2018 following verification by supervisor
  - (5) Addition of two directors to the shareholders' meeting (including one independent director) in 2019
  - (6) The duration, number of openings, and processing sites for the nomination of candidates for independent directors
  - (7) The list of independent directors nominated by the Board of Directors shows Chun-Hsueh Chen.
  - (8) Shareholders' proposals were accepted in compliance with the requirements under Article 172-1 of the Company Act.
  - (9) The Internal Control System Statement that both the design and implementation of the 2018 internal control system of the Company submitted by the Audit Office were valid was approved.
  - (10) Amendment of the Company's "Articles of Incorporation".
  - (11) Amendment of the Company's "Operational Procedures for Loaning Funds to Others" and "Operational Procedures for Endorsements and Guarantees".
  - (12) The 2019 Shareholders Meeting Agenda of the Company was stipulated.
  - (13) Endorsement of the guarantee provided by the Company as the guarantor for the subsidiary Nankyo Japan Co., Ltd. in the latter's medium-term extended loans with the Tokyo Branch of Mega Bank and the Tokyo Branch of Chang HWA bank each worth JPY 500 million.
  - (14) Amendment of the Company's "Procedures for the Election of Directors and

Supervisors.”

- (15) Proposal for remuneration of independent directors submitted by the Remuneration Committee.
3. The decision was approved on April 17, 2019.
    - (1) Chun-Hsueh Chen, an independent director candidate nominated by the board of directors, was included in the list of independent director candidates for additional directors elected at this year’s regular shareholders meeting.
    - (2) Subsidiary Chow Ho Enterprise Co., Ltd. reduced its capital size by NTD 19 million and then increased it by NTD 19 million.
    - (3) The Remuneration Committee submitted the amount of compensation to paid to directors and supervisors individually for the Company’s 5 directors and 2 supervisors in 2018.
  4. The decision was approved on May 14, 2019.
    - (1) The Remuneration Committee submitted employee compensation to be paid individually for the company’s 8 managers in 2018.
    - (2) Subsidiary Chowfu Biotechnology Co., Ltd. reduced its capital size by NTD 17 million and then increased it by NTD 19 million.
    - (3) Formulated the Company’s “Standard Operating Procedures for Handling Directors’ Requests.”
  5. The decision was approved on June 10, 2019.
    - (1) Set July 2, 2019 as the base date for the distribution of cash dividends. The cash dividend is scheduled to be issued by Changhua Bank Datong Branch on July 25, 2019.
    - (2) Subsidiary Huaqiang Industrial Co., Ltd. to repay bank loans and meet undeveloped capital needs. In order to maintain the company’s continuous development and strengthen competitiveness, it would first reduce the capital by NTD 92,340,530 and then increase capital by NTD 171,033,980. The paid-in capital after capital reduction and increase is NTD 300,000,000.
    - (3) Subsidiary Namchow Japan Company renewed a short-term loan amount of 500 million yen to the First Bank Tokyo Branch on May 31, 2019 in a case where the Company acts as the guarantor of the endorsement.
    - (4) Subsidiary Namchow Japan Company intended to renew a short-term loan amount of 1 billion yen to the First Bank Tokyo Branch in June 2019, and the Company will act as the endorsement guarantor.
  6. The decision was approved on August 13, 2019.
    - (1) Proposal detailing individual values of mid-year bonus of 2019 for directors and managers of the Company submitted by the Remuneration Committee.
    - (2) Amendment of remuneration payment standards for members of the Remuneration Committee.

- (3) The company established an Audit Committee to replace the supervisor's authority and the latest revision of the latest regulations, amending a total of 12 internal regulations.
  - (4) Subsidiary Namchow Japan intended to apply for a short-term loan amount of 500 million yen from the China Trust Bank Tokyo Branch, and the company would act as the endorsement guarantor.
7. The decision was approved on November 12, 2019.
- (1) Subsidiary Namchow Japan continued to apply for a short-term loan amount of USD 10 million from DBS Bank, and was signed by the chairman of the company as the guarantor.
  - (2) Subsidiary Namchow Japan continued to sign a short-term loan amount of 100 million yen to Mizuho Bank, and the chairman of the company signed a guarantor's follow-up approval case.
8. The decision was approved on December 27, 2019.
- (1) When the company needs working capital in 2020, the chairman of the board of directors is authorized to represent the Company with financial institutions in contracting loans and other financial matters.
  - (2) In respect to working capital requirements of subsidiaries in 2020 (subsidiaries including reinvestments by subsidiaries), when the Company intends to act as an endorsement guarantor, it authorizes the chairman to represent the Company to handle matters connected with financial institutions.
  - (3) For other companies that do business with the Company, if there are any operational needs in 2020, the Company may serve as a guarantor and the Chairman is authorized to handle related matters with financial institutions at his full discretion on behalf of the Company.
  - (4) The proposal on the respective values of the year-end bonus payable to directors and managers for 2019 as submitted by the Remuneration Committee.
  - (5) The Audit Office stipulated the Company's 2020 Audit Plan.
  - (6) Subsidiary Namchow Japan continued to sign a short-term loan amount of 500 million yen to JihSun Bank, and the chairman of the company signed a guarantor's follow-up approval case.
  - (7) Subsidiary Namchow Japan continued to sign a short-term loan amount of 500 million yen to Mega Bank, and the chairman of the company signed a guarantor's follow-up approval case.
  - (8) Subsidiary Namchow Japan continued to sign a two-year loan amount of 500 million yen to E.Sun Bank, and the chairman of the company signed a guarantor's follow-up approval case.
9. The decision was approved on March 26, 2020.
- (1) The 2020 general shareholders' meeting will be held at 9:00 am on June 30

(Tuesday), 2020, in the Vision Room of Taipei Foundation of Finance on 6F-6 at No. 51, Hengyang Road, Taipei City. °

- (2) The Company's 2019 directors' compensation and employee's compensation distribution ratio.
  - (3) Review the Company's 2019 annual business report and individual and consolidated financial statements and submit to the shareholders' meeting for approval.
  - (4) The Company's 2019 surplus distribution is submitted to the shareholders' meeting for approval.
  - (5) Shareholders' dividends to be distributed by the Company in 2019 will be paid out in cash dividends of NTD 2 per share.
  - (6) The CPAs for the Company's Financial Statement are changed to Po-Shu Huang and Chong-Shun Wu in 2020.
  - (7) To stipulate the acceptance of shareholders' proposals related to the 2020 regular shareholders' meeting.
  - (8) "The Internal Control System Statement" that both the design and implementation of the 2019 internal control system of the Company submitted by the Audit Office were valid was approved.
  - (9) Amendment of the Company's "Articles of Incorporation".
  - (10) New revisions to the Company's "Rules and Procedures for Shareholders Meetings."
  - (11) Amendment of the Company's "Procedures for the Election of Directors."
  - (12). Amended the Company's "Rules and Procedures for Directors' Meetings."
  - (13) The 2020 Shareholders Meeting Agenda of the Company was stipulated.
  - (14) Subsidiary Namchow Japan continued to sign a short-term loan amount of 500 million yen to Changhua Bank, and the chairman of the company signed a guarantor's follow-up approval case.
10. The decision was approved on May 14, 2020.
- (1) Proposal for individual payment of directors' remuneration for 2019 as submitted by the Remuneration Committee.
  - (2) The Remuneration Committee submitted employee compensation to be paid individually for the company's managers in 2019.
  - (3) Appointed Chun-Fei Hou to serve as the assistant manager at the Human Resources Office of the Company and the Salary Committee provided suggestions on the salary and compensation payable after assessment.
  - (4) In accordance with the latest revision of the latest regulations, amend the "Payment and Remuneration Committee Organizational Rules," "Organic Rules for Audit Committee" and "Corporate Social Responsibility (CSR) Code of Practice."
  - (5) Subsidiary Namchow Japan applied to Taishin Bank for a short-term loan amount

of 1 billion yen, and was signed by the chairman on behalf of the Company as a guarantor.

- (XII) Main contents of different opinions of directors or supervisors that are recorded and stated in writing on important decisions made by the Board of Directors in the latest year and as of the date of printing of Annual Report: None.
- (XIII) Summary of resignations and dismissals of the Company's Chairman, general managers, accounting heads, financial heads, internal audit heads, and R&D heads in the latest year as of the date of printing of Annual Report:
- (1) It was approved during the Board of Directors meeting held on December 28, 2017 that Mei-Hui Liao would serve as the Chief Financial Officer at Namchow Food Group (Shanghai) Co., Ltd as of January 1, 2018.
  - (2) It was approved during the Board of Directors meeting held on August 13, 2018 that Ching-Hui Chiu would be the financial head.
  - (3) It was approved during the Board of Directors meeting held on August 13, 2018 that Jung-Chang Lien, the accounting assistant manager, would retire on September 1, 2018.
  - (4) It was approved during the Board of Directors meeting held on October 9, 2018 that Shih-Wei Wang, a senior manager, would be the accounting head.

## (V) Public Expenditure on CPAs

- (I) When the non-audit public expenditure paid to CPAs and their firms and their associated enterprises accounts for more than one-fourth of the audit public expenditure, the values of both audit and non-audit public expenditures and contents of non-audit services shall be disclosed: See the descriptions in the following table.
- (II) When the accounting firm is changed and the audit public expenditure in the year of replacement is reduced compared to that in the preceding year, the audit public expenditures before and after the replacement and the reasons shall be disclosed: None.
- (III) When the audit public expenditure is reduced by more than 15% from the preceding year, the value reduced and its ratio and cause shall be disclosed: None.

CPA public expenditure information bracket table

Name of accounting firm	Name of CPA		Inspection period	Remark
KPMG	Po-Shu Huang	Lin Wu	January 2019~December 2019	

Note: If any CPA or the accounting firm is replaced for the Company this year, the inspection periods shall be listed separately and the reason for the replacement shall be indicated in the remark column.

Value: NTD Thousand

Value bracket		Entry of public expenditure	Audit public expenditure	Non-audit public expenditure	Total
1	Below NTD 2,000 thousand				
2	NTD 2,000 thousand (inclusive) - NTD 4,000 thousand				
3	NTD 4,000 thousand (inclusive) - NTD 6,000 thousand		3,347	1,989	5,336
4	NTD 6,000 thousand (inclusive) - NTD 8,000 thousand				
5	NTD 8,000 thousand (inclusive) - NTD 10,000 thousand				
6	More than NTD 10,000 thousand (inclusive)				

Public Expenditure on CPAs

Value: NTD Thousand

Name of accounting firm	Name of CPA	Audit public expenditure	Non-audit public expenditure					CPA inspection period	Remarks
			System design	Commercial registration	Human Resources	Others (Note 2)	Sub-total		
KPMG	Po-Shu Huang	3,347		130		1,859	1,989	January 2019~December 2019	Others: Including public expenditure on direct deduction of business tax, transfer pricing report, and CSR CPA affirmation.
	Lin Wu								

Note 1: If any CPA or the accounting firm is replaced for the Company this year, the inspection periods shall be listed separately. In addition, the reason for the replacement shall be indicated in the remark column and information on audit and non-audit public expenditure shall be disclosed.

Note 2: The non-audit public expenditure shall be listed separately by the service item. When "Others" of non-audit public expenditure reaches 25% of the total value of non-audit public expenditure, contents of the service shall be listed in the remark column.

**(VI) Information on the Replacement of CPAs:** No CPAs were replaced in the past two years and thereafter for the Company.

**(VII) Disclosure of Name, Position and Duration of Service at Firms or Their Associated Enterprises within the Past Year of Chairman, General Manager, and Managers in Charge of Financial or Accounting Affairs:** None.

**(VIII) Transfer of Stock Options and Changes in Equity Pledge of Directors, Supervisors, Managers and Shareholders Holding More Than 10% of Shares in the Latest Year and as of the Date of Printing of Annual Report.**

(I) Changes in the stock options of directors, supervisors, managers, and heavyweight shareholders:

Title	Name	2019		As of May 2 of that year	
		Increase/decrease in the number of shares held	Increase/decrease in the number of shares pledged	Increase/decrease in the number of shares held	Increase/decrease in the number of shares pledged
Chairman and shareholder holding more than 10% of shares	Fei-Lung Chen	0	5,500,000 (5,500,000)	0	0
Vice Chairman and shareholder holding more than 10% of shares	Fei-Peng Chen	595,000	0	0	9,300,000
Director	Representative of Lucky Royal Co., Ltd.: Kan-Wen Li	0	0	0	0
Director	Representative of Lucky Royal Co., Ltd.: Ming-Fen Chou				
Shareholder holding more than 10% of shares	Lucky Royal Co., Ltd.				
Director	Hwa Zhin Co., Ltd. Representative: Cheng-Wen Chen	0	0	0	0
Director	Namchow Holdings CO.,Ltd . Employee Welfare Committee Representative: Yi-Wen Chen	0	0	0	0
Independent Director	Ting-Kuo Chen	0	0	0	0
Independent Director	Chin-Shih Lin	0	0	0	0
Independent Director	Chun-Hsueh Chen (Date of inauguration: May 30, 2019)	0	0	0	0
General Manager	Kan-Wen Li	0	0	0	0
Chief Operation Officer	Shu-Wen Tai	0	0	0	0
Vice General Manager/Chief Operation Officer	Cheng-Wen Chen	0	0	0	0
Assistant manager and head of the Accounting	Shih-Wei Wang	0	0	0	0

Title	Name	2019		As of May 2 of that year	
		Increase/decrease in the number of shares held	Increase/decrease in the number of shares pledged	Increase/decrease in the number of shares held	Increase/decrease in the number of shares pledged
Department					
Associate and Financial Head	Ching-Hui Chiu	0	0	0	0
Vice General Manager of Business Department	Ming-Chuan Lin	0	0	0	0
Assistant Manager	Jui-Tzu Chu	0	0	0	0
Assistant Manager	Chun-Fei Hou (Date of inauguration: April 27, 2020)	0	0	0	0
Supervisor	Ting-Chen Wu (Date of dismissal: June 17, 2019)	0	0	0	0
Assistant Manager	Shu-Ling Huang (Date of inauguration: January 31, 2020)	0	0	0	0

(II) The counterparty for the transfer or pledge of stock options is a related party: None.

**(IX) Information of Relationship among Top 10 Shareholders Who Are Related, Spouses, or Relatives within the Second Degree of Kinship**

As of May 2, 2020

No.	Name	Oneself		Current shares held by spouse and minors		Total shares held in someone else's name		The title or name and relationship among shareholders in the Top shareholding list who are related, spouse to each other, or relatives within the second degree of kinship		Remarks
		Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Name	Relationship	
1	Lucky Royal Co., Ltd. Representative: Fei-Lung Chen	46,041,259	15.65%	0	0	0	0	Fei-Lung Chen	Chairman	None
								Fei-Peng Chen	Vice Chairman	None
								Hsiao-Chuan Chen-Huang	Spouse	None
								Fei-Peng Chen	Brother	None
								Lucky Royal Co., Ltd.	Chairman	None
								Namchow Holdings CO.,Ltd . Employee Welfare Committee Representative: Yi-Wen Chen	Father and Daughter	None
2	Fei-Peng Chen	37,537,995	12.76%	0	0	0	0	Fei-Lung Chen	Brother	None
								Lucky Royal Co., Ltd.	Vice Chairman	None
3	Fei-Lung Chen	33,814,934	11.50%	3,577,413	1.22%	0	0	Hsiao-Chuan Chen-Huang	Spouse	None
								Fei-Peng Chen	Brother	None
								Lucky Royal Co., Ltd.	Chairman	None
								Namchow Holdings CO.,Ltd . Employee Welfare Committee Representative: Yi-Wen Chen	Father and Daughter	None
4	Cathay Life Insurance Company, Ltd.	17,214,000	5.85%	0	0	0	0	None	None	None
5	Bank SinoPac as Custodian for Reva Spring Ltd. Investment Account	12,456,165	4.23%	0	0	0	0	None	None	None
6	Bank SinoPac as Custodian for Ever Cosmos Ltd. Investment Account	10,744,992	3.65%	0	0	0	0	None	None	None

7	Nomura Asset Management Taiwan Ltd. as fully authorized by Fubon Life Insurance Co., Ltd.	8,541,000	2.90%	0	0	0	0	None	None	None
8	Investment Account with Norges Bank under the custodianship of Citibank Taiwan.	5,062,000	1.72%	0	0	0	0	None	None	None
9	Namchow Holdings CO.,Ltd . Employee Welfare Committee Representative: Yi-Wen Chen	4,908,960 0	1.67% 0	0 686,635	0 0.23%	0 0	0 0	Fei-Lung Chen	Father and Daughter	None
10	Hsiao-Chuan Chen-Huang	3,577,413	1.22%	33,814,934	11.5%	0	0	Fei-Lung Chen	Spouse	None
								Namchow Holdings CO.,Ltd . Employee Welfare Committee Representative: Yi-Wen Chen	Mother and Daughter	None

**(X) Shares Held by Company, Directors, Supervisors, Managers of Company, and Businesses Controlled Directly or Indirectly by Company of Same Reinvestment Business and Consolidated Calculation of Comprehensive Shareholding Ratio**

Unit: Share; %

Re-invested business (Note)	Company		Directors, supervisors, managers, and directly or indirectly controlled businesses		Comprehensive investment	
	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio
Namchow (Thailand) Ltd.	9,244,995	100.00	4	0.00	9,244,999	100.00
Yongju (Thailand) Ltd.	100,000	100.00	-	-	100,000	100.00
Nacia International Corporation	1,250	100.00	-	-	1,250	100.00
Lucky Royal Co., Ltd.	95,337,885	99.65	330,486	0.35	95,668,371	100.00
Chow Ho Enterprise	2,499,994	100.00	4	0.00	2,499,998	100.00
Qizhi Co., Ltd.	80,000	80.00	20,000	20.00	100,000	100.00
Nankyo Japan Co., Ltd.	3	100.00	-	-	3	100.00
Namchow Consultation Co., Ltd.	500,000	100.00	-	-	500,000	100.00
Namchow Oils and Fats	41,173,127	100.00	-	-	41,173,127	100.00
Huaciang Industry	30,000,000	100.00	-	-	30,000,000	100.00
Chowfu Biotechnology Co., Ltd.	2,200,000	100.00	-	-	2,200,000	100.00

Note: The long-term investments of the Company adopting the equity method

## IV. Fundraising

### (I) Capital and Shares

#### (1) Source of capital stock

Year/ Month	Issuing price	Approved capital stock		Paid-in capital stock		Remarks		
		Quantity of shares	Value	Quantity of shares	Value	Source of capital stock	Share value written off by assets other than cash	Others
1998 August	10	400,000,000 shares	NTD 4 billion	294,132,962 shares	NT\$2,941,329,620	Capital increase with capital reserve	-	Approval date and document number for the capital increase: FSC (I) No. 0930131932 dated July 19, 2004

Type of share	Approved capital stock			Remarks
	Circulating shares	Shares yet to be issued	Total	
Common stock	294,132,962 shares	105,867,038 shares	400,000,000 shares	Listed stock

Related information of the general declaration system: Not applicable

#### (2) Shareholder structure

May 2, 2020

Shareholder structure Quantity	Government agency	Financial institution	Other corporate entity	Foreign institution and foreigner	Individual	Treasury stock	Total
Headcount	0	7	180	161	51,395	1	51,744
Shares held	0	28,848,000	57,217,378	48,818,678	158,506,906	742,000	294,132,962
Shareholding ratio	0.00%	9.81%	19.45%	16.60%	53.89%	0.25%	100.00%

#### (3) Diversification of share options

May 2, 2020

Shareholding classification	No. of shareholders	Shares held	Shareholding ratio (%)
1 - 999	34,981	2,480,618	0.84%
1,000 - 5,000	14,004	27,205,758	9.25%
5,001 - 10,000	1,535	11,996,892	4.08%
10,001 - 15,000	450	5,745,415	1.95%
15,001 - 20,000	249	4,591,500	1.56%
20,001 - 30,000	176	4,531,640	1.54%
30,001 - 40,000	85	3,039,622	1.03%
40,001 - 50,000	55	2,523,647	0.86%
50,001 - 100,000	96	6,600,802	2.24%
100,001 - 200,000	50	6,889,268	2.34%
200,001 - 400,000	20	5,456,631	1.86%
400,001 - 600,000	13	6,347,425	2.16%
600,001 - 800,000	5	3,545,385	1.21%
800,001 - 1,000,000	3	2,647,970	0.90%
More than 1,000,001 shares	22	200,530,389	68.18%
Total	51,744	294,132,962	100.00%

Special stock: Not applicable

(4) Names of major shareholders: Shareholders holding 5% or more of total shares or in the Top 10 stock option holding ratio list

Name of major shareholder/shares held	Shares held	Shareholding ratio
Lucky Royal Co., Ltd.	46,041,259	15.65%
Fei-Peng Chen	37,537,995	12.76%
Fei-Lung Chen	33,814,934	11.50%
Cathay Life Insurance Company, Ltd.	17,214,000	5.85%
Bank SinoPac as Custodian for Reva Spring Ltd. Investment Account	12,456,165	4.23%
Bank SinoPac as Custodian for Ever Cosmos Ltd. Investment Account	10,744,992	3.65%
Nomura Asset Management Taiwan Ltd. as fully authorized by Fubon Life Insurance Co., Ltd.	8,541,000	2.90%
Investment Account with Norges Bank under the custodianship of Citibank Taiwan.	5,062,000	1.72%
Namchow Holdings CO.,Ltd . Employee Welfare Committee	4,908,960	1.67%
Hsiao-Chuan Chen-Huang	3,577,413	1.22%

(5) Related information of market price per share, net value, earnings and dividends for the past two years

Item		Year	2018	2019	April 30, 2020
Market Value per Share (Note 1)	Highest		65.70	57.10	45.30
	Lowest		39.70	46.50	44.35
	Average		54.70	52.62	44.87
Net Value per Share (Note 2)	Before distribution		24.28	24.67	–
	After distribution		21.08	22.30	–
Earnings per share	Weighted average number of shares		294,132,962	294,132,962	294,132,962
	Earnings per share (Note 3)		4.09	3.90	–
Dividends per Share	Cash		2.7	2.0	–
	Free share distribution	Earnings-based share assignment	0	0	–
		Capital reserve-based share assignment	0	0	–
	Accumulated unpaid dividends (Note 4)		0	0	–
Analysis of Investment Return	Price-earnings ratio (Note 5)		14	13	–
	Cost-benefit ratio (Note 6)		21	26	–
	Cash dividend yield (Note 7)		4.94%	3.80%	–

\* If there are shares assigned with earnings or upon capital increase with capital reserve, information of

the market price and cash dividends adjusted retroactively according to the number of shares issued shall also be disclosed.

- Note 1: The highest and lowest market prices of common stock each year are shown and the annual average market price is calculated according to the strike price and the trading volume in each year.
- Note 2: Please fill in distributions decided in the shareholders' meeting (or directors' meeting) of the following year according to the number of shares that were already issued for the specific year.
- Note 3: If retroactive adjustments are required because of free share distribution, earnings per share before and after adjustments shall be shown.
- Note 4: For the equity shares issuance criteria, if there are requirements that dividends not distributed for a specific year can be carried over to the year with earnings, the dividends that have not been paid up to the said year with earnings shall be disclosed separately.
- Note 5: Price-earnings ratio = Average closing price per share for the year/earnings per share.
- Note 6: Cost-benefit ratio = Average closing price per share for the year/cash dividends per share.
- Note 7: Cash dividend yield = cash dividends per share/average closing price per share for the year.
- Note 8: For the net value per share and earnings per share, data inspected (reviewed) by CPAs from the latest quarter up to the date of printing of the Annual Report shall be provided. For the other columns, data of the immediate year up to the date of printing of the Annual Report shall be provided.

#### (6) Company's dividend policy and implementation status

##### 1. Dividend policy

The Company's dividend policy is based on its current and future development plans, taking into consideration the investment environment, demand for capital, and domestic and international competition as well as shareholders' benefits. Each year, no less than 30% of earnings available for distribution are appropriated to be the dividend bonus for shareholders. While dividend bonus is to be distributed to shareholders, they may be done in cash and (or) stock. Cash dividends may not be below 10% of the total value of dividends.

2. Intended distribution of dividends through the current shareholders meeting: Cash dividends are intended to be distributed as per the decision made by the Board of Directors on March 26, 2020; that is, NTD 2 per share will be distributed.

(7) Impacts of free share assignment intended through the current shareholders meeting on the Company's operational performance and earnings per share: None.

(8) Remunerations for employees, directors and supervisors:

##### 1. Percentages or ranges of remunerations for employees, directors, and supervisors under the Articles of Incorporation:

Article 31 of the Articles of Incorporation: In cases of profits for the year, the company shall set aside no less than 1% to be the remunerations for employees and no more than 5% to be those for board directors and supervisors. If there are accumulated losses, however, the value to make up for the losses should be set aside first. The remuneration to employees may be paid in stock or cash, and the employees of subsidiaries meeting specific condition are also entitled to the payment.

Article 31-1 of the Articles of Incorporation: In the event that the annual audit renders earnings, the company shall pay taxes according to law and cover accumulated 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 shareholders' 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.

2. Basis for estimating the amount of remunerations for employees and directors, basis for calculating the number of shares to be distributed as employee remunerations, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period:

The Company based its estimation of remunerations for employees and directors for 2019 on the pre-tax income before remunerations for employees, directors, and supervisors are calculated for the year and estimated as advised by the Articles of Incorporation and the Compensation Committee and according to the ratio approved as a decision of the Board of Directors. If the actually distributed value differs from the estimated value, it is considered as changes in accounting estimates and will be listed as gains or losses of the year where the value is actually distributed.

3. Remuneration proposals passed by the Board of Directors:

- (1) Remunerations distributed to employees or directors in cash or in stock:

For 2019, the Company decided according to the Company's Articles of Incorporation and by the Board of Directors that 4% of the pre-tax income before the remuneration of directors and supervisors and employees is to be set aside as directors' compensation and 1% as employee's compensation. The value of remunerations for directors set aside this year totals NTD 47,248 thousand and that for employees amounts to NTD 11,812 thousand. If the actually distributed value differs from the original estimated value, the difference will be listed as losses for the current term of 2020.

- (2) Employee remunerations distributed in stock and their ratio in the after-tax income indicated in the Entity Financial Statement of the current term and their ratio in the overall remunerations assigned to employees: Not applicable.

4. Actual distribution of remunerations for employees, directors, and supervisors for the previous year:

- (1) Cash bonus (remunerations) for employees: NTD 11,728 thousand.

- (2) Remunerations for directors and supervisors: NTD 52,777 thousand.

There is no difference from the original intended distribution decided by the Board of Directors.

- (9) Buyback of the Company stock: None.

## (II) Corporate Bonds:

Type of corporate bond		First secured corporate bonds of 2016
Date issued		November 29, 2016
Denomination		NTD 10 million
Location of issuance and transaction		Taipei Exchange
Issuing price		At full denomination
Total		NTD 4 billion
Interest rate		Fixed 0.75%
Duration		5 years Maturity: November 29, 2021
Guarantor		First Commercial Bank
Trustee		Trust Department of KGI Bank
Underwriter		KGI Securities Co.,Ltd.
Attorney		None
CPA		Po-Shu Huang, An-Tian Yu
Payback method		Lump-sum repayment of principal at maturity
Outstanding principal (as of May 15, 2020)		NTD 4 billion
Redemption or early payoff clause payoff clause		None
Restrictions		None
Name of credit rating institution, date of rating and corporate bonds Rating result		Taiwan Ratings Date rated: October 18, 2019 Rating outcome: First Commercial Bank twAA+
Additional rights	Value of common stock, global depository receipts or other securities already converted (exchanged or subscribed) as of the date the Annual Report is printed	None
	Issuance and conversion (exchange or subscription) guidelines	None
Possible impacts of guidelines and criteria for the issuance and conversion, exchange, or subscription of shares and possible dilution of stock options and impacts on existing shareholder rights		None
Name of the custodian for the exchange object		None

## (III) Special Shares, Global Depository Receipt, Employee Stock Option Certificate, Restricted Employee Shares and M&A or Acceptance of Transferred Shares of Another Company for Issuance of New Shares: None

## (IV) Implementation of Capital Utilization Plan:

All the previous issuance or private placement securities plans of the Company have been completed and benefits of none of those already completed in the past 3 years are yet to be shown.

## V. Operational Status

### (I) Business Content

#### (I) Scope of activity

##### 1. Main activities and their ratios in operations

Business activities	Main products	Proportion of the Group's consolidates revenues (%)
A. Manufacturing and sale of cleaners	Crystal Soap series, personal hygiene series, and dish/vegetable cleaning series	3
B. Manufacturing and distribution of baking products	Baking oil, frozen dough	68
C. Manufacturing and sale of flour-based foods	Frozen noodles, instant noodles	6
D. Manufacturing and sale of ice products	Duroyal ice cream, Kabisuo ice cream	5
E. Manufacturing and sale of rice-based foods	Cooked Rice Division and leisure foods such as rice cracker	11
F. Dining business	Paulaner, Dian Shui Lou, Benchangliu, Duroyal Café, Xianzhixuan, among others	7

##### 2. New products planned to be developed

(1) Cleaners: Bacteria are always ubiquitous in daily life. Bacteria can easily breed in small invisible corners and even on everyday items that are touched every day. Bacteria can spread viruses and increase the risk of infection, especially when seasons change. Influenza, enteroviruses and other diverse bacteria are active around, threatening our health. This is especially true of newborns, young children, and elderly individuals with poor resistance, as they are particularly vulnerable to infection. To protect consumers from bacteria and viruses, we plan to develop multi-functional antibacterial cleaning products to protect the health of the public in all aspects.

##### (2) Bakery products

###### ① Baking oil and fats

###### A. Baking oils and fats in Taiwan

We will continue to improve our self-management management system, bolster plant product development and production technology, and expand differentiation with competing products. We will consolidate the leading brand position of Taiwan's baking oils and provide peace of mind for suppliers (customers), and provide safe and high-quality oil and fat products to help domestic marketers increase the added value of baked goods. We will assist exporters in selling high-quality baked goods that comply with local food regulations and standards, while expanding business opportunities for export. This in turn will continue to drive the vigorous development of the overall baking industry.

###### B. Baking oils and fats in Mainland China

New oils and fats: A series of existing products is available, with extended flavor choices.

New stuffing: new Beikexin flavor and Beikeshi

Light cream: Enjoy 800 series

Cream products: artisanal cream (other flavors)

Ice cream products: ice cream products combined with baked goods

- ② Frozen dough: Assuring, tasty, and unique products are being developed.
- (3) Flour-based foods: Tasty, nutritional, and quality foods are being developed.
- (4) Ice products: In light of the continued low birth rate, the decreased number of children in a household, the recreational foods growing exquisite, and global warming, quality-textured and differential sweets-like ice products are the goals in the development of new products.
- (5) Rice food: Healthy and quality products
- (6) Dining: Ingredient traceability is valued and seasonal cuisines are introduced with the best use of local quality ingredients and sufficient utilization of food ingredients so that new cuisines and handy gifts may be constantly innovated. The catering business can realize good quality and sustainable operations only by sticking to the concept of consumer protection, implementing a good quality management system and focusing on food safety.

## (II) Industrial Overview

### 1. Current status and developments of the industry

#### (1) Cleaners

The constantly improving living standards and rising awareness of environmental protection have made consumers constantly pay attention to cleaning products that are highly biodegradable and will not hurt the ecological environment. The Namchow crystal soap series is made of natural oils and fats, with simple composition and free of additives; it is highly recognized by general consumers.

#### (2) Baking products

##### ① Baking oils and fats

###### A. Baking oils and fats in Taiwan

Oils and fats have been a core business for the Namchow Group. Featuring one-stop professional service, outstanding technology and tailored product specifications, they continue to create differential competitive advantages for clients. Based on its nearly 50 years of experience, the Company precisely keeps track of what is happening externally in the market and creates baking fads; internally, it reinforces production and R&D efforts to provide different products that help satisfy customers' demand and improve their profits, which accordingly also contribute to higher sales and profits of the Company. Let Namchow become an oils and fats expert that grows together with the baking industry in Taiwan and becomes a strategic partner in the management of the global baking industry for joint innovation and development.

###### B. Baking oils and fats in Mainland China

At present, local products are the mainstream on the oils and fats market in Mainland China, with major producers including Namchow, Yihai Kerry and Fuji Shokuhin Co.,Ltd. The baking fats market has gradually entered the stage of maturity and refinement. Our oils and fats products will appear to be diversified and functional and feature comprehensive services in the future.

- As the living standards of people increase over the years, their demand for quality and more flavor options for bakery goods is getting higher and higher as well. Therefore,

choices of bakery products are becoming more diversified and quality, production techniques and craftsmanship are constantly enhanced as well. The overall industrial scale appears to be steadily growing. Despite the relatively long period of time devoted to cultivating and developing the market, as the consumer base keeps expanding, the market capacity of the bakery industry in Mainland China is showing growths each year, too. It is estimated that the operating income of the baking market will reach RMB 550 billion in 2020.

- With the rapid development trends on the market for baking oils and fats in Mainland China, it is estimated that the demand for oils in the food industry will increase from 2734 thousand tons in 2017 to around 4766 thousand tons in 2023, with an annual growth rate remaining at around 10%. The commissioning of Namchow's facility in Shanghai and expanded production lines in the Guangzhou facility will bring improvements and meet market needs, achieving efficient growth.
- Currently the whole baking industry is mainly divided into four categories, namely bread, cake, moon cake and rice dumpling and other food. Among them, bread is the largest product, accounting for more than 40% of the overall baking industry, and is increasing year by year. It belongs to the largest category.

## ② Frozen dough

### A. Frozen dough in Taiwan

Frozen dough is the semi-finished product of bread. With the designed bread made into frozen dough, customers (store owners) only have to thaw, ferment, and bake it and fresh-roast bread or desserts are ready to serve (to the consumers). Consumers want their food to be fresh, convenient, tasty, safe, and healthy. Based on this management belief, the Company is promoting frozen dough to customers that it is a product designed to address consumers' demand and falling in line with the consumption trend featuring freshness, convenience, tastiness, safety, and health.

### B. Frozen dough in Mainland China

The rapid economic development and improvement of the life quality in mainland China have changed the consumption habit of consumers as well as the younger generation's opinions of employment. The rapid economic development of a country will certainly drive the prosperity and development of the local bakery products and catering industry. The baking industry in mainland China has been witnessing vigorous development over recent years. The chain operation mode has been shaped up and the number of new brands achieve a new height year after year which representing high market vitality and infinite business opportunities.

However, more and more enterprises in the chain catering and baking industries are faced with shortage of research and development, production and technical personnel. Against the background of difficult employment, continuous rising of store rent and labor expense as well as consumers' demand for freshly baked products and healthy and delicious products, the frozen dough has demonstrated great advantages and played an irreplaceable role in terms of convenience, quality stability and expanded distribution scope.

With years of development in Mainland China, Namchow has accumulated abundant experience and resources in terms of frozen dough. We continue to research and develop

and create unique bakery products that make consumers feel secure. We are committed to provide products that satisfying the current market demands and at the same time cooperate with more customers in the chain bakery, catering, coffee and mass retail industries to build a broader prospect for the baking industry.

### (3) Flour-based foods

#### ① Frozen noodles

##### A. Frozen noodles in Taiwan

Frozen noodles are popular among the advanced countries in Europe, the United States and Japan and driving food industry technology to become more sophisticated and innovative. With Taiwanese people's emphasis on leisure and health awareness, our frozen cooked noodles can fully meet the needs of the market. Namchow foresaw the trend to introduce frozen cooked noodles first, utilizing R&D, production, sales, one-step service, standardized professional factories, and the world's most advanced fast-frozen noodle making equipment. The company boasts top-tier technology, and has passed a number of international high-level food safety verifications and won the global food star awards. These include: Safe Quality Food (SQF), International Food Safety Verification Standard Level 3 highest level verification, MUI halal verification, Ciyue International's highest standard double clean mark-Cixin organic processing verification, Asia Pacific Anti Additive (AA) Development Promotion Association's highest level 100% non-additive verification, Monde Selection World Quality Award Silver Award, and iTQi International Flavor and Quality Evaluation Award-Two Star Award. As we strictly monitor food safety, world-class high-quality taste noodles raise the level of the pasta industry, set up benchmarks, and open up new opportunities.

##### B. Frozen noodles in Mainland China

As the domestic economy quickly grows, people's living standards are rapidly improving as well and the pace in life is much faster than before to accordingly increase their demand for foods. Consumers no longer just want their food to be tasty; they are also aware of and pursuing higher-standard food sanitation and safety. Health, tastiness and high quality become basic dietary standards. In addition to the food safety of consumers, the food and beverage industry further improves operational efficiency by taking fast and safe meals as its focus. Determined to solve the needs of customers for meal service, QiaoHao jumped into the current just-in-time business model of the catering market. With its abundant experience accumulated in producing professional noodles and the solid resources available, it is committed to providing consumers with unique, tasty and assuring noodles required in the market and to undertake diligent development together with its partners in the dining industry.

#### ② Instant noodles

Namchow Thailand produces instant noodles that have taken root in the ASEAN market over the long term. The "ASEAN Operation Center" is being pro-actively developed to help expand the ASEAN market and peripheral markets. Given the 600-million population of ASEAN and the nearly 1-billion population of the adjacent country, China, the potential is huge. Presence was established in 2014 in Myanmar instant noodles are now available at respective supermarkets in the country. Efforts are being made now to

sell instant noodles to other local markets through Namchow Taiwan and Namchow China as well.

#### (4) Ice products

There are mainly two segments on the market for ice products in Taiwan: One is for premium ice cream where products are mostly imported high-end ice cream and the other one is for popular ice products, which is further divided to the medium-priced and low-priced segments. The medium-priced segment features mainly good texture differential ice cream, creamy popsicles, and cones while the low-priced one features mainly crispy popsicles from small plants.

Trends in the development of ice products: The rise in the awareness about food safety has made consumers place increased emphasis on legal labeling, traceability of food ingredients, and sanitation and safety. The decreasing number of children in each household and the recreational foods growing exquisite are making consumers more willing to spend more money in purchasing differential, unique, and value-added products.

In light of the nearly saturated franchised distribution channels and the fierce competition, we are purchasing unique products from overseas and developing self-brands in order to reinforce the differentiation and to create values that are attractive to customers. Lucky Royal Co., Ltd. is known for its unique products and targets imported ice while working with distributors or well-known dessert stores and brands in order to develop widely talked-about seasonal limited offer products.

#### (5) Rice-based foods

##### ① Ambient-temperature rice

To go with the trends in society and taking into consideration the consumers' demand for healthy, safe, tasty and convenient products, the Company continues to develop healthy, sanitary, safe, tasty and delicious ambient temperature rice products so that consumers can eat healthily and safely.

##### ② Rice crackers

Rice-based recreational foods are gluten free and non-GMO to make them able to meet consumers' demand for staying healthy. They have started to gain prominence and become more and more acceptable as a mainstream product in the western markets. This part of the market is full of development potential as suitable products can be developed for babies, women, men and old people. The potential is infinite.

#### (6) Dining

A dining business needs to be able to provide tasty cuisines that satisfy the needs of the taste buds of customers while at the same time constantly developing new options so that the restaurant can keep its customers interested at all times. The dining business of Namchow features introduction of new cuisines in season and prepared with local ingredients. Besides introducing new options by the season, there are theme cuisines and gifts from time to time to best satisfy the needs of consumers.

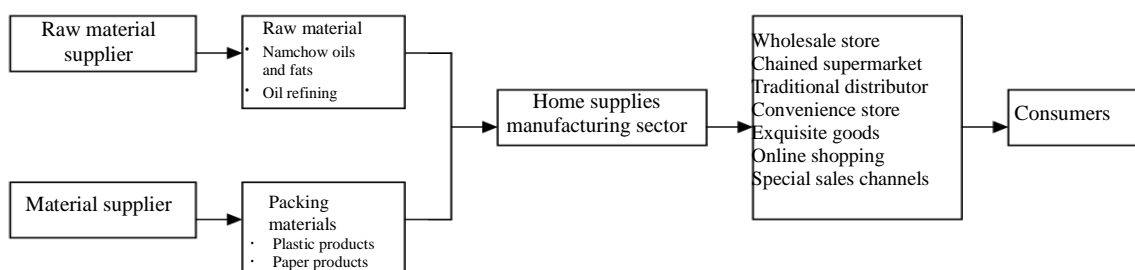
Namchow's restaurants are backed by resources at headquarters. The food safety office at the headquarters has responsible people to supervise and provide assistance in spontaneous health and safety management, hold food safety meeting every month to communicate to the chefs of each store the highlights of the latest food safety news and government examinations, and also educate the personnel of each store on the importance of food safety. Each store independently examine its kitchen every month to maintain the

kitchen clean and all food materials and stocks. In addition, the logistics office has designated special personnel for food safety who visit every store weekly for examination and assistance with confirmation of various checklist to make sure all food safety tasks can be completely performed so as to safeguard consumers' health.

Although Dian Shui Lou Restaurant declined Michelin's evaluation, it has been recognized as an official "Bib Gourmand" restaurant by Michelin for two consecutive years. The most important element to support the team's continuous progress is the culture of learning. Every one regards learning as an integral part of daily life and regards sharing as necessary. Everyone in the organization never stops learning and developing and acquiring a sense of accomplishment. Nearly all chefs, stop managers and major leaders of every branch store are trained personnel from the basic level. Highly stable team members and learning organizations are the foundation for sustainable operation of Namchow Group.

## 2. Correlation between the upstream and the downstream of the industry

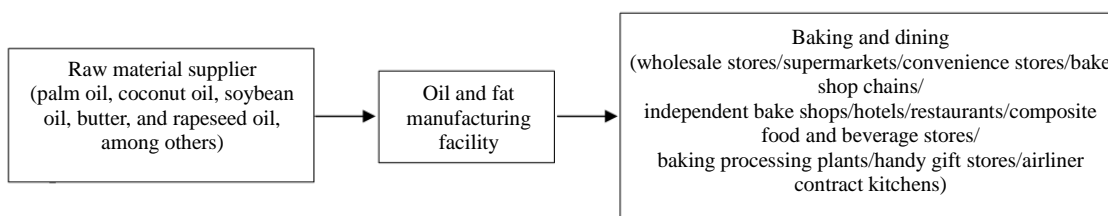
### (1) Cleaners



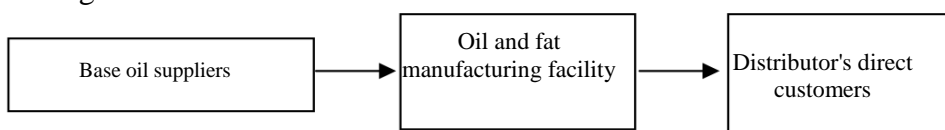
### (2) Baking products

#### ① Baking oils and fats

##### A. Baking oils and fats in Taiwan

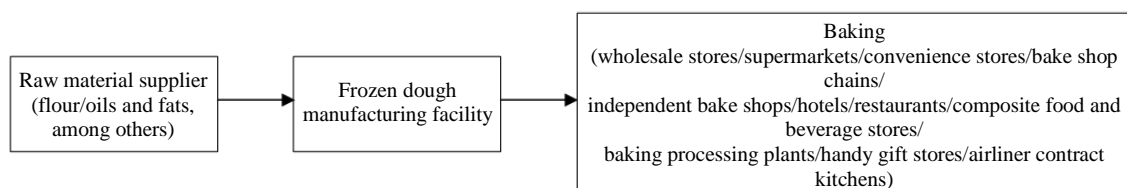


##### B. Baking oils and fats in Mainland China

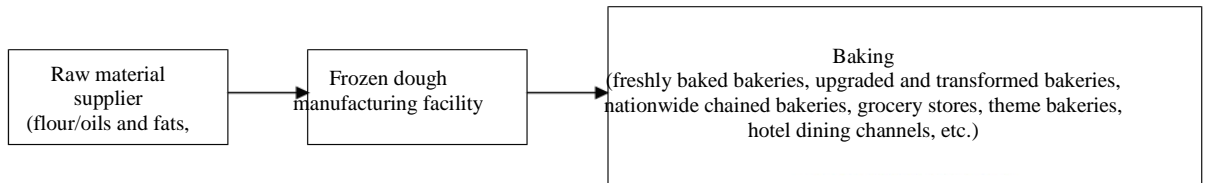


#### ② Frozen dough

##### A. Frozen dough in Taiwan



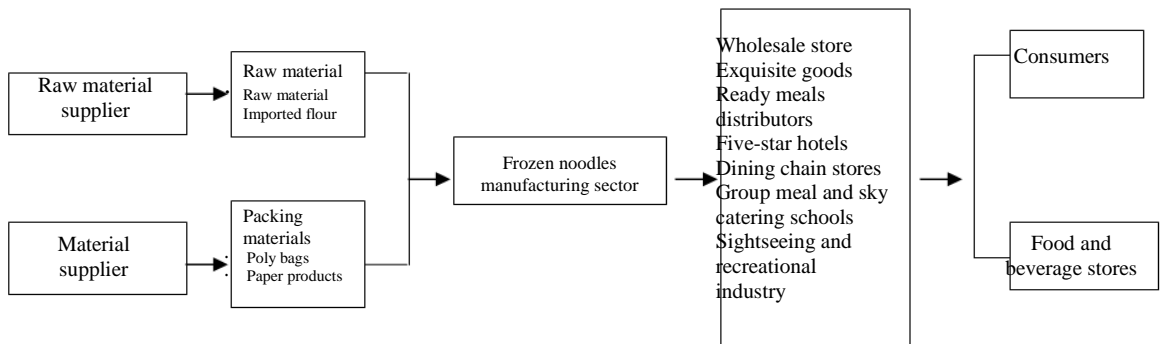
## B. Frozen dough in Mainland China



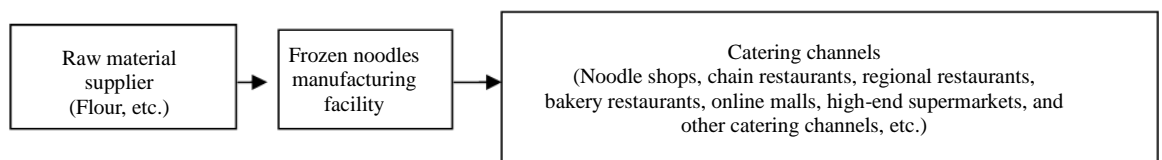
### (3) Flour-based foods

#### ① Frozen noodles

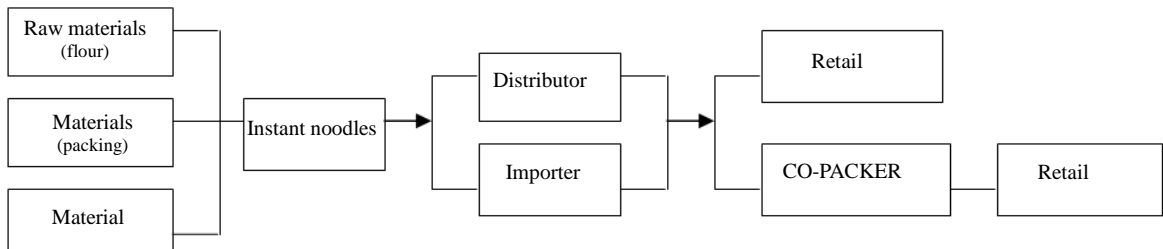
##### A. Frozen noodles in Taiwan



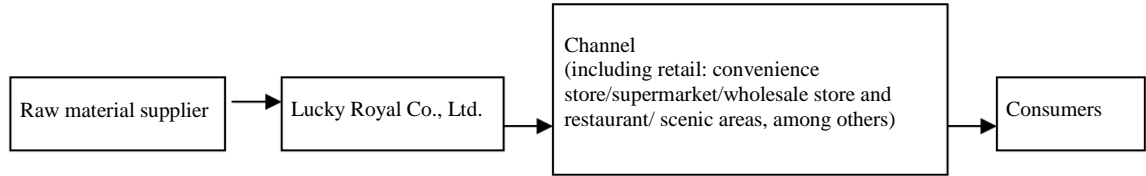
##### B. Frozen noodles in Mainland China



#### ② Instant noodles

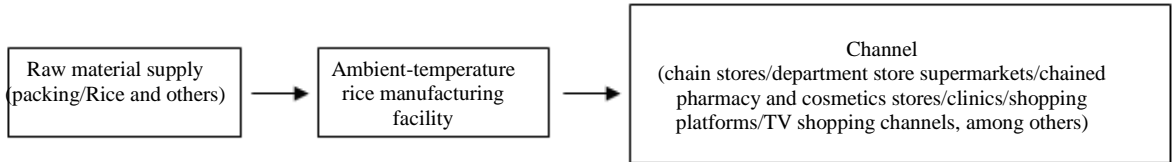


(4) Ice products

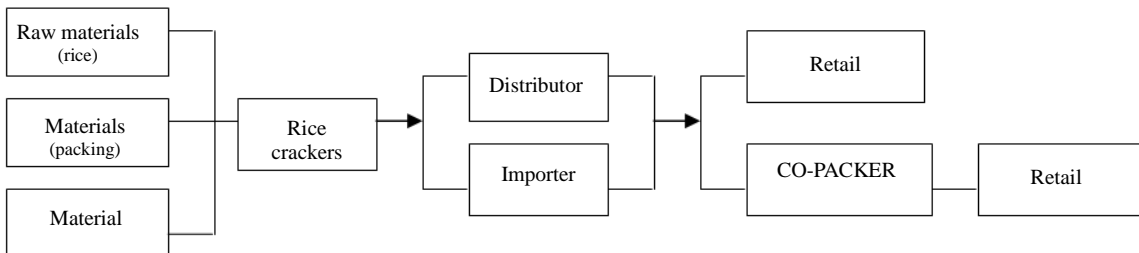


(5) Rice-based foods

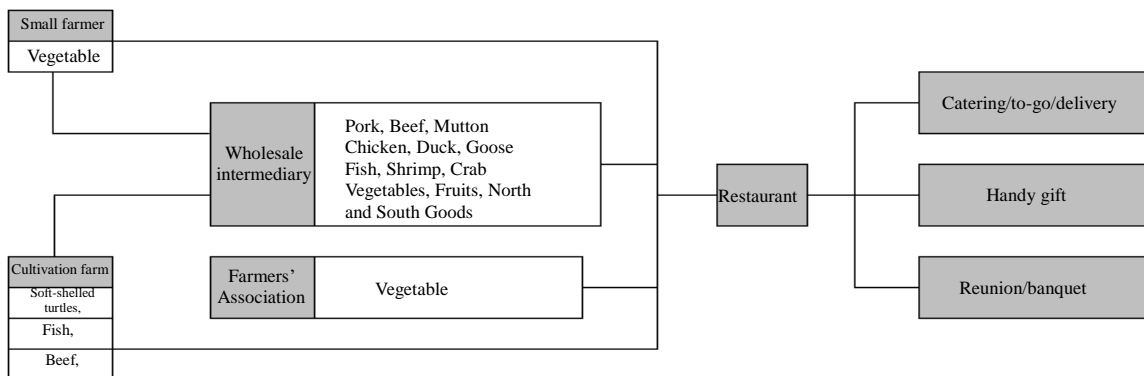
① Ambient-temperature rice



② Rice crackers



(6) Dining



3. Product trends and competition

(1) Cleaners

- The rise of natural and environmentally-friendly cleaners: The constantly improving living standards and rising awareness of environmental protection have made consumers constantly pay attention to cleaning products that are highly biodegradable and will not hurt the ecological environment.
- Multi-purpose products gaining prominence: Besides the existing cleaning feature, consumers also care about whether a cleaner has other additional features, such as anti-bacterial, mildew, mite, soft fiber protection, deodorizing, low sensitizing and removal of stains, among others; these are also popular among consumers.
- Safety and assurance first for cleaners : Many cleaners come into contact with people's skin. As such, their ingredients, safety, certification by professional testing organizations and brand creditability are becoming priority concerns for consumers

before they make a purchase.

- Anti-bacterial products hit: As PM2.5 air pollution, norovirus, enterovirus, and new influenza viruses continued to spread over the past few years, consumers are strongly concerned about their personal hygiene and the importance of having a clean home. Anti-bacterial, anti-viral, and skin-safe functional products, therefore, remain popular. The zeal is yet to subside.

## (2) Baking products

### ① Baking oils and fats

#### A. Baking oils and fats in Taiwan

Oils and fats products are competitive in that they meet customers' demands and then have interdependent upstream and downstream relationships with customers. The Company, however, is supported by its huge customer base for its management belief in providing customers with products of the highest safety standards that are healthy and of optimal quality. In response to domestic and international market trends, the latest R&D and production technologies have been applied in recent years. We have launched various series of baking fats that meet customer needs and successfully introduced them to the market.

- Global cream prices surged in 2017. As such, the series of composite baking oils and fats of Namchow, known for their flavor and maneuverability, are the best solution for bakery businesses. In 2017, we also led the industry with the launch of Namchow's special oil series for New Han Cake Korean hanbok cakes. We introduced modern scientific concepts to the traditional Hanbok field, and held activities related to the revival of Hanbok. Committed to the inheritance and innovation of Han cakes, these efforts won a broad response from the market.
- In 2018, flavored oil spreads were launched, to integrate with the international bakery fashion trends, assist the hotel and restaurant industries to create creative changes in bakery products, and give higher quality and value.
- In 2019, in response to the international food industry and consumer market's emphasis on "Clean Label," Namchow drew on its nearly 50 years of professional research in the field of roasted fats and oils to spearhead the launch of a new generation of Namchow NEBOS roasted oils and fats series. The Namchow NEBOS baking fats series is developed with NEBOS as the core. It features application of exclusive natural emulsifying material technology to develop professional baking fats with simple ingredients, reducing or avoiding food additives. It can be used together with natural cream or can replace it altogether. We are assisting domestic marketers to increase the added value of baked goods, while also helping exporters meet high-quality bakery products that comply with local food regulations and standards, and expand export opportunities. At the same time, it is the best solution for natural cream international price fluctuations and unstable supply. The Namchow NEBOS baking fats series has obtained clean label and no food additives certifications. This is a major breakthrough in the R&D and manufacturing technology of Namchow baking fats and oil, and it is also an important development milestone in Taiwan's baking oil and fats industry!

## B. Baking oils and fats in Mainland China

- Product development trend: The baking oil and fat market is gradually entering urban areas and is further divided into smaller segments. Our oil and fat products will appear to be diversified and functional and services will become comprehensive in the future.
- Bakery staple foods: The food industry is developing towards the trend that “snack foods are becoming staple foods while staple foods are becoming snack foods.” With the development of the national economy and improvement of living standards, the forms of food are changing at the same time. The quick-frozen steamed bread and French rolls are derived from the staple food in daily life, but they have flooded the whole snack food market and are popular among consumers. The boundary between staple foods and snack foods is becoming increasingly obscure. The position of snack foods in Taiwan’s food industry is becoming more and more important, and is experiencing rapid growth of more than 20% per year.
- Middle class and young people are becoming increasingly individualized: Nowadays, the emerging concepts of on-line celebrity and customization have won wide praise and popularity among consumers. The young people of the new generation, white-collar workers and modern females with upper middle income are requiring more from cakes and pastries than just delicacy but also reflection of their cultural taste and social status. Enjoying cakes from Western countries has become a crucial part of casual living. In light of this, Namchow closely follows fashion trends, actively develops diversified products such as cakes and pastries, and constantly communicate with customers in order to meet the huge and diversified market demand.
- Per capita consumption has increased, attracting an accelerated influx of social capital. With the popularity of milk tea and other beverage industries, and to promote the development of the baking industry, more and more capital has been pursuing this sector. In addition, many dairy companies in the beverage industry have begun to merge and to acquire small and medium-sized baked food production enterprises. Driven by the growth of the business income of baked goods, they occupy an increasingly important position for food companies. Namchow is expanding the operation of new business channels more actively (for example, non-bakery: coffee, tea, restaurants, etc.). In order to address market trends, it is adjusting its organization to clarify sales channels and functions.

### ② Frozen dough

#### A. Frozen dough in Taiwan

After investigation, we find that government agencies and associations do not have related data on the market scale of frozen dough products. The following only describes related matters about the status of peers and channels:

There are around 10 small-scale producers of frozen dough in Taiwan. Their technicality, equipment and manpower restrict the items and quality of products they can supply and the level of customers they reach as well as the scope of business operations covered. The distinction from the level of operations of the Company is significant.

There are less than 5 frozen dough suppliers that are relatively of a given scale including

the Company. Among our counterparts, some focus on baking-related raw materials in bulk and some on the bread needed for their own distribution channels and the frozen dough business is secondary.

Channel operators also import frozen dough themselves or set up frozen dough processing plants. Foreign frozen dough manufacturers import frozen dough for sale through agents or set up branches in Taiwan. This shows that market demand for frozen dough is increasing.

Over the past few years, competent authorities around the world for food and health have been paying increased attention to the safety management of raw materials in the food industry and consumers have grown concerned about food safety and healthy diet. Both are conducive to businesses of scale and with high management capabilities in securing their market presence. They have also made Namchow a leading brand in frozen dough across the Strait.

#### B. Frozen dough in Mainland China

For many years, Namchow has insisted on providing customers with quality products, from the strict selection of raw materials and food ingredients to the continuous improvement of production technology. To date, more than 100 frozen dough items have been developed. Be it basic dough or shaped dough produced through complicated processes, Namchow has been always tried its best to invest research and development resources and carry out production from the perspective of market and customer demands. To meet the need of different types of customers, it provides them with diversified products. Together with customers in all walks of life, we can complete one-time purchases and jointly create a comprehensive range of baked products.

### (3) Flour-based foods

#### ① Frozen noodles

##### A. Frozen noodles in Taiwan

Thanks to the pursuit of health, high quality and delicious food, with Sanuki Frozen Noodles that feature unique commodity advantages and professional frozen noodles core production technology, Namchow has been able to become the first professional manufacturer and supplier in the industry of frozen noodles for 20 years. Sales in the market have doubled and all production lines are full-loaded because there is more demand than supply. Sales on the market have doubled and all production lines are fully-loaded because there is more demand than supply. Professional and advanced production lines for frozen noodles to better enrich the production volume and diversify product options, providing more abundant output and more diversified items and offering the best choice for consumers and customers all over the world.

##### B. Frozen noodles in Mainland China

As consumers have increased dietary requirements, dining businesses have also come to realize that only fresh, delicious, and quick food can win customers' favor. As such, the traditional hand noodles are gradually dying out and being replaced by refrigerated or frozen noodles that are equivalent to freshly made. In order to meet the needs on the

current dining market, many noodle brands are proactively transforming to produce cooked noodles, too. They are trying to break away from the traditional framework. Cooked noodles were thus introduced, as they are simple, convenient, easy to handle, and have good hygienic attributes. QiaoHao is constantly developing various items and now boasts more than twenty kinds of products that fully meet the needs of various channels and different formats of catering.

② Instant noodles

Since January 1, 2016, the “0” tariff policy has been enforced in the ASEAN 10 + 3 countries. There is no barrier posed by tariffs any more between China and Thailand. Namchow Thailand and Namchow China hence jointly planned to introduce instant noodles of self-brands to China and start to grow this part of the business in China.

(4) Ice products

Duroyal and Kabisuo, the royal Russian ice products, have been the focus of product innovation and brand investment over the long term. Unique products are being researched and developed to fulfill consumers’ expectations for novelty and variation and to create differential competitive advantages for customers.

In 2019, responding to the trends in the development of the ice product industry, new products under Duroyal for retailers were introduced, namely:

- Duroyal Apple milk Ice Cream
- Duroyal x Kuangchuan Series Ice Cream Bars
- Duroyal Cone x NINAO Gelato Rose Raw Oolong Ice Cream and Peanut Milk Ice Cream
- Duroyal x JZN Taiwan Pastry Mung Bean Puff Milk Popsicle
- Duroyal Cone x Hershey’s Chocolate Ice Cream
- Duroyal Cone x Ovaltine Cream
- Cooperation with FamilyMart to launch Belleche milk wine ice cream, Strawberry Daifuku, Tsujiri Matcha Ice Cream, Mango Snow Cheese Ice Cream, Lemon Snow Cheese Ice Cream, Fresh Milk Ice Cream, Strawberry Cheese Soft Serve, Juice Milk Soft Serve, Fairy Black Tea Soft Serve, 77 Milk Plus Soft Serve, and other products.

(5) Rice-based foods

① Ambient-temperature rice

Modern people are busy at work; they eat well yet exercise little. This is why disease of civilization is getting more and more common. The Company will continue to proactively develop a series of healthy and tasty ready-to-serve rice, porridge, and sweets in the future to satisfy the needs of modern people for staying healthy.

② Rice crackers

Rice crackers for babies are the “rising star” of Namchow Thailand. To develop this product further, Namchow Thailand will establish the “R&D Center for Baby Rice Crackers” where tremendous manpower and resources will be devoted to help develop more advantageous products and to offer consumers more options.

## (6) Dining

Innovation, differentiation, pursuit of excellence and doing it right the first time are the Company's unchanged beliefs and practice towards creating a comfortable dining environment. In terms of cuisines, fresh and unique local ingredients are used to prepare each intriguing and affectionate entree in a skilled and experienced way. Each store has developed exclusive cuisines according to the internal and external environmental conditions and respectively offers unique food to make sure visitors can enjoy different features in each store. Particularly cares about cleanness in the kitchen. The food preparing process is self-explanatory with assuring quality.

## (III) Technical and research and development status

### 1. Amount spent in research and development in the latest year by the Company

Year	2018	2019	2020 (estimated)	Through March 31 of this year
Total (NTD thousand)	303,232	422,742	210,960	53,184

### 2. Technologies or products successfully developed

#### (1) Cleaners

In order to welcome the era of natural antibacterial and anti-mite products, from focusing on natural ingredients to adding antibacterial technology, Namchow Crystal launched its "Yugali & Tea Tree Mildew Washing Liquid" and "Thyme Anti-mite Washing Liquid" in the second half of 2019. They respectively add eucalyptus & tea tree essential oils from Australia, and are tested by Intertek to prevent mildew effectively. The French thyme essential oil-anti-mite formula was found to have an anti-mite rate of >99% after SGS inspection. This series is specially developed for Taiwan's hot and humid environment to ensure that clothes are clean and effectively ward off allergens. They also passed the skin test of the American AMA laboratory, which confirmed that the products are hypoallergenic and non-irritating. This help consumers solve the problem of "getting sick from clothing."

#### (2) Baking products

##### ① Baking oils and fats

##### A. Baking oils and fats in Taiwan

The Company now has around 200 options of oils and fats products available, which, by their application, include mixing, wrap, stuffing, pastry, mother's cakes, deep-fry, special purpose, and functional ones. It is continuously developing a variety of products with exclusive characteristics, and has also introduced European creams and Japanese functional creams to expand the service coverage.

##### B. Baking oils and fats in Mainland China

At the moment, products available for sale include mixing oils and fats (Namchow butter oil substitute, Namchow Vega Bake Margarine, Yufeng Brand high-grade snow white emulsified oil...), wrap oils and fats (Kingsco Sheet Margarine, Namchow Danish Pastry

Margarine...), liquid oils and fats (Namchow liquid butter oil substitute, Namchow Vega liquid margarine...), filling oils and fats (Namchow Vega filling shortening, Namchow Vege Cream Margarine), and light creams (Qiaoyi 800 light cream), and stuffings (Beikeshi ready-to-serve stuffings, Beikexin and so on).

A series of specialized oils and fats have been developed for mother's cake products that apply different techniques. Brand new soft-serve ice cream sauce products will be developed, with addition of vanilla and chocolate options.

② Frozen dough

A. Frozen dough in Taiwan

Frozen dough products that are available at present are divided into 8 categories: toast, hard, sweet bread, puff, Danish, bakery, Chinese and artisan.

B. Frozen dough in Mainland China

There are nearly a hundred frozen dough products available at present. They are divided into the following based on the market and from the perspective of consumers: pineapple bun, Danish, croissant, puff, boiled, dim sum, artisan, toast, donut (frozen dough and pre-deep-fried dough), Western dessert series, and fundamental products. Responding to different customer requirements, the frozen dough products have been developed from basic frozen dough to pre-fermented and pre-baked frozen dough. Frozen dough required for different processes can be offered depending on the baking environment, equipment and human resources of end customers.

(3) Flour-based foods

① Frozen noodles

The products including Japanese Udon, ramen, soba, spaghetti, Chinese cooked noodles, Chinese wide noodles, yolk ramen, pink cherry noodles, and northern China knife-sliced noodles, northern China ramen, northern homemade noodles, Henan cooked noodle, etc.

② Instant noodles

Observing the busy life of modern people, Namchow's "Little Cook" advocate the concept of "slow food noodles" to create a new attitude to life. In 2019, we will launch a new product: Soybean Pork Noodles, which will provide a new choice for dinner with exquisite cuisine.

(4) Ice products

The product items that have been developed are: Duroyal Apple milk Ice Cream, Duroyal x Kuangchuan Series Ice Cream Bars, Duroyal Cone x NINAO Gelato Rose Raw Oolong Ice Cream and Peanut Milk Ice Cream, Duroyal x JZN Taiwan Pastry Mung Bean Puff Milk Popsicle, Duroyal Cone x Hershey's Chocolate Ice Cream, and Duroyal Cone x Ovaltine Cream, as well as cooperation with FamilyMart to launch Belleche milk wine ice cream, Strawberry Daifuku, Tsujiri Matcha Ice Cream, Mango Snow Cheese Ice Cream, Lemon Snow Cheese Ice Cream, Fresh Milk Ice Cream, Strawberry Cheese Soft Serve, Juice Milk Soft Serve, Fairy Black Tea Soft Serve, 77 Milk Plus Soft Serve, and other products.

### (5) Rice-based foods

#### ① Ambient-temperature rice

The Company already offers fiber-rich ambient temperature cooked rice now; it is certified as health food that can effectively regulate blood sugar and blood lipids. There is also the imperial series.

#### ② Rice crackers

Healthy rice crackers are introduced.

### 3. Future research and development plans

#### (1) Cleaners

With the rising awareness about organic ingredients and environmental protection, consumers are concerned not only about the cleaning power but also about safety of ingredients of cleaning products when it comes to home supplies, anti-bacterial cleaning of the living environment, personal hygiene. In particular, soap products with high biodegradability and environment friendliness are particularly popular with consumers. In the future, we will actively develop high value-added products to meet consumers' needs for clean living in all directions.

#### (2) Baking products

##### ① Baking oils and fats

###### A. Baking oils and fats in Taiwan

As standards followed in the baking industry continue to improve, practitioners (customers) have a more advanced understanding of the standards applicable to baking oils and fats and their functional definitions. Efforts will continue in the future to be devoted to improving raw materials, processes, and technologies and emphasis will be placed on the research and development of functionally exclusive oils and fats. In recent years, with the international fashion trend, the rising awareness of domestic consumers about diet consumption and higher understanding of and attention towards food safety and additives, the Clean Label and absence of food additives have become the new trend in the food industry. Namchow took the lead in the industry and took the lead in the development of Clean Label baking fats and oils, and developed the Namchow NEBOS baking fats series. Especially under the impact of the new coronavirus epidemic, global transportation and quarantine management will be stricter and more complicated. The increase in various uncertain factors affecting international shipping is more likely to cause delays in the import of raw materials. The Namchow NEBOS baking fats series can replace or be used together with natural cream in a comprehensive manner, to improve the opportunities and solutions of the international price fluctuations and unstable supply of imported natural cream, and to help the baking industry to continue to improve. This creates value and makes it the first choice for bakers to promote Clean Label bakery products.

###### B. Baking oils and fats in Mainland China

Additional flavors will be explored reflective of contemporary demand on the market for baking products. We will develop functional oils and fats that better meet the needs of the

market, and increase the taste items of derivative products based on market trends. In 2020, we will focus more on responding to the demands of “health”: On the one hand, we will reduce the use of artificial additives in line with the trend of “low addition, less addition,” using natural materials in products and developing “Clean Label” series products. Furthermore, efforts will be made to extend the Beikeshi and Beikexin series according to the flavors that are popular on the market. We will also develop distinctive and differentiated fillings such as brown sugar and mashed potato fillings, and develop the Namchow product line horizontally and vertically. There are newly developed soft-serve ice milk products as well as specially-flavored milk products developed in accordance with the season.

## ② Frozen dough

### A. Frozen dough in Taiwan

We will examine the different business types and develop various types of frozen dough products that are easy to import and apply, such as: Chinese dim sum, Western dim sum, fried dim sum, etc. In recent years, domestic tourism has become popular, many small and medium-sized business travel and characteristic guest houses have been established, and the number of combined catering restaurants has increased year by year due to changes in people’s consumption habits. In view of this, and in order to strengthen the service to customers of the restaurant catering type, Namchow has developed a variety of frozen dough products that meet the needs of the restaurant catering industry, especially according to the conditions of business district, customer group, meal time, sales model, etc. High-quality baked products can be supplied at different times, creating customer brand differentiation and value.

In addition to highly finished frozen dough products, Namchow also takes the lead to develop and upgrade basic dough products to further respond to the requirements of the baking market for continuous innovation and change and to satisfy the application requirements of customers with different technical capacities. It provides customers with consistent and high-quality basic dough to offer space to customers for implementation of creative ideas and development of diversified bakery products so as to develop products featured in market segmentation and unique to stores. Affected by the new coronavirus epidemic, consumers are more cautious about catering hygiene and safety. The rise and popularity of the delivery platforms has accelerated the increase of people’s willingness and consumption frequency for meal delivery and takeout. Baked goods have the characteristics of easy take-out and delivery. Therefore, the community bakery has also become one of the preferred options for consumers to buy baked goods, Namchow’s frozen dough is rich and diverse, easy and fast to operate, and can help community bakeries under existing production conditions. It can immediately respond to sales needs, bringing quantity and quality improvement to in-store baked goods. Namchow Frozen Dough will continue to develop products that can be quickly baked and sold by the baking and catering industry to assist the industry in responding to changes in the external market.

## B. Frozen dough in Mainland China

Upgrading will be implemented on the basis of existing products: Products will be upgraded so that they will have various stuffings, unique stuffings and changed styles and flavors. Products will be arranged by stage to satisfy the requirements and flavors of consumers.

Research and development of new products will focus on dim sum and western pastries: With the flourishing development of the concept of mother's cake renaissance, dim sum with flavors unique to every region have developed to pass on the features of traditional cake stores and drive business opportunities for souvenirs. Western pastries will be developed into products combining Chinese and western features with styles and flavors favored by the young people to develop markets of different consumers.

### (3) Flour-based foods

#### ① Frozen noodles

##### A. Frozen noodles in Taiwan

With the global market in mind, various kinds of Asian and Western noodles are introduced and the series of northern China noodles is further expanded and introduced to enter the largest mainstream market of Chinese noodles in the world, including Northern China knife-sliced noodles, northern China ramen, homemade noodles, Henan cooked noodles, etc. Northern China noodles have been designated to be the noodles used during the Taipei Beef Noodles Festival, Hong Kong International Beef Noodles Festival, and TCAC. They are available in supermarkets, grocery stores, and farmers' associations throughout Taiwan. Greatly improving sales and profitability.

##### B. Frozen noodles in Mainland China

Developing professional and good authentic features in all respects. Various types of noodles using regional special ingredients as raw materials have been introduced.

#### ② Instant noodles

New flavors of instant noodles continue to be researched and developed.

### (4) Ice products

New extended flavors will be developed based on existing brands in response to market demands and new featured products will be introduced through cooperation with outstanding brands.

### (5) Rice-based foods

#### ① Ambient-temperature rice

Modern people are busy working, eating well yet moving less, which leads to more and more diseases of civilization. We will continue to actively develop a series of healthy and delicious ready-to-eat rice, porridge, and dessert products to meet the needs of modern people who value health and wellness.

#### ② Rice crackers

Namchow will continue to develop products that meet health demands and are suitable for respective age groups, such as babies, teenagers and old people.

## (6) Dining

Closely reflective of consumers' needs, healthy, tasty, unique, exquisite and safe options will continue to be researched and developed for tailored service. Committed to cultivating a full range of chefs, continuously providing opportunities for learning and growth, and achieving the growth of the entire team with a learning organization.

## (IV) Long-term and short-term business development plans

### 1. Short-term business development plans

Corporate resources will be integrated to make the best use of the Company's advantageous products and strength in research and development while devoting to the research and service relating daily consumer products and providing the general public with natural, healthy, unique niche market products to create composite additional value and to improve profits.

### 2. Long-term business development plans

Corporate resources will be integrated to reinforce R&D and innovative applications, to improve product differentiation, to create new products, and to start new product lines and new niches. Not only unique raw materials, innovative technology, innovative products and innovative management models, successful key factors have to be precisely kept track of in order to lead market trends in the future and ensure the continuous competitive advantages of the Company.

## (II) Overview of Marketing and Production/Distribution

Since it began to produce soap in 1952, Namchow has been adhering to elements of relevance, namely raw materials, technology, distribution and culture for diversified management and has taken roots in fields such as cleaners, daily necessities, oil/fat/dairy products, flour, rice, biotechnology, and dining. With production sites in Taiwan, Thailand and the Mainland, operations are focused on niche markets, with products sold all over the world. Products in respective fields are analyzed as follows:

### (I) Market analysis

#### 1. Cleaners

##### (1) Sale of major commodities:

① The main sales products are crystal soap series: bar soap, liquid soap, powder, tableware cleaning liquids, and antibacterial series cleaning products such as allogeneic soap and hand washing series.

Official website: [http : //www.crystalsoap.com.tw/](http://www.crystalsoap.com.tw/)

Namchow Crystal Soap Facebook Group: <https://zh-tw.facebook.com/NC.Crystalsoap>

② Sold to: domestic market.

③ Distribution Pattern: B to B, B to C.

④ Distribution channels: grocery stores, supermarkets, pharmacies, convenience stores, distributors, retailers, online shopping, and special distribution channels, etc.

##### (2) Future supply and demand and growth on the market:

As the national income in Taiwan increases, awareness of environmental protection rises, and the organic and natural fad emerges, consumers start to evaluate corporate social responsibilities while pursuing natural products. Using soap products that are made of

natural oils and fats, are environmentally friendly and soft to the skin is proof of an environmentally friendly and healthy attitude and persistence. This is the driving force behind the steady growth of the Namchow crystal soap series of products.

Consumers' concerns about household products and household environmental cleaning products not only focus on the quality of cleaning power. Increasingly, the safety of cleaning product ingredients has become more important, considering the impact of household cleaners and personal cleaning products on the environment and human body. An emphasis on natural and biodegradable detergents has also followed.

Future development trends of the cleaner industry:

- Era of soap: As the awareness of environmental protection rises and in order to minimize plastic and petrochemical pollution, the soap products that have high biodegradability and zero harm to ecological environment are preferred by consumers.
- Multi-purpose products gaining prominence: Besides the existing cleaning feature, consumers also care about whether a clothes cleaner has other additional features, such as antibacterial, anti-mildew, anti-mite, deodorizing, and low sensitizing, among others; these are also popular among consumers.
- Safety of cleaners becoming prioritized concern: Because many cleaning products come into contact with the human body directly, their brands, what they are made of and their safety have gradually become a prioritized concern of consumers before they make a purchase.
- Popular antiseptic and disinfectant products: Because of the spread of the PM2.5 air pollution, avian influenza, enterovirus, norovirus, novel influenza, and coronavirus, consumers are highly concerned about their personal hygiene and the importance of a clean home. As such, products claimed to be antiseptic, disinfectant and anti-virus continue to be a hit.

With the introduction of the crystal soap series of products, the image of Namchow in the hearts of consumers is no longer just a bar of hand wash soap; in the hearts of the public, it has transformed into a natural and healthy cleaning brand with natural composition that falls in line with the modern lifestyle. Crystal Soap brands have become popular in line with natural organic and LOHAS health trends. Due to the fact that consumers are getting more and more aware of the importance of environmental protection, the Namchow crystal soap series of products has become a choice that each household must have. The travel pack of crystal soap introduced in 2016 facilitates usage by travelers wherever they are. The Namchow crystal soap laundry liquids - scented series launched in 2017, on the other hand, satisfies the needs of consumers in pursuit of nature and fragrance. They can feel the natural power of crystal soap liquids while at the same time enjoying the pleasant and wonderful scent. The "crystal soap laundry liquids - chamomile low sensitive type" introduced in the second half of 2018 is specially designed for people with sensitive skin and for infants. In 2019, "Yugali & Tea Tree Anti-mildew Washing Liquid" and "Thyme Anti-mite Washing Liquid" were launched. Aimed at Taiwan's hot and humid climate, they feature anti-mold and anti-mite functional laundry products. In response to changes in washing methods, Namchow Crystal has developed different types of products and has taken care to address different user groups comprehensively. This approach has been well received among consumers.

(3) Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

① Competitive niche and desirable factors for development prospects

- A. There is great demand and potential for natural soap products as the awareness of health and environmental protection rises.
- B. Unique products of the crystal brand of Namchow supported by powerful assets are widely loved by consumers.
- C. Successful development of the grapefruit seed series of products helps extend the life span of crystal soap products and add to the value of the brand.
- D. The products are known for their unique natural fragrance and natural anti-bacterial sources to appeal to distribution channels in all respects.
- E. Continue to promote the scented soap series and antibacterial series of laundry liquid soap, with a complete and rich product line, reach out to more new users, and expand sales and market share.

② Undesirable factors for development prospects

- A. Fluctuating and rising costs of raw materials and oils on the international market.
- B. Increasing costs of distribution channels on a daily basis.
- C. Consumer habit of switching among different products because they want to try something new.
- D. Constant introduction of new high-end products to the natural market for competitive brands.

③ Countermeasures

- A. Continued communication on the appeal on being natural, soft to the skin, and environmentally friendly so that consumers fully sense their value. Quality of the existing crystal soap series of products has been constantly improved and messages about products being natural and environmentally-friendly of the new generation are communicated so that consumers of the new generation know and understand the benefits brought about by the soap itself. The defined brand positioning has helped the crystal soap series become a natural, optimal, and environmentally-friendly cleaning product that demonstrates love toward family and care for the Earth.
- B. Continued promotion of the antiseptic series that spans over household cleaning and personal cleaning fields so that consumers obviously feel the benefits of products that work 99.99% in inhibiting bacteria supported by the SGS test.
- C. Continued development of products meeting consumers' demand and creating consumer demand and introduction of high value-added products to satisfy the various daily cleaning needs of consumers.
- D. Continued reinforcement of the existing intensive distribution network, with product penetration and coverage as the biggest goal of distribution, to precisely enable each household to have access to the crystal soap series of products at any time.
- E. Collaboration with environmental protection-oriented institutions/groups to communicate the idea of natural protection to the general public for a synergistic effect.
- F. Proactive research and development of various new products within the context of

applying natural oils and fats; the products include household and personal hygiene to precisely promote the ideas of love for family and care for the Earth and to fulfill the responsibilities as protector of the social environment.

## 2. Baking products

### (1) Baking oils and fats

Baking oils and fats in Taiwan

#### ① Sale of major commodities:

A. Major products sold: The Company now has around 200 oils and fats products. The diversified options empower the Company to provide tailored service and become a leading brand on the market for baking oils and fats in Taiwan.

Official website: <http://www.namchow.com.tw/>

B. Sold to: Taiwan.

C. Distribution pattern: B to B , direct-sale.

D. Distribution channel: The Company has more than 3,000 distribution channels for oils and fats throughout Taiwan and products are sold all over Taiwan. The direct-sale approach is adopted. Customers are the end users of Namchow oil and fat products. Types include: hypermarkets, supermarkets, convenience stores, bake shop chains, independent bake shops, hotels, restaurants, composite food and beverage stores, baking processing plants, handy gift stores, airliner contract kitchens, and so on.

E. Market share: The estimated market share is about 30%.

#### ② Future supply and demand and growth on the market:

The market for oils and fats in Taiwan is mature and stable. Fermented effect of urban economy and development of local characteristic tourist industry will bring about positive benefits for the growth on the market. The increase in the number of visitors has helped drive up the demand for and requirements of handy gifts and helped these products to secure a position on the high-end market. The catering market is witnessing fierce competition. Helping the customers in the catering industry to create unique and differentiated products based on our functional oils and fats and continuing to maximizing service aspects and consolidate operations will become the momentum that driving our continuous growth. The Namchow NEBOS baking fats series, featuring little or no additives, can meet the requirements of international food hygiene and safety regulations and the expectations of end consumers, which in turn helps Taiwan's baking industry expand its export market.

#### ③ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

##### A. Competitive niche and desirable factors for development prospects

- a. The Company is highly capable of keeping track of popular trends on domestic and international markets, has a historical brand, secures a leading position in the industry, and has a high market share.
- b. The Group's food safety office and laboratory center use strict controls to ensure the hygiene, safety, and high quality of Namchow fats.
- c. In the past 50 years of its intensive research, the Namchow Oils and Fats R&D Center has demonstrated strong R&D capabilities, advanced technology and professional customized services, which can quickly respond to market demands and meet the needs

of customers of various operating types for oil & fat.

d. The direct sale system can quickly reflect market intelligence and dynamics and helps establish a mutual-trust and reciprocal strategic partnership with customers.

B. Undesirable factors for development prospects

International trade is universal; information is quickly communicated; imported oil and fat brands enter Taiwan market.

C. Countermeasures

a. Namchow has been cultivating customers for many years, implementing consultative marketing, providing total solution one-step service, and a professional service team to provide full-service before, during, and after sales, which differentiates it from competing products.

b. Continue to consolidate operations on baking and dining markets and to expand applications of oils and fats and the scope of distribution service

Baking oils and fats in Mainland China

① Sale of major commodities:

A. Major products sold: Major products sold include mixing oils and fats, wrap oils and fats, stuffing oils and fats, cake-oriented oils and fats, deep-fry oils and fats, special purpose oils and fats, among others. Around 200 in total, there is a variety of choices of products available. In addition to self-made oil and fat products, European natural cream and fresh cream are also introduced to provide more diversified choices.

Official website: [http : //www.ncbakery.com](http://www.ncbakery.com)

B. Sold to: Mainland China.

C. Pattern: B to B.

D. Distribution channel: The direct-sale and distribution approaches are adopted concurrently in Mainland China. Sales to direct-sale clients account for nearly 50%. In addition, approximately 252 quality distributors were developed and continuous efforts are made to develop new distributors, with dispatching locations scattered around the nation; they form the most competitive cold chain inventory and logistics system and

② Future supply and demand and growth on the market:

Oils and fats have been a core business for the Namchow Group. Featuring one-stop professional service, outstanding technology and tailored product specifications, they continue to create differential competitive advantages for clients. Namchow has spent many years in the development of oils and fats to precisely keep track of market trends and create a baking trend while internally it reinforces the production, research and development of different products in order to satisfy clients' needs and improve clients' profits and accordingly increase the Company's sales and profits, making Namchow an expert in oils and fats that grows together with the baking industry and a strategic partner of all businesses in the global baking industry for common innovative developments. To date, Namchow has always insisted to be based on customer value and devoted to growing together with its clients. Thanks to the professional, ethical, and corporate culture-based consensus team, the Company has been able to constantly introduce high-quality oils and fats that meet current and future needs on the market.

Namchow has always insisted to be based on customer value and devoted to growing together with its clients in Mainland China since it started operations 23 years ago.

Thanks to the professional, ethical, and corporate culture-based consensus team, the Company has been able to constantly introduce high-quality oils and fats that meet current and future needs on the market and are tailored to meet the needs of the customers. The thoughtful consultation-oriented marketing service features “tailored” information to help customers with comprehensive operation so that customers can win out on the market for taking the leadership.

- Namchow proactively works with medium-to-high-end customers and have a customer service department in place. For medium-to-high-end customers, it provides customized services and grows synergistically with customers.
- Local benchmark customers in third-line and fourth-line cities along the high-speed railway will continue to be deepened in order to bring small customers forward in their developments. More advanced assistance is provided. The professional service team offers all-around services before, during, and after operations to help address their issues.
- For 23 years, Namchow has been a leading brand on the market for oils and fats in China:

New product series for respective fields have been introduced in Mainland China to address market diversity and the demand for value-added products. The development of base oils that replace hydrogenated oils can better reflect the diversified product capabilities of Namchow and lead the development trend of the baking market.

For higher requirements of the health-preserving essence of foods, Namchow upgraded all of its products so that they are low in trans-fat; the market benefits are showing each day.

- Namchow provides customers with all-around 360-degree consulting services: There are 25 customer service centers and 15 baking education centers throughout Mainland China to serve customers closely, to make local research and development possible, and to provide higher value-added services. There are also comprehensive consulting services that are tailor-made on front-end information, operation and planning, factory planning, product design, promotion on the support, professional assistance, and overseas inspections, among others.

- The distribution network of Namchow in Mainland China is approaching perfection each day:

Namchow’s distribution in Mainland China is done both through direct sales and dealership. Sales to direct-sale clients account for nearly 50%. In addition, approximately 252 quality distributors were developed and continuous efforts are made to develop new distributors, with dispatching locations scattered around the nation; they form the most competitive cold chain inventory and logistics system and lay optimal groundwork for exploring customers in country-level cities.

- In Mainland China, Namchow closely follows the national policy and is paying closer attention to its social responsibilities while realizing enhanced profits.

The government provides reforms on the supply side, adjusts the industrial structure, and promotes the modern third industry in order to increase the weight of the third industry in national economy. The production-oriented consumer product structure and the life style-oriented consumer product structure are adjusted to turn the

manufacturing country from a large one to a powerful one. Consumption is upgraded and the consumer structure is adjusted. Meanwhile, domestic demand will offer the primary momentum for economic growth. All of the policies above will provide Namchow with more room for development.

The government introduced the “Promote the Vision and Action for the Joint Construction of the Silk Road Economic Belt and the 21st Century Maritime Silk Road” (known as “One Belt One Road”) policy. The purpose is to take advantage of the unique location of Xinjiang and having it to serve as an important window to open up the west so that exchange and cooperation with countries in Central Asia, South Asia, and West Asia may be deepened while Xinjiang becomes an important transportation pivot on the economic belt of the silk road and the center for commercial and trade logistics and cultural education. Before this policy was released, we have already set up our customer service centers in the western areas such as Xinjiang and Inner Mongolia to develop local markets and the results have been fruitful. Meanwhile, efforts are made to export oils to Outer Mongolia, Hong Kong, Vietnam, Myanmar and Malaysia and Russia and the Central Asian markets as well as South Asia markets such as Thailand, Indonesia, and Singapore are being proactively explored.

Responding to the initiative of open innovation in the 2nd Shanghai Import Expo, Namchow Food Group held the first domestic 2019/2020 Namchow new product launch conference at the booth of Hall 7.2 of the Expo on November 7, 2019. It featured imported products from Thailand, Ireland, Japan, Czech and four other countries. And since 2019, it has been listed in the mainland’s infant food supplement, bakery and catering markets, gaining a lot of attention in the industry and the market.

- High-efficient R&D capabilities of Namchow have helped increased product lines: Mother’s cakes products have gradually become the mainstream attracting everyone’s attention on the baking market. Following the launch of Namchow’s special oil for mother’s cakes in May 2017, Namchow launched the mother’s cakes series of fats and oils in June 2018, introducing special mother’s cakes fats for mother’s cakes products of different crafts. In 2019, Namchow deepened the concept of mother’s cakes revival, with one cake per city. With a catchy action slogan, the success of the mother’s cakes renaissance came naturally under the rules of supply and demand in the modern market. This enhanced the production quality, creativity, and immediate marketing capabilities of mother’s cakes and its derivatives, and recreated the industrial and market environment.

In 2019, it successfully developed and launched a new “black sugar mochi” filling product, bringing a new compound taste experience to the baking industry as it featured a “Q bomb” that is soft and sweet. “Brown sugar mochi” fillings have a physical presence after baking, and “black sugar mochi chips” have distinct layers after baking, imparting a new experience to the senses. Furthermore, it incorporates a “brown sugar” health element with sweet brown sugar slices. It has unique characteristics and advantages when used to make Danish toast or bread.

- ③ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:
  - A. Competitive niche and desirable factors for development prospects
    - a. Namchow adheres to integrity and quality and has a powerful brand and a high market

share; customers are willing to grow with the Company.

- b. Product features are divided in detail; there are complete product lines; products are of high quality and are stable. All of these are leading in the industry.
  - c. Reinforced R&D and innovative applications, enhanced product differentiation, and powerful tailoring capabilities to lead on the market in the future.
  - d. The commissioning of the Shanghai facility contributes to increased productivity and helps satisfy the high demand.
  - e. Overseas quality products are pro-actively introduced to grow the high-end customer base.
  - f. The most powerful distribution network in Taiwan to manage each market in-depth.
  - g. The customer service center with the highest penetration rate in the nation provides customers with timely research and development and high value-added services right on the spot.
  - h. Professional workshops, exhibitions, and training classes are pro-actively organized at individual locations to help customers improve their management efficacy.
  - i. As the price of natural butter surges, the composite edible fats and oils of the Company can replace natural butter on the market.
  - j. Multiple products have applied for Halal certification. For example: Qiaoyi 800 applied for the certification to the Islamic Association in Binhai New District of Tianjin in February 2018. Beikeshi, Beikexin and Qiaoyi 800 applied for the Halal certification in Shandong in December 2018.
- B. Undesirable factors for development prospects
- a. International brands Cargill, AAK, Shining Gold, Yihai and Fuji entered the market in Mainland China one after another; the competition is fierce.
  - b. Bakeries are growing at a slower pace due to the pressure of increasing rent and manpower cost that has slowed the market growth and expansion pace.
  - c. The moon cake market is normalizing each year, with decreased demand; New market opportunities need to be explored to fill the gap.
  - d. Rising costs of raw materials has driving prices of the Company's oil products up a little bit.
  - e. Industries in the market are becoming increasingly diversified. Various specialty stores, dessert stores and bakeries are emerging. The traditional baking stores are faced with a transformation crisis.
  - f. The global outbreak of the new coronavirus has limited economic development and increased uncertainties in industrial development.
- C. Countermeasures
- a. Enhance people's living standards in response to the national development strategy. Enhanced living standards will be reflected directly in consumption. More concerned about quality of life, consumers will shift their attention to the "quantity" of products to the "quality" of products. The high-quality products and services provided by Namchow better meet consumers' needs.
  - b. Customers are operating toward characteristic and diversified composite management to bring more collaborative opportunities for Namchow oils and fats.
  - c. The developments of the baking market in third-line and fourth-line cities along the

high-speed railway will be implemented. The promotion of the freshly baked model among county-level households brings about breakthroughs for customers. Namchow's brand power and service power have won trust and support from customers. More and more customers are willing to grow together with Namchow.

- d. The industry is in its high-speed growth period; there are varied types of oils and fats on the market. The high-performing products researched and developed by Namchow can better satisfy market demand.
- e. In response to the developments of mother's cakes, a series of oils and fats meant for mother's cakes will be introduced in order to secure market presence and to bring up sales of oils and fats.
- f. Established a crisis early warning organization system, set up product groups, and increased product innovation and R&D capabilities.

## (2) Frozen dough

### Frozen dough in Taiwan

#### ① Sale of major commodities:

A. Major products sold: The Company currently has 8 categories consisting of nearly 300 options of frozen dough products; the number of categories and options are leading other frozen dough brands in Taiwan.

Official website: <http://www.namchow.com.tw/>

B. Sold to: Taiwan, US, Canada, Australia, Japan, Hong Kong, and Dubai.

C. Distribution pattern: Direct sale

D. Distribution channel: The Company has about 3,000 distribution channels throughout Taiwan for frozen dough, including grocery stores, supermarkets, convenience stores, chain bake shops, independent bake shops, hotels, restaurants, cafes, baking processing plants, handy gift stores and airline caterers.

E. Market share: It is estimated that the market share of the Company's frozen dough accounts for around two-thirds of the market.

#### ② Future supply and demand and growth on the market:

- The increased cost of manpower and talent shortage have made baking businesses more dependent on solutions and professional services provided by baking material manufacturers. Namchow, known for its diversified choices of products and steady production quality, has increasing demand coming from the market for frozen dough and hence is entitled to absolute leading competitive advantages.
- The "one-stop shopping" business model of hypermarkets provides consumers with more diverse services in fresh and cooked food products. The Company has established good business relationships with bakery partners, and works closely together to continue to supply baked goods that meet the needs of hypermarkets.
- Convenience stores strive to differentiate from each other in their bread projects. Whether it is packaged bread or freshly baked bread at the store, Chinese dim sum, or Western dim sum, the Company has been able to successfully help convenience store runners introduce the frozen dough package while creating profits for them.
- Large-scale chain supermarkets of Taiwan or regional types are actively introducing

freshly baked goods. The enriched experience of the Company in the management, technology required of, and training staff for frozen dough businesses has enabled it to help multiple practitioners (customers) with successful introduction and maximize the scope of service.

- Composite chained food and beverage stores have been very popular for the past few years. While customers are trying to expand their presence quickly, it is particularly important that they keep track of the manufacturing and quality of products. The frozen dough supplied by the Company exercises extreme benefits in this regard as it successfully assists in overcoming the problems of mass manufacturing sales and stable quality.
- Besides large tourist hotels, the number of small-to-medium-sized new motels and bed-and-breakfasts has also been increasing each year. While businesses are trying to increase its competitive strength and to improve the ratio of return customers, the introduction of our frozen dough can create differences in catering services under the same production conditions, along with other options that are available for effective control over management cost and increased net profits.
- Family baking experiences are getting popular. There are more and more distribution channels on line and they are getting diversified each day. More baking lovers are encouraged to devote themselves to small-scale production and distribution. Namchow frozen dough is simple and convenient to operate and can be easily introduced. It will become an optimum choice for households and baking studios. Coupled with the vigorous development of online shopping channels, Namchow Frozen Dough has been investing in the development of home-use small package products, so that more consumers can also purchase professional-grade frozen dough products with unique features and convenient operation.

③ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

A. Competitive niche and desirable factors for development prospects

- a. Popular information on baking is rich and synchronized with the world, forming a tangible incentive for the baking industry to seek innovation and change.
- b. Consumers and governments have increased requirements for food sanitation and safety. With the spontaneously introduced HACCP, ISO, FSSC and other food sanitation and safety systems, the Company's products are known for their advantages.
- c. Consumers have changed their consumption habits under the tightening of the economy. They will choose cheaper products of homogeneity, but they are still willing to purchase value-added products at a higher price.
- d. Following implementation of the "one fixed day off and one flexible rest day" policy, baking practitioners have to tackle manpower shortage and the deployment challenge. Frozen dough becomes the best solution to the manpower issue facing baking practitioners.

B. Undesirable factors for development prospects

International trade is universal; information is quickly communicated; imported oil and

fat brands enter Taiwan market.

### C. Countermeasures

The Company has nearly 30 years of experience on the baking market of Taiwan and continues to make the best of its strengths as a leading brand on the market in terms of quickly responding to changes in market trends so that the most instantaneous services and products can be provided to the businesses (customers) to differentiate from international brands.

### Frozen dough in Mainland China

#### ① Sale of major commodities:

A. Major products sold: The different major series of products sold are the pineapple bun, Danish, croissant, puff, boiled, dim sum, artisan, share, donut, and fundamental. Namchow Dim Sum, in particular, is available exclusively in Mainland China.

Official website: [http : //www.ncbakery.com](http://www.ncbakery.com)

B. Sales area: Mainland, Northeast Asia, North America.

C. Pattern: B to B.

D. Distribution channel: freshly baked bakeries, upgraded and transformed bakeries, nationwide chained bakeries, grocery stores, theme bakeries, hotel dining channels, etc.

#### ② Future supply and demand and growth on the market:

Namchow sensitively captured the industrialization trend of the baking industry in Mainland China and the challenges and opportunities for the businesses during industrialization and became the first to invest in frozen dough factories in Mainland China that help smoothen the industrialization process of baking businesses; it will continue to lead on the market by introducing diversified products and working together with baking practitioners to push growths in the baking industry.

Opportunities for future developments:

- As the market for bakeries continues to grow, brand power is the key to expansion: According to the data available on [www.askci.com](http://www.askci.com) and on [www.chinabaogao.com](http://www.chinabaogao.com), the overall growth rate of the food industry in China is not as high as before, which is about the same as that for the overall GDP per-capita in China. Although growths on the baking market are ongoing, they appear to be polarized. The constantly climbing overhead, including raw materials, manpower, rent, utilities, and coal, among others is posing sterner challenges for the managers. A brand with a robust foundation will be able to grow quickly while an undesirably composed will be removed from the market.
- It takes 4-7 years to train a baker abroad to be qualified as a baker. Not many young people are involved in the baking industry, which has caused a shortage of bakers to a certain extent. Therefore, the frozen dough process in many countries and regions has become quite popular. The global market value of frozen dough is expected to exceed USD 27 billion in 2025 (including USD 8.35 billion in North America, USD 7.73 billion in Europe, USD 6.93 billion in Asia, USD 2.4 billion in Latin America, and USD 2.14 billion in the Middle East and Africa). In addition to deeply cultivating China's frozen dough market, this will also target the Western Chinese and Muslim markets.

- Production model transits from traditional artificial production to industrialized production: As the baking industry grows quickly, so does the growth of regional and local chain bakeries. The shortage in manpower has also become more and more common. Meanwhile, artificial costs quickly surge. The manpower-based traditional production model is getting outdated in accommodating the rapid corporate developments. Therefore, the production model started to be industrialized, with constant investments in large factories and equipment. The huge investments in industrialized, however, pose challenges not only in terms of funding but also in software and management issues such as talent training, quality stability, refrigerated delivery to retail shops and the bridging issue. These are the challenges that have to be dealt with when businesses are being industrialized.
  - Freshly baked products are a trend and the terminal baking price increases: Freshly baked bread is particularly popular among consumers. Bread that comes in traditional package is gradually dying out. This means that bakeries or cafes with freshly baked products are gaining the upper hand compared to completely central kitchen-based stores over the past years. Freshly baked products have become a commonplace for more and more baking businesses. The improved income and lifestyle of consumers have made consumers more concerned about tastiness and quality of baked products. The increased operating cost for baking retailers contributes to the constantly climbing terminal prices for bakeries. Baking businesses in China, however, have not been able to realize at once the model featuring high-frequency availability of real freshly baked products and complete adoption of frozen dough for all products despite the fact that they are aware of the new consumption trend and are trying to transform. As a result, quality of products in many bakeries are unable to carry the real additional value. In other words, the operating model for frozen dough and the diversification of freshly baked products still require education in order to improve.
  - Increased demand from consumers and governments for healthy and safe foods: Because of the increasing awareness among consumers, customers must choose products and suppliers with high health and safety criteria and requirements. Transparency of and control over the composition has been one of the requirements of customers for their suppliers for the past few years.
- ③ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:
- A. Competitive niche and desirable factors for development prospects
- a. The frozen dough factory is internationally certified (ISO9001, ISO22000); the quality is steady and guaranteed.
  - b. The frozen dough factory has obtained certification from the Islamic Association of Tianjin Binhai New Area and the International Halal certification (SHC HALAL Shandong Hala certification), preparing for the Muslim market of 1.6 billion people worldwide.
  - c. Rich experience in producing frozen dough, controlling and getting insights of the baking market, and outstanding research, development, and production capabilities.

d. Omnipresent services from back office to the front stage to provide customers with comprehensive solutions. There is an in-depth understanding of the customer's operational model and cold chain status. Tailored professional consultation-based marketing is reflective of the conditions of different customers and the different business development stages, which not only brings about demand for commodities for customers but also provide customers with training on how to promote products, retail services, and help customers increase their baking competitive advantages for mutual growths.

B. Undesirable factors for development prospects

Overhead including the cost of raw materials, manpower, and rent surged to make the situation worse in the baking market.

C. Countermeasures

a. Customers are provided with the needs to develop new products and apply the baking technique to become a loyal partner of customers while they run bakeries.

b. Assistance is provided to customers while they maximize operational and management aspects and enrich product lines.

3. Flour-based foods

(1) Frozen Noodles

Frozen noodles in Taiwan

① Sale of major commodities:

A. Main products sold include Japanese Udon, ramen, soba, spaghetti, northern China knife-sliced noodles, Henan cooked noodles, Chinese cooked noodles, Chinese wide noodles, yolk ramen, among others.

Official website: [http : //www.sanuki.com.tw/](http://www.sanuki.com.tw/)

B. Sold to: domestic market, mainland China market at the same time looking to international markets such as Europe, the United States, Australia, Canada, Zurich in Switzerland known as "World Food Window," Indonesia, Arabic and Hong Kong which boast the highest consumption level and the highest development potential. The production line for frozen noodles in Jinshan Plant in mainland China was formerly put into production in 2017 and successfully got onto the international arena.

C. Distribution Pattern: B to B, B to C.

D. Distribution channel:

a. Major customers vertically integrated by the Namchow Group: Benchangliu Professional Noodles Stores, Dian Shui Lou Restaurant

b. Catering market: Five-star hotels, high-end Japanese cuisine, composite/theme food and beverage chain stores, shopping centers, food court, airports, freeway rest areas, traffic arteries, scenic areas, schools/institutions, airport catering service, Chinese restaurants, fast food stores, steak houses, private lodging, and online shopping, among others.

We have been cultivating the domestic dining distribution network at a depth for years. There are more than 20 thousand customers throughout Taiwan, including various

famous dining chain stores such as Very Thai Noodles, Watami, IKEA, Sundongbao, YOYOI Japanese Cuisine, Tonkatsu, Regent, Grand Hyatt Taipei, Leofoo Village, Janfusun Fancy World, Black Palace Ribs, MOMO, Yoshinoya, Manlai Ramen, Fujio Food, Evergreen, Sky Bakery, and large frozen products distributors, among others.

c. Consumer products market: Well-known chained distribution channels such as supermarkets, seafood markets, and grocery stores throughout Taiwan and convenience stores.

E. Market share: Each year, a headcount of more than 2 million consumers consume Namchow's Sanuki Frozen noodles. These consumers and customers offer the best testimonials to successfully establish brand publicity.

② Future supply and demand and growth on the market:

Socioeconomic advancement contributes to an increased ratio of people eating out. With the trend of Taiwanese people pursuing health, high quality, and delicious food, Sanuki Frozen Noodles has become the industry's leading professional noodle supplier based on its unique advantages of a full range of products and core technology in this food product. The competitive niche of frozen noodles lies in the supply of innovative and differential commodities and high value-added products that fall in line with the diversified lifestyles of modern people and satisfy the pluralistic needs of dining service providers in creating a desirable customer relationship. Frozen noodles are the right solution to the problem as the service sector flourishes and quality of life for Taiwanese people increases on a daily basis.

③ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

A. Competitive niche and desirable factors for development prospects

a. With noodles producing technology that leads the world, noodles are cooked to the extent where they taste the best and frozen fresh at -35 following the same principle for handmade noodles.

b. Before eating, one only has to reheat it. It is easy. No thawing is required. As soon as the noodles separate from one another, they are ready to serve. A convenient and tasty dish is served just like that. It is safe, tasty, with good texture and smells good. It is always in the "most delicious" state.

c. Easy to operate, easy to preserve, free of scrappage, and diversified ways of preparing to create high additional value and to offer dining businesses with plenty of room for survival and development.

d. Safety and sanitation and an absence of preservatives assures quality, making it a safe and healthy option for the general consumers.

B. Undesirable factors for development prospects

Growing sales bring full loads for production lines.

C. Countermeasures

Additional production lines to provide more sufficient production volume and more diversified options that help satisfy consumers' demand.

## Frozen noodles in Mainland China

### ① Sale of major commodities:

A. Main products sold: Chinese noodles and Japanese noodles, particularly Udon and ramen, are the mainstream on the market.

B. Sold to: Mainland China

C. Pattern: B to B, B to C.

D. Distribution channel: Dining, retails, e-commerce.

### ② Future supply and demand and growth on the market:

Frozen dough is a leading and far-reaching investment on the market. It begins with taking the lead, goes through educating customers, and contributes to the establishment of a successful win-win operational model with customers, in order to lay the groundwork for the business. The domestic frozen noodle business especially emphasizes on the establishment of a correct operational model.

Qiaohao is aware of the development trends in the dining industry of Mainland China and the challenges and opportunities for related businesses during the process. It invests in frozen noodles factories in Mainland China and continues to guide the market to introduce diversified products so that businesses and consumers are entitled to more assuring and tasty products to jointly promote growth in the dining industry.

Opportunities for future developments:

- As the market for noodles continues to grow, brand power is the key to expansion: The constantly climbing overhead, including raw materials, manpower, rent, utilities, and coal, among others, is posing sterner challenges for the managers. Steady quality, recognized texture, and realization of brand value have become the primary management principles in the dining industry. This is also where differentiation begins to create industrial value.
- Production model transits from traditional artificial production to industrialized production: The quick rise in the cost of manpower has made the traditional mainly manpower-based production model no longer adaptable to the rapid corporate development. Meanwhile, there are many software and management issues to be addressed, such as talent training.
- Increased demand from consumers and governments for healthy and safe foods: Because of the increasing awareness among consumers, customers must choose products and suppliers with high health and safety criteria and requirements.
- Convenience is trend: The popularity of deliveries over the past two years has contributed to the growths in dining businesses. Therefore, faster meals and more stable shipping quality are the main elements of market development.

### ③ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

A. Competitive niche and desirable factors for development prospects

a. International certification of the frozen dough factory (ISO9001, ISO22000); the quality is steady and guaranteed.

b. More than 20 years of experience in manufacturing frozen dough, controlling and getting insights of the Dining market, and outstanding research, development, and

- production capabilities.
- c. Omnipresent services to provide customers with comprehensive solutions. Professional consultation-oriented marketing is provided to customers reflective of their different conditions and business development stage to help them improve their competitive advantages.
- B. Undesirable factors for development prospects
- Overhead including the cost of raw materials and manpower and the stricter food and safety laws and regulations each day are posing sterner challenges for food manufacturers.
- C. Countermeasures
- a. New products and new value-based management ideas continue to be provided to customers to create differential values.
  - b. Assistance is provided to customers while they maximize operational and management aspects and to enrich their operated items with the vast product lines of Qiaohao.
- (2) Instant Noodle
- ① Sale of major commodities:
    - A. Main products sold: Mee Jang and Little Cook series of instant noodles.
    - B. Sold to: Taiwan, Mainland China, Southeast Asia, Australia.
  - ② Future supply and demand and growth on the market:
 

In light of the world trade internationalization and liberation trends, the Company invested in Thailand in 1990 by setting up its overseas production site. With the world in mind, packaged foods started to be developed and instant noodles and rick crackers are produced.

Namchow Thailand's high-standard production will return the safe and high-quality noodles to Taiwan, providing consumers with another delicious treat. Following an inspection of Namchow's products and its management capabilities, corporate resources were combined to jointly plan introduction of self-brand instant noodles into Mainland China to pro-actively grow the market in China.
  - ③ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:
    - A. Competitive niche and desirable factors for development prospects
      - a. Keeping track of trends on the market and rich in experience, capable of researching and developing products and providing perfect quality.
      - b. Flexible production schedule to provide best-in-class supply chain services.
    - B. Undesirable factors for development prospects
 

Unstable prices of raw materials.
    - C. Countermeasures
      - a. More mobile in global procurement in the acquisition of competitive raw materials.
      - b. Expedite development, cultivation and acquisition of talents to form a professional management team and get ready for globalization.

#### 4. Ice Cream

##### (1) Sale of major commodities:

###### ① Major products sold include

###### A. Duroyal ice products

###### a. Retail:

- Ice cream bar: Crunchy Pie series, Super ice cream bars
- Ice cream cones: Duroyal ice cream cone extra chocolate ice cream, double chocolate ice cream, O'Black ice cream, high-grade chocolate ice cream, strawberry ice cream, cream chocolate ice cream, strawberry cheese ice cream
- Ice cream in barrels: Duroyal super series, Duroyal select series, Duroyal low fat series, Enjoy series
- Popsicles: Duroyal green mango popsicles, Duroyal pineapple popsicles
- Ice cream desserts: mochi ice series, mochi ice cream series

###### b. Distribution channel: The products are meant as raw materials for ice cream, sweets, soft-serve ice cream, and reconstituted drinks and are supplied to intermediaries in the dining business.

- Products: Duroyal Ice Cream, Duroyal Soft-serve Ice Cream, Duroyal Smoothies

###### B. Kabisuo Royal Russian Ice Cream

###### a. Retail: The products are meant as sweet desserts.

- . 475 ml ice cream, 120 ml ice cream

###### b. Distribution channel: The products are meant as raw materials for ice cream, sweets, and reconstituted drinks and are supplied to intermediaries in the dining business.

- . 5 liters ice cream, 3 liters ice cream

###### C. OEM, ODM

###### a. Retail: The products are meant as sweet desserts.

- . Yuanzu Ice Cream Cakes and Desserts, Family Mart Collection, among others

###### b. Distribution channel: The products are meant as raw materials for ice cream, sweets, and reconstituted drinks and are supplied to intermediaries in the dining business.

- Family Mart Soft-serve ice cream, among others

Official website: Duroyal <http://www.duroyal.com.tw/>

Kabisuo <http://www.kabisuoicecream.com.tw>

###### ② Sold to: Taiwan market.

###### ③ Distribution Pattern: B to B, B to C.

###### ④ Distribution channel: The products are available at convenience stores, supermarkets, wholesale stores, dining channels, more than 35,000 sales locations throughout the country.

##### (2) Future supply and demand and growth on the market:

Although the market for ice products competition is fierce, the low birth rate has driven recreational foods to become more exquisite and the demand for high value-added products to increase while that for low-price ice products to shrink. This are positive developments for Duroyal and Kabisuo, which are positioned to be moderate-to-high-priced and premium ice cream.

In addition, the heated competition among distribution channels makes it necessary for

practitioners to customize their products and create differentiation. Royal Ice Products can take advantage of its outstanding development and production capabilities in creating products of a high CP ratio and to bring about more collaborative opportunities.

(3) Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

① Competitive niche and desirable factors for development prospects

A. Long-term devotion to product innovation has rendered differential products with entry barriers.

B. Persistent investment in brand advertising to keep the brand new to consumers despite elapsed time

C. Strictly select safe, excellent and stable raw materials, and use strict manufacturing process and quality control.

D. Sound warehousing and logistic systems to maintain the display and quality of ice products.

E. Ice products are an industry featuring a high degree of automation in the production process. Duroyal's production has reached the level of an economy of scale.

F. The Namchow Group has set up its "food safety office" that has complete equipment and professional full-time staff to take charge of auditing and supervising food ingredients and materials, labeling, and the ultimate regulatory compliance of related operations.

② Undesirable factors for development prospects

Numerous competing products; the competition is fierce.

③ Countermeasures

Research and develop unique products to satisfy consumers' expectations for novelty and variation and to create product advantages and overcome price competition through differentiation for enhanced brand value.

## 5. Rice-based foods

(1) Aseptic cooked rice

① Sale of major commodities:

A. Major products sold are biotechnology cooked rice - fiber-rich cooked rice, imperial rice, among other ambient temperature rice.

Official website: <https://www.omefun.com.tw/>

B. Sold to: Domestic and international markets such as the United States, Australia, Norway, the United Kingdom, among others.

C. Distribution channel: Biotechnology cooked rice is distributed through retail markets (COSTCO and supermarkets in department stores), electronic virtual platform (online shopping malls, group purchase platforms), and special channels (TV shopping channels, chain cosmetics and drugs stores, clinics, and pharmacies).

② Future supply and demand and growth on the market:

Food security has become a global concern. Our government is also proactively promoting local consumption to boost consumption of local rice by initiating the one-more-bite of rice movement in Taiwan; it will help increase consumption of rice and reduce farmland lying fallow and enhance the food self-support rate.

Ambient temperature sterile-packaged rice has been prevailing in Japan, Korea and even mainland China, where rice is the staple. In Taiwan, however, it is still in the budding

phase now.

The bonded factory approved to be set up in 2010 can import rice from Thailand, Pakistan and India, produce them on the domestic production platforms, and export them overseas. In addition, we have also applied for and have been approved for the Islam Halal certification to pro-actively expand our exportation network.

Ambient temperature sterile-packaged rice marks a new milestone reached by Namchow in the rice market. In response to the rising trend of having Chinese food, business opportunities surface on the market to bring rice back home and reintroduce it on the dining table at home; It helps develop the market share for the staple, rice, in Taiwan, arouse the value of traditional rice culture and create new business opportunities.

Modern people eat well but exercise little; this gives rise to more and more civilization diseases. “Obesity”, “diabetes”, “hypertension”, “hypercholesterolemia”, and “kidney disease”, in particular, are increasing. Statistics of the National Health Insurance Administration shows that more than 2 million people seek treatment because of hyperglycemia and high cholesterol levels domestically. The Company current supplies healthy rice products certified as health foods that can effectively regulate blood sugar and blood lipid and will continue to proactively develop a series of health-preserving rice products.

Taiwan is turning into an aged society. Preventive and functional traditional rice staple will be optimum in keeping oneself healthy and caring for one’s future.

In light of the fact that Colon cancer has been the No. 1 cause of death for 7 years in a row; statistics show that each year around 200 to 300 thousand people need to complete colonoscopy procedures; the government is also pro-actively promoting early discovery for early treatment; and more and more people started to value the importance of colonoscopy, there will be higher and higher demand for low-residue foods. The Company plans to develop low-residue meal boxes in 2017 that feature ambient temperature rice and prepared food whose crude fiber is carefully calculated to meet the criteria for a low residue diet. For distribution markets, the advanced health examination center, chained medical supplies store, and nutrition division at respective hospitals are targeted channels. It is expected that professional, healthy, convenient, and safe nutritional food will be available for consumers in need.

As consumers has been attaching increasingly higher importance to food safety, the Company applied for Cixin organic certification in 2018 (rice production line in Zhongli) to prepare for the development of new organic products.

It is expected that the introduction of organic rice in 2020 will expand the sales channels to organic food specialty stores and organic food specialty areas for volume sales channels, which are expected to bring more convenience to consumers.

③ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

A. Competitive niche and desirable factors for development prospects

a. The first and the only enterprise producing ambient-temperature sterile-packaged rice in Taiwan, creating high access barrier for high-tech food products.

b. Approved by the government and certified as health food, the products have health-

- preserving claims.
- c. Winner of the “Senior People Friendly Food” award from the Council of Agriculture in three consecutive times since 2016
  - d. In 2019, it was recognized with a “Top Ten Annual New Product Award” issued by foodNEXT, the first Chinese-language professional media source focused on food.
  - e. Ready-to-serve after having been microwaved for 90 seconds; they are delicious and convenient and can satisfy the quick needs of consumers.
- B. Undesirable factors for development prospects
- Ambient-temperature sterile-packaged rice is an emerging product on the market and is yet to be widely accepted.
- C. Countermeasures
- a. The dietary fiber cooked rice online shopping mall is created by means of online resources to focus attention on the target consumer population.
  - b. Phased promotion helps consumers understand the strengths and characteristics of products.
  - c. Creating incentives for consumers to keep buying and building the brand image and reputation.
- (2) Rice crackers
- ① Sale of major commodities:  
Major products sold are rice crackers and baby rice crackers.
  - B. Sold to: Europe, America, Australia, Africa and Southeast Asia
  - ② Future supply and demand and growth on the market:  
Because rice-based recreational foods are Gluten Free and Non-GMO and meet the demand for eating healthily, they have begun to gain prominence and be accepted on the mainstream market in the western world. After more than 20 years of cultivation and development, we have successfully entered the mainstream western market through the overseas Chinese market. The products are exported to more than 50 countries and regions, including major supermarkets in the five continents, namely, Europe, America, Australia, Africa, and Asia. Baby rice crackers were successfully developed and sold in mainstream markets products developed jointly with baby food companies in Europe and America in 2014.  
The production line is currently full loaded. In order to continue expanding the throughput, the company decides to increase investment and set up a new plant in Thailand and expand the operations in the global market as well as the markets in ASEAN and Thailand. In addition to expanding the operation of existing product lines and developing potential new product packages, the company decides to set up the R&D center for baby rice crackers in order to reinforce product development and to continue to lead on the market. In addition rice crackers for babies, a growing population of elderly people has made rice crackers for this age group a focus of development as well.
  - ③ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:  
A. Competitive niche and desirable factors for development prospects
    - a. The exclusive jasmine rice from Thailand is of unique fragrance and texture.

- b. Robust market development capabilities
- c. Long-term collaboration with western markets to win trust.
- d. Competitive prices
- B. Undesirable factors for development prospects
  - Unstable prices of raw materials.
- C. Countermeasures
  - a. Strengthened research and development to maximize product differentiation and to keep the leading strength
  - b. Extension of product items and expansion of product lines to create monopoly value

6. Dining


(1) Dining in Taiwan

① Sale of major commodities:

A. Providing consumers with dining service, banquet sites, recreation and entertainment (DIY).

B. Sites: Taipei, New Taipei, and Taoyuan.

② Brands and business locations:

	Brand	Location
本場流 專業麵店	<p><b>Benchangliu Professional Noodles and Rice</b></p> <p>Namchow introduced Japanese frozen noodles to Taiwan in 1998. Both the production and sale take place in Taiwan. Benchangliu was opened particularly for demonstration purpose. Udon, Chinese ramen, and other noodles are served in the store. There are also special set meals and rice options to satisfy the dining needs of consumers who demand exquisiteness, delicious taste, fast service, and convenience.</p> <p><a href="https://www.facebook.com/honbaryu/">https : //www.facebook.com/honbaryu/</a></p>	Taoyuan Store
 <p>PAULANER MÜNCHEN PAULANER BRAUHAUS TAIPEI 寶萊納啤酒餐廳</p>	<p><b>Paulaner Fresh-brewed Beer Restaurant</b></p> <p>Fresh-brewed German beer and self-made German pork knuckle, sausage, chop meal, and pizza, among other delicious entrees are served in the store.</p> <p>From the Guandu Store, one can overlook the natural views of the Guandu plains. The Taoyuan Store is equipped with a beer brewery facility where one can watch at a close distance how beer is made.</p> <p><a href="https://www.facebook.com/taipeipaulaner">https : //www.facebook.com/taipeipaulaner</a></p>	Taoyuan Store

	<p style="text-align: center;"><b>Dian Shui Lou Jiangzhe Cuisine</b></p> <p>The restaurant features a southern China architecture style. One can see artificial landscapes resembling views in southern China everywhere. They are the classic scenic characteristics of Dian Shui Lou.</p> <p>Local cuisines from Jiangsu and Zhejiang are served in the store and are customized to suit the needs of consumers reflective of the characteristics of the shopping district the restaurant is located in.</p> <p><a href="http://www.dianshuilou.com.tw/">http : //www.dianshuilou.com.tw/</a></p>	<ol style="list-style-type: none"> <li>1. Nanjing Store</li> <li>2. Fuxing Store</li> <li>3. Huaining Store</li> <li>4. Nankan Store</li> <li>5. Taoyuan Store</li> <li>6. Linkou Store</li> <li>7. Dazhi Store</li> </ol>
	<p style="text-align: center;"><b>Thai Cuisine Restaurant</b></p> <p>Authentic Thai food is served and quality fresh spices from Thailand are mixed to produce the most authentic Thai curry and facilitate the preparation of real Thai cuisines.</p> <p><a href="https://www.facebook.com/namchow.thailand/">https : //www.facebook.com/namchow.thailand/</a></p>	<p>Taoyuan Store</p>

③ Future supply and demand and growth on the market:

The restaurant industry market has been growing since 2006, and its turnover and annual growth rate have been increasing. The rise of food delivery in recent years has positively contributed to the overall catering market, making up for the shortage of sightseeing.

In the 21st century, Taiwan is set to develop towards soft industries such as tourism and catering. Furthermore, competition is fierce among restaurants and in the food and beverage market in various countries around the world. Paulaner Restaurant combines the advantages of the Group's products to develop local specialty dishes that belong to Paulaner, while being accompanied by fresh homemade German beer and traditional German sausages. Outstanding in "competition in competition," it has the status of a well-known brand in the market; and it provides customers with differentiated services and dining environment, taking advantage of this to become a great dining choice for consumers.

The Dian Shui Lou restaurant has been providing authentic and classic menus for a long term combining local and seasonal fresh food ingredients. Unique and innovative recipes are researched and developed. They have been honored with countless awards over the years. Although it declined to join in the Taipei Michelin rating, in 2019 it was listed for a second consecutive year on Michelin's official "Bib Gourmand" recommended food list.

Dian Shui Lou has already expanded its business territory to Shanghai on the Chinese mainland (two restaurants); and to Tokyo, Japan, an international gourmet capital. On March 16 of this year (2020), the restaurant opened its second Tokyo location right next to Shinjuku Station and across from Isetan Department Store, combining both fashion and culture. It is easily accessible and can accommodate more higher-end customers and tourists.

④ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

A. Competitive niche and desirable factors for development prospects

- a. The promotion of tourism and delicacies by the government has brought about positive benefits on the dining market.
  - b. Promoting multi-national cuisines to differentiate from the general market.
  - c. The restaurant has been developing innovative cuisines with seasonal and local food ingredients to keep customers interested in dining at the restaurants at all times.
  - d. Food safety issue has gained prominence. The Group established its own food safety office to take charge of assisting restaurants in proactively spontaneous health management and manage food ingredients from the source.
  - e. There are a variety of choices over products to give away in holiday seasons; the production and sales are steadily growing.
  - f. Access to group resources for maximum advantages of the Group
  - g. Sightseeing and tourism factory resources are combined.
- B. Undesirable factors for development prospects
- a. The outbreak of the coronavirus in the world at the beginning of this year (2020) has significantly affected the dining conditions of catering guests since January 27, 2020 (the third day of the Lunar New Year holiday). The Chinese New Year and the peak season of spring wine had a huge impact on catering. In addition to the shrinking domestic market, tourism bound for Taiwan is also getting worse due to the expanding warnings of travel epidemics in various countries. And so far, the epidemic has continued to spread and it is not yet possible to foresee when the epidemic will cease.
  - b. The catering market is fiercely competitive, presenting a state of oversaturation, shifting business districts and changing crowds, challenging the stickiness of guests.
  - c. Commodity prices are rising yet people's incomes have not increased. This has an effect on the number of people eating out and on their budgets for food consumption.
  - d. Depletion of marine resources, abnormal climate, livestock and poultry disease and collaboration in the government's labor safety policy have driven up the goods receiving cost and personnel cost.
- C. Countermeasures
- a. Many anti-epidemic measures have been added to the service. This includes daily monitoring of the temperature of colleagues and guests, strengthening the disinfection of elevator spaces, increasing the spacing of passenger seats or upgrades, providing dry hand cleaning stations and alcohol wipes for guests to clean and disinfect their hands, and provision of public-use chopsticks with each dish. This is all done so that guests can have more peace of mind. In response to epidemic protection and the needs of customers, the restaurant provides black garlic antibacterial special meals, takeaway snacks at the door of the store, conference lunch boxes, etc., as well as personal delivery services. This differs from general outsourcing in that the meal is delivered by the colleagues of the restaurant in person. This gives more control over staff management and meal quality, and also gives guests more peace of mind. Furthermore, it actively expands to the out-of-home market.
  - b. One-stop service, select food ingredients, and changing menus help meet the demand of consumers, increase the number of customers, and consolidate the customer base.

- c. Customized sites (e.g. forum banquet, Nakasi singing party, birthday banquet, wedding banquet, etc.) and services (e.g. take-out, delivery, catering, etc.) to satisfy the consumers' requirements for various banquets.
- d. Taking advantage of online resources to realize full communication with consumers and increase operating efficiency and competitiveness.
- e. We continue to insist on going the right way to strengthen consumers' confidence in our brand. In the food safety storm, consumers are willing to pay a higher value for eating safely.

(2) Dining in mainland China

① Sale of major commodities:

A. Dining services for consumers.

B. Location: Shanghai, China.

② Brands and business locations:

	Brand	Location
 <p>SHANGHAI</p>	<p><b>Shanghai Paulaner Bee Restaurant</b></p> <p>Fresh-brewed German beer and authentic Bavarian cuisines (German pork knuckle, sausage) are served. There is also a live band from the Philippines performing on site to let every customer feel the happy and noisy aura. The restaurant also provides various banquet services and is capable of accommodating various large networking activities to satisfy the needs of different customers.</p> <p><a href="http://www.bln-restaurants.com/paulaner/">http://www.bln-restaurants.com/paulaner/</a></p>	<p>1. New Palace Store 2. Binjiang Store 3. World's Fair Store 4. National Convention Center store 5. Raffles Store 6. Shanghai North Bund store</p>
	<p><b>Ambrosia Teppanyaki</b></p> <p>The Teppanyaki restaurant is designed with high-end fume-free iron plates. One can watch the artistic performance of the chefs while they are preparing Teppanyaki cuisines and enjoy a different dining experience.</p> <p><a href="http://www.bln-restaurants.com/ambrosia/">http://www.bln-restaurants.com/ambrosia/</a></p>	<p>World's Fair Store</p>
	<p><b>KÄ FER Binjiang No. 1 Premium European Cuisine</b></p> <p><b>North Bund reopening</b></p> <p><a href="http://www.bln-restaurants.com/kaefer/">http://www.bln-restaurants.com/kaefer/</a></p>	<p>Shanghai North Bund store</p>
 <p>Dian Shui Lou</p>	<p><b>Dian Shui Lou</b></p> <p>Delicacies transcend borders and are not bound by localities. Dian Shui Lou serves a variety of cuisines, including authentic Jiangzhe dishes, choices from other provinces of Mainland China, and Taiwan-style dishes so that customers are entitled to a variety of options and it also enriches the presentation of a banquet to make it wonderful!</p> <p><a href="http://www.bln-restaurants.com/dian-shui-lou/">http://www.bln-restaurants.com/dian-shui-lou/</a></p>	<p>Yishan Store</p>

③ Future supply and demand and growth on the market:

Namchow set foot in the dining market for the first time in 1997 by opening Paulaner Beer and Garden Restaurant in Shanghai. Persistently devoted to developing delicacies, Namchow has set up dining locations throughout the whole Shanghai area and has developed different kinds of theme foods and beverages. As the living standards and consumption levels improve in Shanghai, the local dietary culture is developing quickly, too. Namchow Shanghai has many brands and is able to combine resources inside the Group to satisfy the needs of different consumer populations. They are highly competitive on the dining market and it is expected that there is even more room for development in the future.

④ Competitive niche and desirable and undesirable factors for development prospects and countermeasures:

A. Competitive niche and desirable factors for development prospects

- a. Well-known brand image.
- b. Combining Group resources and making the best of the Group advantages.
- c. Obtain a favorable geographic location for opening a store without giving up opportunities for expansion.
- d. Tax refund support for outstanding enterprises on Xuhui District Street
- e. Obtain contract qualification for large-scale outsourcing.
- f. After years of hard work, the market demand is oriented mainly to the local market.
- g. Introduce small-volume personalized products to cater to the trend of independent consumption habits.

B. Undesirable factors for development prospects

- a. Increased costs of operation such as food ingredients, rent, human resources, and management
- b. Fierce competition on the western dining market.
- c. Changing dining habit and popular professional dining APP delivery service
- d. The global economy is changing rapidly, and the client budgets have changed greatly.
- e. Shanghai's high prices have directly caused selling prices to rise.

C. Countermeasures

- a. Constant creating monopoly value on the dining market
- b. Adopting quality pre-packaged products to save manpower and increase profits
- c. The managerial supervisors have the momentum and cohesion to complete the mission.
- d. Joint collaboration with commissioning of product lines.
- e. Periodically maintaining restaurant decorations and equipment.

(II) Purposes and production processes of main products

1. Purposes of main products

(1) Cleaners: For cleaning clothes, dishes, skin, and the environment, etc.

(2) Baking products

① Baking oils and fats: for baking, catering and food processing. Used for producing various baked products such as bread, cake, and Chinese dim sum.

② Frozen dough: frozen semi-finished products that fall in the bread category. With the

designed bread made into frozen dough, customers (store owners) only have to thaw, ferment, and bake it and fresh-roast bread or desserts are ready to serve (to the consumers).

(3) Flour-based foods

① Frozen noodles: With noodles producing technology that leads the world, noodles are cooked to the extent where they taste the best and frozen fresh at -35. Before eating, one only has to reheat it. It is easy, convenient, tasty, safe, and can accommodate diversified preparation techniques.

② Instant noodles: Delicious, tasty, fast, convenient, and nutritious products are made.

(4) Ice products: raw materials for making ice products and sweets and prepared drinks.

(5) Rice-based foods

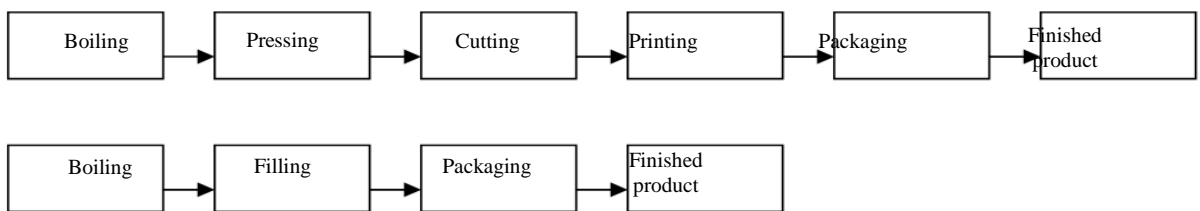
① Ambient-temperature rice: Raw rice is prepared applying high technology to render delicious cooked rice that can be kept at ambient temperature. The rice is claimed to exercise health-preserving benefits. Rice is made delicious and easily accessible.

② Rice crackers: Delicious and tasty desserts and foods that are popular among the young and the old are produced through the continuous and automatic production process to meet the demand for eating healthily.

(6) Dining in Taiwan: Serving authentic local, sanitary, and safe delicious cuisines, providing thoughtful and tailored services, and passing down the Chinese dietary culture.

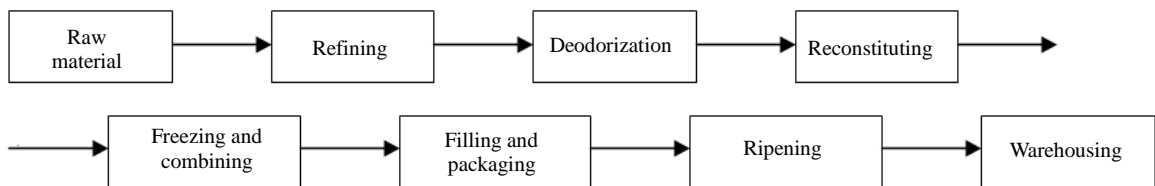
2. Production and preparation processes of main products

(1) Production flowchart for cleaners

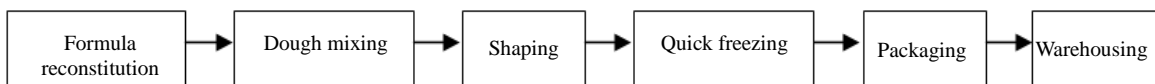


(2) Production flowchart of baked products

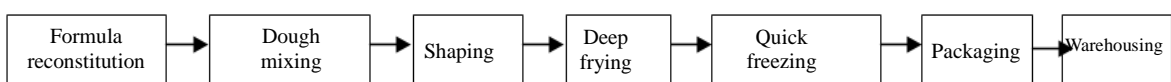
① Baking oils and fats



② Frozen dough

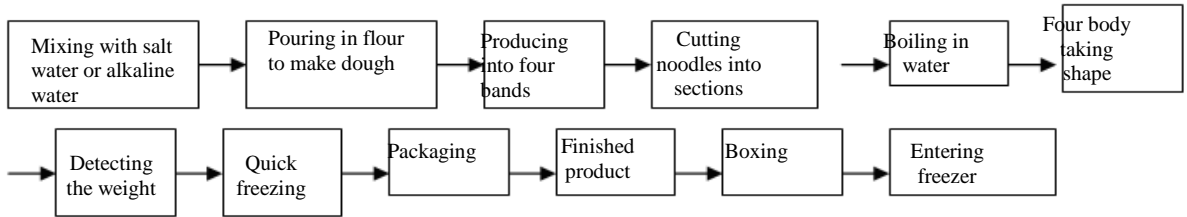


③ Pre-deep-fried frozen dough

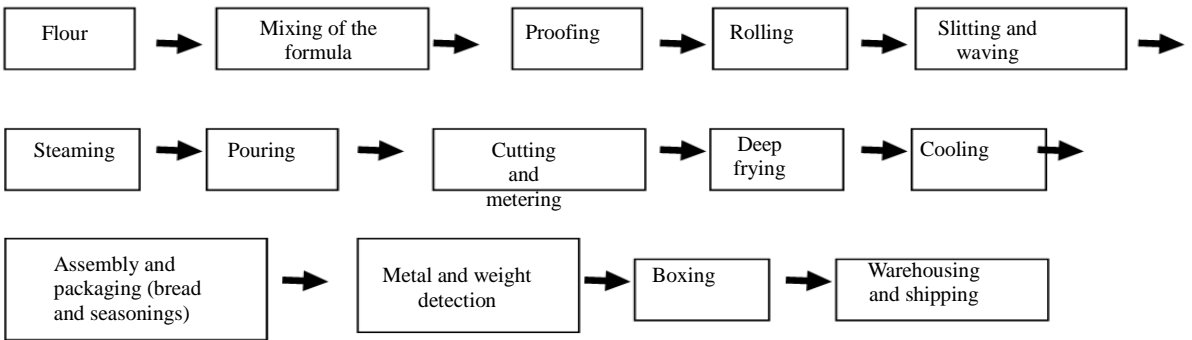


(3) Production flowchart for flour-based foods

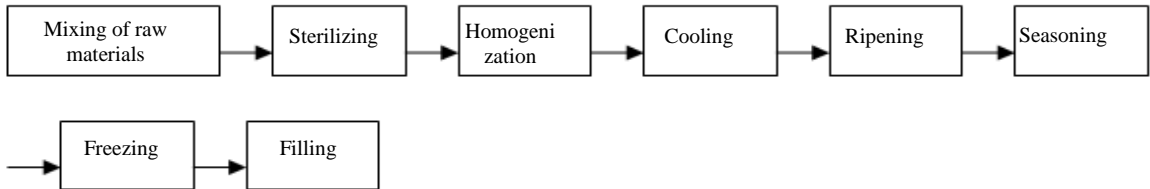
① Frozen noodles



② Instant noodles

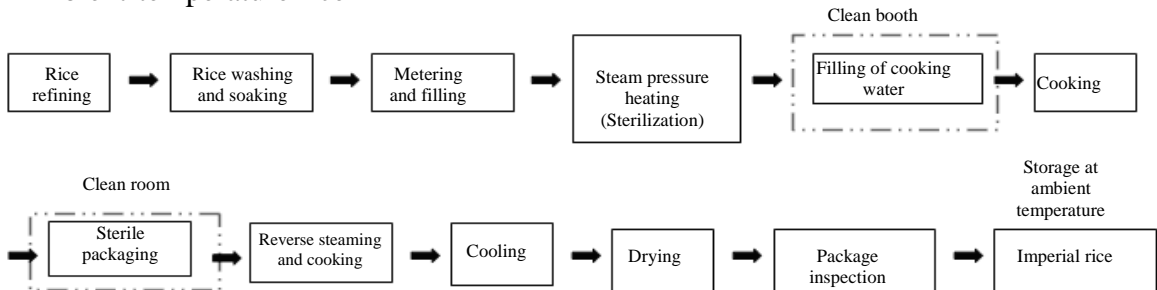


(4) Production flowchart for ice products

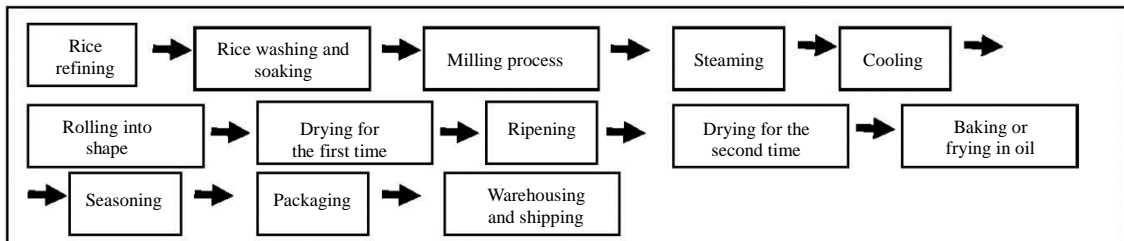


(5) Production flowchart for ice crackers

① Ambient-temperature rice



② Rice crackers



(III) Supply of main raw materials

1. Cleaners

The main raw ingredient of soap is oil and fat; it can be butter, coconut oil, palm oil, and canola oil, which are bulky raw materials on the international market. Because of the climate

and international supply and demand, prices on the international market fluctuate. Selling prices on the market need to be planned in advance to reflect the cost and to avoid undermined profits as a result of the fluctuations. In marketing, we continue to pass on natural, skin-friendly, and environmental protection ideas. In this way, we let the public understand the benefits that soap brings to life, and actively promote the concept of “green life, starting with soap.”

## 2. Baking products

### (1) Baking oil & Fat

The most important raw materials for oils and fats are palm oil, coconut oil, soybean oil, butter, and rapeseed oil, all of which are bulky raw materials on the international market, whose supply and demand at the source are under close control by related units to make sure that they are imported by schedule. Main raw materials for oils and fats are highly affected by the abnormal global climate; there is minimal control over them. The ability to keep track of the latest prices and information and perform procurement at any time makes effective and reasonable control over the cost of raw materials to be purchased and those in stock possible.

### (2) Frozen dough

Main raw materials are the oils and fats, flour, yeast, chicken eggs, sugar, and various stuffing, among others.

#### ① Frozen dough in Taiwan

A. Flour needs to be supplied by domestic flour manufacturers.

B. Oils and fats are provided by the Company’s oils and fats business. Integration of mutual resources inside the Company in the research and development of oils and fats, particularly as needed for the production of the frozen dough, is the key to the management advantages.

#### ② Frozen dough in Mainland China

In light of the underlying thresholds and restrictions in the acquisition of raw materials in Mainland China, Namchow sets higher requirements and is more cautious with the raw materials it obtains in order to have consistent high quality. It only chooses QS certified suppliers.

A. Oils and fats: The Company’s Tianjin factory supplies oils and fats meant particularly for the production of frozen dough and that can be used in food processing. Unique oils and fats can be tailor made reflective of the frozen dough product and production process requirements.

B. Wheat flour: Imported and domestic quality wheat is used to produce the special wheat powder that is suitable for frozen dough. At least two suppliers of wheat powder are used to ensure a steady source of raw materials and quality of products.

C. White sugar: Quality white sugar is used to ensure food sanitation and safety.

D. Eggs: The eggs are from quality suppliers with a HACCP process and meeting food sanitation and safety requirements.

E. Various stuffings: Quality stuffings suppliers meeting national specifications are chosen. Quality stuffings are mixed and produced.

### 3. Flour-based foods

#### (1) Frozen Noodles

- ① The main raw materials of Udon are flour, acetic starch and salt. The flour is imported by Namchow from Australia. Flour has been able to be purchased at appropriate time points reflective of the international factor, changes in prices and the production and distribution plan to keep reasonable inventory. Acetic starch is supplied by domestic dealers. The dealers set their own secure volumes.
- ② The main raw materials of ramen, soba, spaghetti, and Chinese noodles are flour, acetic starch, gluten, egg white powder, improver, alkali, salt, and pigments, among others. Besides flour, salt, and improver, which are manufactured domestically, all the others are purchased through agencies. All of the raw materials are closely monitored according to the production and distribution plan at the source of supply by related units and there is reasonable inventory at any time.

#### (2) Instant Noodle

The main raw material is flour. The international market price of wheat and harvest seasons of wheat in areas around the world have to be kept track of. The exchange rate factor has to be considered and a global purchase strategy is applied to obtain flour supplies.

### 4. Ice Cream

The main raw materials are the skimmed milk powder, clarified butter, oils and fats, and special sugar, among others.

- ① Skimmed milk powder, clarified butter: Lucky Royal Co., Ltd. is to import dairy products from Australia & New Zealand where cows are let to roam the prairie in the nature. The required quantities are to be purchased whenever it is considered appropriate according to the international market price and there has to be the safety stock.
- ② Oils and fats: Namchow oils and fats are used because they are of optimum quality and come from safe sources. The supply is steady and prices are reasonable.
- ③ Special sugar: The special sugar from the Taiwan Sugar Corporation is used. Taiwan Sugar is known for its scientific sugar production methods and quality products. The supply is steady and prices are reasonable.

### 5. Rice-based foods

#### (1) Aseptic cooked rice

The main raw materials are the packing materials and rice.

- ① Packing material: The sealing film and shallow plates used for the ambient-temperature rice are made of multi-layered obstructive functional materials that can completely keep off oxygen to accordingly inhibit the growth of microorganisms. There are no similar products available in Taiwan and hence they have to be imported from Japan. Joint development with domestic famous packing material heavyweight manufacturers will be a goal in the future to bring down the packaging cost.
- ② Rice: CNS first-grade optimum rice grown locally in Taiwan is used as the main ingredient for the delicious cooked rice. Efforts will be placed to further investigate the feasibility of devoted contract cultivation in order to maintain steady quantity and quality of this main raw material for the product and storage and transport conditions will be

carefully monitored. What is most important is that a complete product production traceability and follow-up system has been in place to enable the general consumers to feel safe and assured with what they eat.

(2) Rice crackers

The main raw material is rice. Quality Jasmine rice from Thailand and other special rice are selected for the production in order to ensure quality of rice and steady supply. Contracts are entered into with suppliers to create a long-term partnership.

6. Dining

(1) Dining in Taiwan

- ① Self-made beer: With the German wine-maker based on site, the quality of fresh-brewed beer is carefully controlled.
- ② All the main raw materials are CAS, GMP, FGMP, HACCP, ISO22000 and ISO9001 certified and are strictly safeguarded in terms of sanitation and safety. In addition, food ingredient traceability is carefully created. Suppliers are being managed. For priority food materials, professionals from the food safety office will visit the site to make sure that they are grown or slaughtered in a sanitary and safe way. All meat products and seafood come with test reports and are sanitary and safe. In addition, local seasonal fresh food ingredients are used through collaboration with respective farmers' associations and farmers.

(2) Dining in mainland China

Providing subordinate restaurants with consistent semi-finished products applying the central kitchen idea to reduce costs and expenditures. Providing freshly made meals and catering service.

(IV) Names of customers with 10% or more purchases or sales and the value of purchases or sales in the past two years and their ratios: please describe the reason for the increase or decrease.

1. Data of major suppliers in the past two years

Unit: NTD thousands

		2020 Q1			2019				2018			
Item	Name	Value	Ratio in net purchases throughout the year (%)	Relationship with the issuer	Name	Value	Ratio in net purchases throughout the year (%)	Relationship with the issuer	Name	Value	Net purchases throughout the year Ratio (%)	Relationship with the issuer
1	Suppliers without imports that account for 10% and higher in 2020 Q1				Suppliers without imports that account for 10% and higher in 2019				Shanghai New Development Imp & Exp. Enterprises Co., Ltd.	1,118,110	12	None
2	Others	1,936,103	100	-	Others	8,478,411	100	-	Others	8,020,759	88	-
3	Net purchases	1,936,103	100	-	Net purchases	8,478,411	100	-	Net purchases	9,138,869	100	-

2. Data of major sales customers in the past two years

Unit: NTD thousands

		2020 Q1			2019				2018			
Item	Name	Value	Ratio in net purchases throughout the year (%)	Relationship with the issuer	Name	Value	Ratio in net purchases throughout the year (%)	Relationship with the issuer	Name	Value	Net purchases throughout the year Ratio (%)	Relationship with the issuer
1	Customers without reaching 10% or more of the total value of sales in any of these two years.											
2	Others	3,616,096	100	-	Others	18,343,979	100	-	Others	18,287,354	100	-
3	Net sales	3,616,096	100	-	Net sales	18,343,979	100	-	Net sales	18,287,354	100	-

Reason for the increase or decrease:

Purchase: mainly because of the fluctuating oils and fats prices on the international market and changes caused by adjustment of the inventory

Sales: The increase is mainly the result of business growth.

## (V) Production volumes/values in the past two years

Unit: Ton - NTD thousand

Output Volume Key products	Year	2019			2018		
		Throughput	Production volume	Production value	Throughput	Production volume	Production value
Oils and fats		266,208	153,318	6,754,386	230,659	153,963	6,952,107
Cleaners		9,420	6,315	263,652	9,420	6,334	282,260
Ice Cream		18,143	8,500	658,124	17,606	7,199	659,397
Foods		73,250	28,483	2,526,217	72,350	30,968	2,538,460
Frozen dough		15,766	7,516	667,224	15,766	7,816	663,192
Others		2,098	686	233,909	2,098	485	250,631
Total		384,885	204,818	11,103,512	347,899	206,765	11,346,047

## (VI) Sales volume/values in the past two years

Unit: Ton - NTD thousand

Sales value Key products	Year	2019				2018			
		Domestic		International		Domestic		International	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Oils and fats		17,033	1,162,771	132,868	10,286,538	15,163	1,232,758	137,150	10,498,550
Cleaners		5,821	527,034	2	917	6,190	523,225	0	5
Ice Cream		7,434	925,085	0	0	6,964	872,580	2	652
Foods		7,400	426,912	20,511	2,846,233	6,853	413,059	19,153	2,507,697
Frozen dough		4,345	549,206	2,043	279,985	4,130	518,681	2,768	332,053
Catering		0	610,535	0	481,746	0	575,180	0	552,611
Others		0	11,001	386	236,016	0	14,897	423	245,409
Total		42,033	4,212,544	155,810	14,131,435	39,300	4,150,379	159,496	14,136,976

### (III) Information of Employees

Information of employees in the past two years and up to the date of printing of the Annual Report

Year		2018	2019	As at May 15, 2020
Number of employees	Domestic	1,434	1,441	1,414
	International	3,140	3,306	3,388
	Total	4,574	4,747	4,802
Mean age		37.12	37.85	38.14
Mean seniority in service		6.63	7.17	7.51
Degree Distribution Ratio	PhD	0.04%	0.04%	0.04%
	Master	4.72%	4.76%	4.79%
	College and University Graduate	37.98%	37.08%	36.03%
	Senior high/vocational high school graduate	30.87%	33.31%	32.92%
	Below senior high/vocational high	26.39%	24.82%	26.22%

#### (IV) Information on Environmental Protection Expenditure

Expenses on environmental protection of companies and factories in Mainland China

1. Company: Tianjin Namchow Food Co., Ltd.

No.	Time	Item	Description	Value in 2019 (RMB)
1	January-December 2019	Regulatory treatment of solid waste (sludge disposal)	RMB 539,162 of sludge treatment expense in 2019	539,162
2	January-December 2019	Environmental monitoring	The company commissioned a third party to test sewage, waste gases and noises in the plant in 2019. The test results complied with relevant laws, regulations and standards. The test fee was RMB 83,200.	83,200
3	January-December 2019	Hazardous waste treatment	Treatment of hazardous waste in the plant in 2019: waste engine oil 2.56t, laboratory organic waste 2.14t, waste clay 10.38t, empty glass bottle (reagent bottle) 0.66t, sodium methoxide packaging bag 0.48t, waste lamp 0.035t, lead batteries 1.39t, 0.11t iron drums with waste below 20L, 0.465t waste activated carbon, 0.36t waste phosphoric acid. The treatment expense was RMB 91,544.68.	91,544.68
4	January-December 2019	Environmental protection	RMB 3,000 of the membership dues in 2019 to the Environment Protection Association of the Economic and Technological Development Zone, Tianjin	3,000
5	January-December 2019	Treatment of daily trash	RMB 83,800 of daily trash treatment fee in 2019	83,800
6	October 01, 2019	ISO14001 system renewal audit	In 2019, the ISO14001 environmental management system renewal audit fee was RMB 28,000.	28,000
7	January-December 2019	Agency fee for sewage treatment	Fee of outsourced treatment of sewage generated in the plant	2,199,732
8	July 01, 2019	Laboratory VOC treatment project	Factory laboratory VOC treatment project acceptance (100% for installation and 90% for equipment)	307,459
9	October 01, 2019	Refined high-pressure boiler tail gas denitration project	Payment for acceptance of the exhaust gas denitration project for refined high-pressure boilers in the plant (100% for installation and 90% for equipment)	280,689
<b>Total</b>				<b>3,616,586.68</b>

2. Company: Tianjin Yoshiyoshi Food Co., Ltd.

No.	Time	Item	Description	Value in 2019 (RMB)
1	January-December 2019	Environmental monitoring	The company commissioned a third party to test sewage, waste gases and noises in the plant in 2019. The test results complied with relevant laws, regulations and standards. The test fee was RMB 19,200.	19,200
2	January-December 2019	Hazardous waste treatment	Treatment of hazardous waste in the plant in 2019: laboratory organic waste liquid 0.59t, empty glass bottle (reagent bottle) 0.485t, waste 20L and below iron drum 0.005t. The treatment expense was RMB 8,972.	12,846.7
3	2019/8/1	ISO14001 system consulting and certification fees	In 2019, the ISO14001 environmental management system renewal audit fee was RMB 62,450.	62,450
<b>Total</b>				<b>94,496.7</b>

3. Company: Guangzhou Namchow Food Co., Ltd.

No.	Item	Value in 2019 (RMB)
1	Environmental protection monitoring	55,950
2	Sewage treatment agents	402,695
3	Sewage/sludge treatment	349,931
4	Treatment of daily trash	43,670
5	Sewage station maintenance costs	414,849
6	Public sewage treatment	682,886
7	ISO 14001 certification	45,649
8	Environmental protection inspection fee	73,500
9	Added sludge press	223,565
10	Added VOC detector	26,606
11	Others	90,705
<b>Total</b>		<b>2,410,006</b>

4. Company: Guangzhou Yoshiyoshi Food Co., Ltd.

No.	Item	Value in 2019 (RMB)
1	Waste liquids treatment	149,447
2	ISO14001 & OHSAS18001 certification	31,800
3	Treatment of daily trash	35,046
4	Sewage treatment	34,400
5	Contingency plan	52,000
6	Regulatory service	7,880
7	Dust assessment	25,000
8	Environmental protection monitoring	5,000
9	Buffer tank expansion project	650,000
<b>Total</b>		<b>990,573</b>

5. Company: Guangzhou Namchow Food Co., Ltd.

No.	Date completed	Item	Value in 2019 (RMB)
1	January-December 2019	Environmental protection equipment maintenance costs, renovation	426,555.8
2	January-December 2019	Hazardous sewage treatment	185,749.6
3	January, May, October 2019	Rain diversion	96,180.9
4	January-December 2019	Garbage removal	134,322.4
5	January-December 2019	Sewage agents	78,177.4
6	February, July, December 2019	Sewage consumables	10,510.6
7	May, June 2019 July, September, November	Inspection fee (exhaust gas, sewage)	27,288.7
8	January-October 2019	Technical consulting services for sewage treatment systems	136,550.2
9	August 2019	New laboratory environmental impact assessment	24,434
10	November 2019	Maintenance fee for the first phase of sewage online testing	14,320.4
<b>Total</b>			<b>1,134,090</b>

6. Company: Shanghai Qiaohao Food Co., Ltd.

No.	Time	Item	Description	Value in 2019 (RMB)
1	January-December 2019	Completion testing technical service project cost-intermediate inspection	Environmental protection completion acceptance project	100,000
2	January-December 2019	Sewage test	Entrusted sewage external inspection	1,700
3	January-December 2019	Replacement of sewage detection equipment accessories	Online monitoring equipment maintenance	8,500
4	January-December 2019	Total phosphorus reagent cost	Testing equipment supplies	5,280
5	January-December 2019	Hazardous waste removal	Hazardous waste entrusted treatment	5,800
6	January-December 2019	Purchase cost of hash tester	Purchase of total phosphorus testing equipment	21,640
7	January-December 2019	Laboratory exhaust gas retest cost-mid-level inspection	Environmental protection completion acceptance project	13,125
8	January-December 2019	Plant boundary non-methane supplementary test-intermediate inspection	Environmental protection completion acceptance project	10,000
9	January-December 2019	Sewage station aeration plate replacement project	Sewage station water treatment system maintenance	28,000
10	January-December 2019	Sewage pipe open pipe project	Sewage pipeline renovation project	340,000
11	January-December 2019	Modification of the fume purification system of the smoke furnace	Oil smoke treatment equipment renovation project	48,000
12	January-December 2019	Purchased sludge and freight	Sewage station purchased sludge	3,500
13	January-December 2019	Cleaning and maintenance of the smoke purification system	Maintenance of smoke treatment devices	5,000
14	January-December 2019	MBR water reuse piping system	Agricultural projects	6,000
15	January-December 2019	Maintenance of the oil separator	Seasonal maintenance of the oil separator; in total three oil separators (3 t, 5 t and 10 t)	18,000
16	January-December 2019	Kitchen garbage clearance	The leftover materials produced in meal products workshops need to be disposed by qualified manufacturers in accordance with	8,000

			environmental protection requirements.	
17	January-December 2019	Sewage station purchased glucose	Water quality regulation requirement	1,600
18	January-December 2019	Septic tank cleaning	Septic tank must be cleaned once a year	4,000
19	January-December 2019	Replacement of reagents used by online sewage monitoring instruments	Reagents used by online monitoring instruments in sewage treatment plants; with six months of service life	10,000
<b>Total</b>				<b>638,145</b>

## (V) Employer-employee Relations

Since the Company was established, it has been valuing benefits for and the health of its employees very much and looking at employees as its most important assets. Therefore, when planning and implementing respective personnel systems and welfare measures, the Company place employees at the core. Various personnel and welfare systems are described as follows:

### (I) Personnel system:

Personnel guidelines are established in compliance with the Labor Standards Act and applicable laws and regulations; there are requirements on the wages, working hours, leave, retirement, labor safety and health, gender equality, and various types of welfare for employees.

### (II) Retirement system:

The Namchow Group has the “Labor Pension Fund Monitoring Committee” in place as it is required by law and periodically recognizes the net cost of the pension fund according to the results calculated by the actuary on a yearly basis. According to the retirement system indicated in the Labors Standards Act, it sets aside a retirement reserve for employees to whom the old system applies in the dedicated account with the Trust Department of the Bank of Taiwan in order to protect the rights of employees. For those to whom that the Labor Pension Act applies, 6% of their salary is set aside to the personal pension fund account at the Bureau of Labor Insurance. All are meant to properly take care of employees while they are at work and after they retire.

In accordance with the Labor Standards Act as amended on February 4, 2015, the new Article 56 Item 2 was implemented to implement the retirement labor pension full-payment system. Employers should estimate the retirement pension required for the next year’s achievement of retirement conditions before the end of each year. And before the end of March of the following year, they should make up the difference in labor retirement reserve to the Taiwan Bank retirement fund account. The Namchow Group completed the full provision of the prior labor returns in accordance with government regulations.

### (III) Gender equality in employment:

The guidelines for handling complaints about sexual harassment are established to proactively protect gender equality in employment and enable both genders to apply their skills in a fair, open and just working environment. Meanwhile, the Company works with registered legal daycare centers which provide children of its employees with preferred rates

so that employees can take care of their family and their work at the same time. The hope is that employees can grow together with the Company.

(IV) Employee benefits:

1. Employee Welfare Committee

The Employee Welfare Committee is established to plan for the establishment of a welfare system and to continue promoting various benefits; the information is provided to colleagues through the intranet of the Company.

2. The following shows the various benefits made available by the Company and the Employee Welfare Committee. The fundamental welfare value that each employee is entitled to each year totals around NTD 11,000.

Category	Item
Educational subsidies for children	Educational scholarships and discounts on child-care/education are provided for children
Club/activity subsidies	Subsidies for holidays, gatherings, club equipment and venues, and activities.
Festival/birthday gift	Gifts for the three major festivals, the festival for the elderly, New Year's Day, birthday
Employee insurance	Labor Insurance/National Health Insurance Group insurance (life insurance, accident insurance, accident medical insurance, hospital cover, cancer insurance)
Pension	There is the retirement fund set aside for each employee in accordance with the Labor Standards Act and the Labor Pension Act.
Medical care	1. Employee physical checkup 2. Consolation money for employees and direct blood relatives 3. Wedding/funeral gift money/consolation money/birthday gift

(V) Continuing education and training:

Employees are important assets of Namchow. The Company pro-actively develops talent through various types of educational training:

1. New employee training: including basic training and introduction training, to help new employees understand the Company's landscape and operational model and adapt to the Company's culture and working content as soon as possible
2. Internal training: Hold labor safety and health education and food safety and health training, food safety control training, food protection training, HACCP related training, food factory and food practitioner related training, leadership cultivation and development courses, etc.
3. External training: Employees can submit a request to be approved by the head of their department and take part in external training programs that suit their needs at work
4. Participating in exhibitions/seminars: To help extend the horizon of its employees and help them absorb new knowledge, the Company sends them to attend food fairs and seminars in the nation and overseas.

(VI) Workplace and personal safety:

Create a safe, sanitary and healthy workplace, hold fire prevention/public safety training,

employee safety educational training, rescue staff safety and health educational training, and safety and health ideas and prevention against disasters, among others.

(VII) Employer-employee Relations:

Being aware of the importance of co-existence and co-prosperity between employers and employees, the Company proactively promotes a harmonious employer/employee relationship by comprehensively reinforcing communication and coordination and constantly improving the workplace. In addition, the industrial union is established by law. The parties communicate with each other periodically and from time to time to reach a consensus. In the future, efforts will continue to bring together the employer and the employees by heart applying the principle of integrity to jointly create profits.

(VIII) Employer-employee disputes in the past three years: None

**(VI) Important Contract**

Nature of contract	Client	Start/end dates of contract	Main contents	Restrictions
Trademark Use Contract	Subsidiary Namchow BVI and Germany Paulaner	October 01, 2019-September 30, 2029 automatically extend for ten years after the contract expires, and automatically extend for another five years after expiration	According to the contract, the monthly trademark usage fee is calculated by multiplying the monthly net turnover by multiplying the fixed ratio by the revenue from the restaurant's beer sales minus service fees and value added tax.	None
Trademark Use Contract	Subsidiary Lucky Royal and Germany Paulaner	October 01, 2019-September 30, 2029 automatically extend for ten years after the contract expires, and automatically extend for another five years after expiration	The company provides trademark use rights, assists in planning the establishment of restaurants, providing consulting services and brewing technology. Lucky Royal pays the right to use the trademark.	None
Commission on restaurant revenue	Subsidiary Dian Shui Lou and Test Rite Retail Co., Ltd.	June 23, 2011 (February 01, 2013 supplementary agreement - the parties agree to dismiss the Contract	It is agreed that a certain percentage of the total turnover will be selected.	None
Commission on restaurant revenue	Subsidiary Dian Shui Lou and Pacific Sogo Department Store, Hsinchu Big City Branch	March 25, 2014~March 24, 2017 March 25, 2017~March 24, 2019 March 25, 2019~March 24, 2020	It is agreed that a certain percentage of the total turnover will be selected.	None
Commission on restaurant revenue	Subsidiary Dian Shui Lou and Mitsui Outlet Park	January 18, 2016~March 31, 2019 April 01, 2019~March 31, 2031	It is agreed that a certain percentage of the total turnover will be selected.	None
Commission on restaurant revenue	Subsidiary Dian Shui Lou and Pacific Sogo Department Store, Fuxing Branch	March 01, 2017 - the parties agree to dismiss the Contract	It is agreed that a certain percentage of the total turnover will be selected.	None

## VI. Financial Status

### (I) Brief Balance Sheet and Income Statement for the Past Five Years

#### (I) Brief Consolidated Asset Balance Sheet

Unit: NTD thousands

Item	Year	Financial data of the past 5 years (Note 1)					2020 Q1
		2015	2016	2017	2018	2019	
Current assets		9,391,406	7,476,410	9,894,941	9,580,966	9,512,619	9,155,865
Funds and long-term investments		40,715	40,414	43,025	40,259	43,623	14,988
Real estate, manufacturing facilities and equipment		8,216,461	10,443,803	11,758,190	11,840,792	12,408,247	12,516,112
Intangible assets		105,417	105,417	105,417	105,417	105,417	105,417
Other Assets		645,336	511,124	654,381	541,429	1,785,276	1,751,702
Gross assets		18,399,335	18,577,168	22,455,954	22,108,863	23,855,182	23,544,084
Current liabilities	Before distribution	6,871,475	5,192,049	8,250,561	7,998,444	7,347,150	8,862,224
	After distribution	7,636,221	6,015,621	9,042,717	8,790,600	7,933,932 (Note 2)	(Note 3)
Non-current liabilities		5,883,783	7,762,409	8,239,941	7,814,398	10,088,019	8,966,298
Others		-	-	-	-	-	-
Gross liabilities	Before distribution	12,755,258	12,954,458	16,490,502	15,812,842	17,435,169	17,828,522
	After distribution	128,317,274	13,778,030	17,282,658	16,604,998	18,021,951 (Note 2)	(Note 3)
Capital stock		2,941,330	2,941,330	2,941,330	2,941,330	2,941,330	2,941,330
Capital reserve		520,786	640,075	886,756	1,011,972	1,136,347	1,229,087
Retained earnings	Before distribution	2,508,036	2,910,034	2,949,319	3,188,156	3,374,370	2,863,293
	After distribution	1,743,290	2,086,462	2,157,163	2,396,000	2,787,588 (Note 2)	(Note 3)
Other equities		59,781	(391,236)	(482,112)	(558,853)	(773,675)	(1,044,371)
Treasury stock		(530,114)	(530,114)	(576,860)	(576,860)	(576,860)	(576,860)
Non-controlling interest		144,258	52,621	247,019	290,276	318,501	303,083
Total shareholders' equity	Before distribution	5,644,077	5,622,710	5,965,452	6,296,021	6,420,013	5,715,562
	After distribution	4,879,331	4,799,138	5,173,296	5,503,865	5,833,231 (Note 2)	(Note 3)
Inspecting (Reviewing) CPA		An-Tian Yu Xiu-Yu Lin	An-Tian Yu Po-Shu Huang	An-Tian Yu Po-Shu Huang	An-Tian Yu Po-Shu Huang	Po-Shu Huang Lin Wu	Po-Shu Huang Chong-Shun Wu
Inspection (Review) Feedback		No reservations	No reservations	No reservations	No reservations	No reservations	No reservations

Note 1: Financial data from the past 5 years have all been inspected and authenticated by CPAs.

Note 2: Amount decided by the board of directors on March 26, 2020.

Note 3: Not applicable.

## (II) Brief Consolidated Income Statement

Unit: NTD thousands

Item \ Year	Financial data of the past 5 years (Note 1)					
	2015	2016	2017	2018	2019	2020 Q1
Operating revenues	15,479,543	16,299,714	17,172,886	18,287,354	18,343,979	3,616,096
Gross operating profit	5,608,250	6,139,689	5,614,146	6,077,582	6,425,922	1,114,755
Business loss	1,955,419	2,023,364	1,410,720	1,670,270	1,671,088	148,204
Non-business income and expenditure	(214,378)	(205,488)	94,208	(154,627)	(68,619)	6,776
Pre-tax net profits (losses)	1,741,041	1,817,876	1,504,928	1,515,643	1,602,469	154,980
After-tax profits of continuing department	1,163,961	1,170,309	995,050	1,061,813	1,013,307	77,210
Gains and losses for the discontinued department	-	-	-	-	-	-
Net profits (losses) of the term	1,163,961	1,170,309	995,050	1,061,813	1,013,307	77,210
Other comprehensive gains and losses of the term (After-tax net value)	(177,248)	(499,100)	131,166	(64,305)	(221,534)	(287,619)
Sum of general gains and losses of the term	986,713	671,209	1,126,216	997,508	791,773	(210,409)
The net profits belong to the client of the parent company	1,112,850	1,205,702	992,726	1,012,724	964,149	75,705
The net profits are part of non-controlling interests	51,111	(35,393)	2,324	49,089	49,158	1,505
The sum of general gains and losses belongs to the client of the parent company.	940,307	715,727	898,913	954,252	763,548	(194,991)
The sum of general gains and losses is part of non-controlling interests.	46,406	(44,518)	227,303	43,256	28,225	(15,418)
Earnings per share	4.49	4.86	4.01	4.09	3.90	0.31

Note 1: Financial data from the past 5 years have all been inspected and authenticated by CPAs.

## (III) Brief Entity Asset Balance Sheet

Unit: NTD thousands

Item	Year	Financial data of the past 5 years (Note 1)				
		2015	2016	2017	2018	2019
Current assets		1,121,981	1,149,576	180,576	174,534	221,402
Funds and long-term investments		7,250,538	8,169,568	10,110,520	10,956,832	11,942,134
Real estate, manufacturing facilities and equipment		2,665,947	2,736,856	2,102,768	2,085,897	2,072,087
Intangible assets		-	-	-	-	-
Other Assets		39,485	97,739	130,545	51,749	35,426
Gross assets		11,077,951	12,153,739	12,524,409	13,269,012	14,271,049
Current liabilities	Before distribution	1,409,720	1,268,854	902,046	1,538,434	891,959
	After distribution	2,174,466	2,092,426	1,694,202	2,330,590	1,478,741 (Note 2)
Non-current liabilities		4,168,412	5,314,796	5,903,930	5,724,833	7,277,578
Others		-	-	-	-	-
Gross liabilities	Before distribution	5,578,132	6,583,650	6,805,976	7,263,267	8,169,537
	After distribution	6,342,878	7,407,222	7,598,132	8,055,423	8,756,319 (Note 2)
Capital stock		2,941,330	2,941,330	2,941,330	2,941,330	2,941,330
Capital reserve		520,786	640,075	886,756	1,011,972	1,136,347
Retained earnings	Before distribution	2,508,036	2,910,034	2,949,319	3,188,156	3,374,370
	After distribution	1,743,290	2,086,462	2,157,163	2,396,000	2,787,588 (Note 2)
Other equities		59,781	(391,236)	(482,112)	(558,853)	(773,675)
Treasury stock		(530,114)	(530,114)	(576,860)	(576,860)	(576,860)
Shareholders' equity	Before distribution	5,499,819	5,570,089	5,718,433	6,005,745	6,101,512
	After distribution	4,735,073	4,746,517	4,926,277	5,213,589	5,514,730 (Note 2)
Inspecting (Reviewing) CPA		An-Tian Yu Xiu-Yu Lin	An-Tian Yu Po-Shu Huang	An-Tian Yu Po-Shu Huang	An-Tian Yu Po-Shu Huang	Lin Wu Po-Shu Huang
Inspection (Review) Feedback		No reservations	No reservations	No reservations	No reservations	No reservations

Note 1: Financial data from the past 5 years have all been inspected and authenticated by CPAs.

Note 2: Amount decided by the board of directors on March 26, 2020.

## (IV) Brief Entity Income Statement

Unit: NTD thousands

Item \ Year	Financial data of the past 5 years (Note 1)				
	2015	2016	2017	2018	2019
Business income	2,780,173	2,808,091	1,640,325	60,498	61,076
Gross operating profit	1,006,609	972,280	536,902	60,498	61,076
Business loss	(2,165)	(45,125)	(141,703)	(212,792)	(215,716)
Non-business income and expenditure	1,334,909	1,315,666	1,230,695	1,321,113	1,337,866
Pre-tax net profits (losses)	1,332,744	1,270,541	1,088,992	1,108,321	1,122,150
Continuing department net profit for the period	1,112,850	1,205,702	992,726	1,012,724	964,149
Gains and losses for the discontinued department	-	-	-	-	-
Net profits (losses) of the term	1,112,850	1,205,702	992,726	1,012,724	964,149
Other comprehensive gains and losses of the term (After-tax net value)	(172,543)	(489,975)	(93,813)	(58,472)	(200,601)
Sum of general gains and losses of the term	940,307	715,727	898,913	954,252	763,548
Earnings per share	4.49	4.86	4.01	4.09	3.90

Note 1: Financial data from the past 5 years have all been inspected and authenticated by CPAs.

## (II) Financial Analysis of the Past Five Years

### (I) Financial Analysis - Consolidated Financial Statement by the International Financial Accounting Standards

Analyze		Year	Analysis of the past five years (Note 1)				
		2015	2016	2017	2018	2019	2020 Q1
Financial structure %	Liabilities to assets ratio	69	70	73	72	73	76
	Permanent capital to real estate, manufacturing facilities and equipment ratio	141	129	121	120	133	117
Liquidity	Current Ratio (%)	137	144	120	120	129	103
	Quick Ratio (%)	111	104	83	85	94	75
	Interest protection multiples	13	12	11	8	7	3
Operating performance	Average collection turnover(times)	9.06	9.43	9.45	9.84	10.30	8.33
	Average collection days	40	39	39	37	35	44
	Inventory turnover (times)	5.69	5.71	5.28	5.27	5.37	4.56
	Average payables turnover (times)	14.19	13.65	12.92	12.40	12.45	11.45
	Average inventory turnover days	64	64	69	69	68	80
	Real estate, manufacturing facilities and equipment turnover (times)	1.94	1.75	1.55	1.56	1.52	1.16
	Total asset turnover (times)	0.87	0.88	0.83	0.82	0.80	0.61
Profitability	Return on total assets (%)	7	7	5	5	5	2
	Return on equity (%)	21	21	17	17	16	5
	Pretax income to paid-in capital (%)	59	62	51	52	54	21
	Net profit rate (%)	8	7	6	6	6	2
	Earnings per share (NT\$) (Note 2)	4.49	4.86	4.01	4.09	3.9	0.31
Cash Flow	Cash flow ratio (%)	39	31	13	25	35	-1
	Cash flow adequacy ratio (%)	106	73	57	65	62	69
	Cash flow reinvestment ratio (%)	11	4	1	6	8	0
Leverage	Operating leverage	3	4	6	6	6	12
	Financial leverage	1	1	1	1	1	2

Descriptions of changes in the financial ratios: (If the increase or decrease does not reach 20%, the analysis can be waived.)

1. Net cash flow from operating activities in 2019 increased by approximately NTD 530 million from 2018. The main reason is that the prices of international palm tree oil and fat in 2019 were low and stable. Although depreciation expense increased by about 250 million, the overall cash flow from operating activities still increased. Therefore, the affected ratios are: Cash flow ratio and cash reinvestment ratio.

Note 1: Financial data from the past 5 years have all been inspected and authenticated by CPAs.

Note 2 The earnings per share are calculated with the number of shares of common stock already issued applying the weighted average method. The number of shares increased as a result of earnings or capitalizing with capital reserve, on the other hand, is adjusted and calculated retroactively.

(II) Financial Analysis - Entity Financial Statement by the International Financial Accounting Standards

Analyze		Year	Analysis of the past five years (Note 1)				
		2015	2016	2017	2018	2019	
Financial structure %	Liabilities to assets ratio	50	54	54	55	57	
	Permanent capital to real estate, manufacturing facilities and equipment ratio	375	410	628	636	729	
Liquidity	Current Ratio (%)	80	91	20	11	25	
	Quick Ratio (%)	48	54	20	11	25	
	Interest protection multiples	21	20	17	16	15	
Operating performance	Average collection turnover(times)	4.98	4.94	9.47	-	-	
	Average collection days	73	74	39	-	-	
	Inventory turnover (times)	4.23	4.44	8.92	-	-	
	Average payables turnover (times)	12.25	13.36	26.91	-	-	
	Average inventory turnover days	86	82	41	-	-	
	Real estate, manufacturing facilities and equipment turnover (times)	1.07	1.07	1.23	-	-	
	Total asset turnover (times)	0.26	0.24	0.22	-	-	
Profitability	Return on total assets (%)	11	11	9	8	7	
	Return on equity (%)	21	22	18	17	16	
	Pretax income to paid-in capital (%)	45	43	37	38	38	
	Net profit rate (%)	40	43	61	1,674	1,579	
	Earnings per share (NT\$) (Note 2)	4.49	4.86	4.01	4.09	3.51	
Cash Flow	Cash flow ratio (%)	24	-9	51	-21	-36	
	Cash flow adequacy ratio (%)	4	-2	11	12	-9	
	Cash flow reinvestment ratio (%) (Note 3)	-	-	-	-	-	
Leverage	Operating leverage (Note 3)	-	-	-	-	-	
	Financial leverage (Note 4)	-	-	-	-	-	

Descriptions of changes in the financial ratios: (If the increase or decrease does not reach 20%, the analysis can be waived.)

1. The Company started its segmentation plan on August 1, 2017 to separate production and distribution businesses to the reinvested new companies, Namchow Oil and Fat Co., Ltd and Huaqiang Industry Co., Ltd. Therefore, related assets and liabilities were severed to the new companies as well, such as (A) fixed assets, (B) accounts receivable and notes receivable, (C) stock, (D) accounts payable, (E) sales income and cost, and (F) business interest, among others. Therefore, the inapplicable or affected ratios are real estate, manufacturing facilities and equipment turnover ratio (times), the turnover rate, number of days of sales, number of days of case collection, the net profit rate, the cash flow ratio, the case flow adequacy ratio, the current ratio, the quick ratio, return on assets, return on equity, and earnings per share.
2. The company's cash inflow from investment activities in 2019 decreased compared to 2018, However, the financing activities in 2019 are cash inflows and the financing activities in 2018 are cash outflows, Under the influence of each other, this year's cash increase, Therefore, the current ratio and quick ratio have increased significantly.
3. The company's cash outflows from operating activities in 2019 and 2018 are equivalent. However, due to the repayment of short-term loans in 2019, the current liabilities have been greatly reduced. As a result, the cash

flow ratio decreased significantly. In addition, the cumulative net cash flow from operating activities in the last five years in 2019 is negative, so the cash flow allowance ratio for this year has decreased significantly.

Note 1: Financial data from the past 5 years have all been inspected and authenticated by CPAs.

Note 2 The earnings per share are calculated with the number of shares of common stock already issued applying the weighted average method. The number of shares increased as a result of earnings or capitalizing with capital reserve, on the other hand, is adjusted and calculated retroactively.

Note 3: Because the ratio is a negative value, it is of no significance in comparison and is not listed.

Note 4: Between 2015 and 2019, business profits were all smaller than the costs of interest. As such, the financial leverage data are not provided.

### Calculation Formula:

#### 1. Financial structure

- (1) Liabilities to assets ratio = total liabilities/total assets.
- (2) Permanent capital to real estate, manufacturing facilities and equipment ratio = (shareholders' equity net value + non-current liabilities)/real estate, manufacturing facility and equipment net value.

#### 2. Liquidity

- (1) Current ratio = current assets/current liabilities.
- (2) Quick ratio = (current assets - inventory - pre-paid costs)/current liabilities.
- (3) Interest protection multiples = Pre-income tax and interest profits/interest expenditure of the term.

#### 3. Operating performance

- (1) Receivables (including accounts receivable and bills receivable due to business) turnover ratio = net sales/The average balance of accounts receivable (including accounts receivable and bills receivable due to business) in each period.
- (2) Average collection days = 365/receivables turnover.
- (3) Inventory turnover = sales cost/average inventory value.
- (4) Payables (including accounts payable and bills payable that are incurred as a result of business operation) = sales cost/balance from average payables of each term (including accounts payable and bills payable).
- (5) Average inventory turnover days = 365/inventory turnover.
- (6) Real estate, manufacturing facility and equipment turnover = net sales/net average real estate, manufacturing facility, and equipment value.
- (7) Total asset turnover = net sales/gross assets on average.

#### 4. Profitability

- (1) Return on assets = [after-tax gains and losses + interest  $\times$  (1-tax rate)]/gross assets on average.
- (2) Return on shareholders' equity = after-tax gains and losses/net shareholders' equity on average.
- (3) Net profit rate = after-tax gains and losses/net sales.
- (4) Earnings per share = (after-tax profits - special stock dividends)/ weighted average of issued shares.

#### 5. Cash Flow

- (1) Cash flow ratio = Net cash flow from business activities/current liabilities.

- (2) Net cash flow adequacy ratio = net cash flow from business activities of the past five years/past five years (capital expenditure + increased inventory + cash dividends).
- (3) Cash flow reinvestment ratio = (net cash flow from business activities - cash dividends)/(net value of real estate, manufacturing facility, and equipment + long-term investment + other assets + working capital).

6. Leverage:

- (1) Operating leverage = (net business income - variable business costs and expenses)/business profits.
- (2) Financial leverage = business profits/(business profits - cost of interest).

### **(III) Audit Committee Review Report of the most recent annual financial report**

## **Namchow Holdings Co., Ltd. Audit Committee's Review Report**

The Board of Directors prepared the Company's 2019 Business Report, Entity and Consolidated Financial Statements and earnings distribution proposal. The Entity and Consolidated Financial Statements, in particular, were already inspected by CPA Po-Shu Huang and CPA Lin Wu of KPMG and the Inspection Report is presented. The said Business Report, Entity and Consolidated Financial Statements and earnings distribution proposal have been reviewed by the Audit Committee and found to have no discrepancy. In accordance with the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, a report is prepared for your review.

To

The company's 2020 Shareholders' Meeting

Namchow Holdings Co., Ltd.

Convener of the Audit Committee: Ting-Kuo Chen

March 26, 2020

**(IV) 2019 Financial Report**

Please refer to page 203~333 of this annual report.

**(V) Entity Financial Statement of the Latest Year Inspected and Authenticated  
by CPAs**

Please refer to page 334~393 of this annual report.

**(VI) Impacts of Latest Financial Difficulties Encountered by Company and Its Associated Enterprises on Company's Financial Standing as of Date of Printing of Annual Report: None.**

## VII. Discussion and Analysis of Financial Standing and Financial Performance and Risks

### (I) Financial Standing

Financial Standing Comparison and Analysis Table

Unit: NTD thousands

No.	Year	2019	2018	Difference	
				Value	%
Current assets		9,512,619	9,580,966	(68,347)	(1)
Financial assets of fair value		43,623	40,259	3,364	8
Real estate, manufacturing facilities and equipment		12,408,247	11,793,459	614,788	5
Other Assets		1,890,693	694,179	1,196,514	172
Gross assets		23,855,182	22,108,863	1,746,319	8
Current liabilities		7,347,150	7,998,444	(651,294)	(8)
Long-term liabilities		7,676,070	6,486,936	1,189,134	18
Others		2,411,949	1,327,462	1,084,487	82
Gross liabilities		17,435,169	15,812,842	1,622,327	10
Capital stock		2,941,330	2,941,330	0	0
Capital reserve		1,136,347	1,011,972	124,375	12
Retained earnings		3,374,370	3,188,156	186,214	6
Others		(1,032,034)	(845,437)	(186,597)	22
Total shareholders' equity		6,420,013	6,296,021	123,992	2
<p>Description: Main causes of major changes to assets, liabilities, and equities of the past two years (changes by 20% or more and NTD 10 million or more) and their impact and countermeasures</p> <p>Other assets and other liabilities: Mainly due to the adoption of IFRS 16 in the current year, the usage rights assets and lease liabilities have increased significantly.</p> <p>Other items: Mainly due to the depreciation of the RMB, which caused a substantial increase in the exchange difference in the conversion of the financial statements of foreign operating agencies.</p> <p>Impacts and response plans in the future: None</p>					

## (II) Financial Performance

Financial Performance Comparison and Analysis Table

Unit: NTD thousands

No.	Year	2019	2018	Increased/reduced value	Variation Ratio %
	Net revenue	18,343,979	18,287,354	56,625	0
	Operating costs	11,918,057	12,209,502	(291,445)	(2)
	Gross operating profit	6,425,922	6,077,852	348,070	6
	Business expenditure	4,754,834	4,407,582	347,252	8
	Business profits	1,671,088	1,670,270	818	0
	Non-business income and expenditure	(68,619)	(154,627)	86,008	(56)
	Pre-tax profits of continuing department	1,602,469	1,515,643	86,826	6
	Income tax	589,162	453,830	135,332	30
	After-tax profits of continuing department	1,013,307	1,061,813	(48,506)	(5)
<p>1. Descriptions of the increase or decrease in the ratio: (changes by 20% or more and NTD 10 million or more)</p> <p>Non-business income and expenditure:</p> <p>(1) It is generated mainly by losses of NTD 11,688 thousand in 2019 and that of losses worth NTD 104,831 thousand in 2018. The RMB to USD exchange rate appreciated from 6.53 to 6.86 in 2018. Therefore, the US subsidiaries borrowing from related subsidiaries and overseas companies incurred exchange losses. In 2019, US dollar borrowing has been reduced to reduce the impact of exchange rate fluctuations.</p> <p>(2) It is generated mainly by the interest cost worth NTD 262,612 thousand in 2018 and interest cost worth NTD 206,443 thousand in 2018.</p> <p>Income tax: Income tax has increased due to the increase in the underestimation of income tax and adjustments in accordance with tax laws in the previous year.</p> <p>2. There were no changes to the contents of main business scope of the Company.</p> <p>3. It is expected that the revenue will keep growing in the following year for the Company.</p>					

### (III) Cash Flow

#### Cash flow analysis

Unit: NTD thousands

Balance of cash at start of term	Net cash flow from business activities throughout the year	Cash outflow throughout the year	Balance of cash (shortage)	Remedies for shortage in cash	
				Investment plan	Wealth management plan
4,708,562	2,539,792	2,624,639	4,623,715	-	-

#### 1. Liquidity analysis of the past two years

Item \ Year	2019	2018	Ratio of increase/decrease (%)
Cash flow ratio	35	25	40
Cash flow adequacy ratio	62	65	(5)
Cash flow reinvestment ratio	8	6	33

Explanation:

1. Net cash flow from operating activities in 2019 increased by approximately NTD 530 million from 2018. The main reason is that the prices of international palm tree oil and fat in 2019 were low and stable. Although depreciation expense increased by about 250 million, the overall cash flow from operating activities still increased. Therefore, the affected ratios are: cash flow ratio, cash flow allowance ratio, and cash reinvestment ratio.

#### 2. Cash utilization and liquidity analysis for the coming year:

Unit: NTD thousands

Balance of cash at start of term	Net cash flow from business activities throughout the year	Cash outflow throughout the year	Balance of cash (shortage)	Remedies for shortage in cash	
				Investment plan	Wealth management plan
4,623,715	2,550,000	2,513,715	4,660,000	-	-

- (1) Business activities: Business income for the year will increase to keep the net cash flow associated with business activities relatively positive and increasing.
- (2) Investment activities: It is the estimated capital expenditure because of new business or investments in new products in the coming year.
- (3) Financing: This refers mainly to the issuance of cash dividends and loans with banks.

Expected remedies and liquidity analysis upon shortage in cash: It is expected that the working cash flow of the Company will meet the cash requirements in the coming year to be sufficient to support normal operations. As such, there are no measures required to make up for the shortage in cash such as investment plans or wealth management plans.

#### (IV) Impact of the Latest Major Capital Expenditures on Financial Business

##### (I) Major capital expenditure and funding source

Unit: NTD thousands

Project	Actual or expected funding source	Actual or expected date of completion	Required funds in total	Year				
				2018	2019	2020	2021	2022
Shanghai Qiaohao Food Co., Ltd.- Equipment (ready meals and meal products)	Bank loans and self-capital	July 2019	154,949	119,170	15,248	20,531	-	-
Tianjin Yoshi Yoshi - Fresh Cream Equipment Update and Supporting Facilities Rebuilding	Bank loans and self-capital	April 2020	95,124	-	57,641	37,483	-	-
Namchow Thailand - Second Factory House and Building, Machinery and Equipment	Bank loans and self-capital	2020 Q2	978,133	-	669,347	308,786	-	-

##### (II) Expected impacts of possible benefits on financial operations

In response to the operating demand, investing in building new facilities and purchasing production equipment will help upgrade the operational scale and profits for the Group and bring about positive benefits for financial business.

#### (V) Main Reasons for Profits or Losses of Latest Reinvestment Policy, Improvement Plan, and Investment Plan for the Coming Year

Re-investment Analysis Table

Unit: NTD thousands

Item	Explanation	Value invested	Holding ratio at end of term (%)	Gains and losses of the term	Main scope of operation	Main reason for profits or losses	Improvement plan	Other investment plans in the future
Namchow (Thailand) Ltd.		1,027,405	100.00	308,141	Profits from investment, operation, production, and sales	The production and distribution policy is bringing about profits.	None	Investment of THB 1.3 billion to expand plants, production lines and equipment
Yongju (Thailand) Ltd.		10,201	100.00	2,434	Trading of foods and others	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
Nacia International Corporation		343,443	100.00	1,070,180	Reinvestment holding	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
Chow Ho Enterprise Co., Ltd.		119,000	100.00	(5,356)	Dining business	Fluctuating food ingredients and rising labor cost	Increased revenue and expanded	No substantial investment plans yet

Item	Explanation	Value invested	Holding ratio at end of term (%)	Gains and losses of the term	Main scope of operation	Main reason for profits or losses	Improvement plan	Other investment plans in the future
							sales	
Lucky Royal Co., Ltd.		938,438	99.65	24,449	Production and sale of ice cream and investment in dining business	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
Qizhi Business Administration Cultural Co., Ltd.		863	90.00	0	Publishing and issuance of books	Reduced publications and release volume inside the Company	None	No substantial investment plans yet
Namchow (BVI) Ltd.		228,970	90.70	(20,485)	Reinvestment holding	Increase in royalties	None	No substantial investment plans yet
Dian Shui Lou Restaurant Business Co., Ltd.		222,000	100.00	12,828	Catering	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
Namchow Food and Dining Consultation Co., Ltd.		9,100	100.00	(2,605)	Restaurants and food consulting	Cost increase	Additional revenues from expanded services	No substantial investment plans yet
Namchow Cayman Islands Holdings Corporation		2,522,207	100.00	1,069,885	Reinvestment holding	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
Tianjin Namchow Food Co.,Ltd.		756,875	96.15	223,501	Production and sale of household oils, artificial butter, and deep fry oil	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
Shanghai Qiaohao Trading Co.,Ltd.		669,270	100.00	(113,953)	Importation and exportation	Subsidiary's early stage of investment in expanding the factory	Increased revenue and expanded sales	No substantial investment plans yet
Shanghai Qiaohao Business Administration Co.,Ltd		961	100.00	0	Commerce, business administration, and investment consulting	Operation adjustment	None	No substantial investment plans yet
Shanghai Qiaohao Food Co.,Ltd		704,181	100.00	(59,092)	Packaged foods, sales of restaurant equipment, goods, and technical imports and exports	Gradual completion of construction for initial operation	Increased revenue and expanded sales	Investment in production line equipment
Tianjin Yoshiyoshi Food Co., Ltd.		121,100	96.15	119,329	Development, manufacturing, and sale of dairy products and related services	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
Shanghai BaolaiNa Co., Ltd.		112,018	90.39	(10,880)	Chinese and western foods and beverages and self-made beer music restaurant	Fluctuating food ingredients and rising labor cost	Increased revenue and expanded sales	No substantial investment plans yet
Guangzhou Namchow Food Co.,Ltd.		544,950	96.15	323,631	Manufacturing and sale of edible oils and fats	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet

Item	Explanation	Value invested	Holding ratio at end of term (%)	Gains and losses of the term	Main scope of operation	Main reason for profits or losses	Improvement plan	Other investment plans in the future
	Shanghai Qizhi Business Consulting Co., Ltd.	4,541	100.00	405	Commerce, business administration, and investment consulting	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
	Namchow Food Group (Shanghai) Co., Ltd. Company	856,481	96.15	1,268,288	Wholesale of edible oils and fats and foods and importation/exportation	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
	Shanghai Namchow Food Co., Ltd.	676,597	96.15	57,191	Sale, development, production, and processing of edible oil and fat products, fast-frozen foods, and frozen foods	The production and distribution policy is bringing about profits.	None	Investment in facility equipment
	Nankyo Japan Co., Ltd.	308,530	100.00	(82,775)	Restaurant, beverages, and alcohol business	Initial sales began	Increased revenue and expanded sales	Construction of new building
	Namchow Consultation Co., Ltd.	5,000	100.00	(394)	Restaurant and food and management consulting	Operation adjustment	None	No substantial investment plans yet
	Tianjin Qiaohao Food Co., Ltd.	90,836	100.00	(9,194)	Manufacturing and sale of packaged foods	Initial mass production and sales began	Increased revenue and expanded sales	No substantial investment plans yet
	Chongqing Xiaoxing Co., Ltd.	94,200	96.15	321,963	Corporate management and investment consulting and delivery and shipping center	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
	Chowfu Biotechnology Co., Ltd.	39,000	100.00	(10,355)	Biotech related products development	R&D stage	Increased revenue and expanded sales	No substantial investment plans yet
	Namchow Oils and Fats	411,731	100.00	147,023	Manufacturing, processing, and distribution of edible oils and fats	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
	Huaciang Industry	392,341	100.00	(24,953)	Manufacturing, processing, and distribution of cleaners and frozen foods	Cost increase	Increased revenue and expanded sales	No substantial investment plans yet
	Guangzhou Yoshi Yoshi Co., Ltd	452,150	96.15	114,365	Development and distribution of dairy products	The production and distribution policy is bringing about profits.	None	No substantial investment plans yet
	Wuhan Qiaoxing Co., Ltd.	215,250	96.15	(120)	Baking fats products technical service	Initial sales began	Increased revenue and expanded sales	No substantial investment plans yet

## **(VI) Analysis of Risks in Recent Years as of the Date Annual Report was Printed**

- (I) Impacts of changes in the interest rate and exchange rate and inflation on the Company's gains and losses and response measures in the future:

Interest rate risk: The Company's interest rate risk mainly comes from the financing cost. The Company reduces bank loans through efficient management and control of working capital. It pays constant attention to changes of the market interest rate and periodically evaluates the borrowing rates offered by banks. Depending on operating conditions and changes in assets and liabilities, various financing channels are appropriately used to control stable financing costs and reduce interest rate changes, which will adversely affect profit and loss. However, safe and stable cash flow is still the principle of financing.

Changes in exchange rates: In addition to strengthening the control on the foreign exchange funds flow, the Company also keeps a close eye on the changes in exchange rate through communication with the special foreign exchange departments in banks. It engages in appropriate use of exchange rate hedging financial instruments under the principle of conservatism, and generates exchange gains and losses to affect the company's profits and losses through a systematic foreign exchange operation strategy to reduce exchange rate fluctuations.

Inflation: The Company responds to the possible impacts from inflation through keeping an eye on the changes in the global politics and economy, flexibly adjusting purchase and sales strategies and other methods and expects no material influence.

- (II) Main causes of the policies to engage in high-risk, high-leverage, lending, endorsement and guarantee, and derivatives trading and countermeasures in the future:

Over the past few years and as of the date the Annual Report was printed, the Company did not have any high-risk and high-leverage investments.

The Company lent funds to others over the past few years and as of the date the Annual Report was printed but the funds lending occurred between the Company and its subsidiaries, not external companies. The fund lending with subsidiaries as mentioned in the foregoing was meant to serve as the operating fund of the said subsidiaries.

The Company was engaged in endorsement and guarantee over the past few years and as of the date the Annual Report was printed but it was between the Company and subsidiaries holding more than 90% of shares or those in which more than 90% of shares were directly or indirectly by the Company, not external companies. The endorsement and guarantee mentioned in the foregoing were meant to support the limits of financing applied for by the said subsidiaries.

The company is engaged in derivative commodity transactions mainly for minimizing and avoiding the impact on operations from changes in the exchange rate and interest rate. The Company had no derivative transactions at the end of 2019.

- (III) Research and development plan of the latest year and in the future and expected cost of research and development to be invested in:

Respective businesses within the Group are equipped with their own research and development units that modify, develop, and seek innovations for products at any time. The cost already invested in research and development in 2019 totaled NTD 422,742 thousand. Research and development units in respective businesses are meant to ensure that existing products of the Company keep their leading positions on the market. According to the product study in 2019, the zero transfer series of oils and fats products will continue to be developed; the latest food technology and technique will be applied to increase the quantities of exquisite frozen food products of high additional value to be

produced so as to satisfy the pluralistic needs of consumers; and the development of natural cleaners for use exclusively at home and for personal hygiene will continue to honor the principles of nature and environmental protection. In terms of rice, there are currently two healthy rice products certified as health foods with proven claims of blood sugar regulating and blood lipid regulating effects. Efforts will continue in the future to proactively develop a series of rice products that can help preserve health.

The cost of research and development is estimated to total NTD 210,960 thousand for 2020. As of March 31 of this year, invested research and development costs were NTD 53,184 thousand.

(IV) Impacts of important domestic and international policies and regulatory changes on the Company's financial performance:

The Company's management team pays close attention to any domestic and foreign policies and laws that may affect the Company's finances and business, and cooperates to adjust relevant internal systems and operations while formulating relevant risk management procedures. In 2019 and as of the date of printing of the annual report, the important legal changes related to the company's operations are as follows:

1. In the changes of corporate organization, taxation and securities management laws, all operating bases of the Namchow Group follow the laws and regulations of the country and region where they are located. It guides and manages the operation of the enterprise with a corporate governance mechanism, providing effective supervision, encouraging enterprises to make good use of resources, improving efficiency, and thereby improving competitiveness. It protects the legitimate rights and interests of shareholders and takes into account the interests of other stakeholders, in order to achieve the operational goal of seeking the best interests of the Company, employees and all shareholders and the sustainable operation of the enterprise.
2. In the section on changes in food hygiene laws and regulations, the Ministry of Health and Welfare revised a number of food safety and hygiene laws in 2019. These include general food hygiene standards, food safety and hygiene management laws, and so on. The government and the food industry are duty-bound to ensure the safety of consumers' food. The maintenance of product quality and safety is always the most important business policy of Namchow. Furthermore, in response to the regulatory changes in the various regions and provide more autonomous food safety management practices, Namchow Group has established a "Food Safety Office" to take charge of regulatory compliance with food safety law; final review of food raw materials, additives, labels; and it maintains strict and high standards of food safety and hygiene by the inspection and audit group. Food hygiene and safety management is implemented through daily attention to the collection of information on changes in regulations, collection of food safety related news; and informing the operation department of relevant information, convening regular and irregular food safety meetings; promulgating changes in food safety regulations and discuss countermeasures; and reviewing the food safety management actions of various departments, tracking progress and evaluating effectiveness,
3. In respect to environmental protection laws and regulations changes, 2019 saw the announcement of amendments to a number of measures related to air pollutants from fixed sources. Despite increasing the operating costs of the enterprise, Namchow Group has always spared no effort in energy conservation, carbon reduction and environmental protection. The energy used in operations is mainly provided via purchased electricity

and natural gas. To strengthen the management of energy use, we have organized an internal energy conservation leading team to promote energy conservation measures to reduce consumption, prevent energy losses, and curb waste. We have also developed energy efficiency indicators and targets by complying with the regional government energy and environmental policies in order to enhance energy conversion efficiency and reduce environmental impacts.

4. In terms of changes in labor laws and regulations, a number of labor laws and regulations such as the Labor Dispute Act announced at the end of 2018 and the implementation details of the Labor Dispute Act announced in 2019 will protect labor rights. As a people-oriented company, employees are the assets of Namchow's sustainable management and we pay attention to the harmony of labor relations. In addition to establishing trade unions, we have also established a diversified and smooth communication channel via employee suggestion boxes, internal publications, management regulations, product information, bulletin boards, and internal meetings of various departments to uphold the principle of good faith to create laborer/employer cohesion, fostering a mutually beneficial outcome.

(V) The effects that technological changes and industry changes have on the financial operations of the company as well as the response measures:

The Company attaches high importance to the trend of technology and industry changes and is committed to the application of information technologies. It has successively introduced multiple international information systems to integrate the data, information and knowledge of the Group so as to facilitate information collection and sharing and inheritance of experience. In addition, it actively uses effective human resources and information technologies to minimize cost and improve competitiveness.

In recent years, AI, blockchain, Big Data and upcoming 5G transmission standards are changing global human consumption behavior. Coupled with the impact of the coronavirus epidemic in 2020, the operation modes of the tourism, service, catering and retail industries have been greatly adjusted. Under various industries competing to develop technology marketing and sales management methods, Namchow Group's business units are committed to optimizing online sales platforms. They shall do so using various community tools to market and collect customer feedback as a reference for product development, and will combine e-commerce and logistics information platforms to create physical channels and virtual online shopping opportunities.

In order to cope with the generalization of electronic transactions and information exchange, and under the original information structure, Namchow is committed to the development of related information security. It shall security protection to ensure the confidentiality, integrity and availability of company information assets and the protection of personal data.

(VI) Impacts of changes in the corporate image on the management of corporate risks and countermeasures: None.

(VII) Expected benefits and possible risks of merger and acquisition as well as the response measures: None.

(VIII) Expected benefits and possible risks of the expansion of manufacturing facilities:

Investments made by the Company in the past two years were in the expansion of production lines and increase of the throughput in order to address the insufficient market demand. In the future, the focus will be placed on improving the overall revenue and profits of the Group to bring about positive benefits for the financial performance.

- (IX) Risks encountered with focused purchases or sales:
  1. Among the Company's purchasing targets, there are no suppliers that account for more than 10% of the purchasing amount. There is no risk of concentration of purchasing.
  2. Among the sales targets of the Company, there are no clients accounting for 10% of all sales and there is no risk of focused sales.
- (X) Impacts of transfer or exchange of stock options in large quantities by directors, supervisors, or heavyweight shareholders holding more than 10% of all shares on the Company and the risks and countermeasures: None.
- (XI) Impact of the change in the management on the Company and the risks and countermeasures: None.
- (XII) Lawsuits and non-lawsuit events: Major lawsuits and non-lawsuits or administrative disputes with a finalized verdict or ongoing proceedings that involved the Company, the Company's directors, supervisors, general managers, actual persons in charge and shareholders holding more than 10% of all shares, and the associated companies shall be listed. If the results are likely to have significant impacts on shareholders' equity or prices of securities, the facts, target value and start date of the lawsuit, main clients involved and handling status as of the date of printing of the Annual Report shall be disclosed.
- (XIII) Other important risks and countermeasures: None.

**(VII) Other important matters:** None

## VIII.Special Notes

### (I) Information of associated enterprises

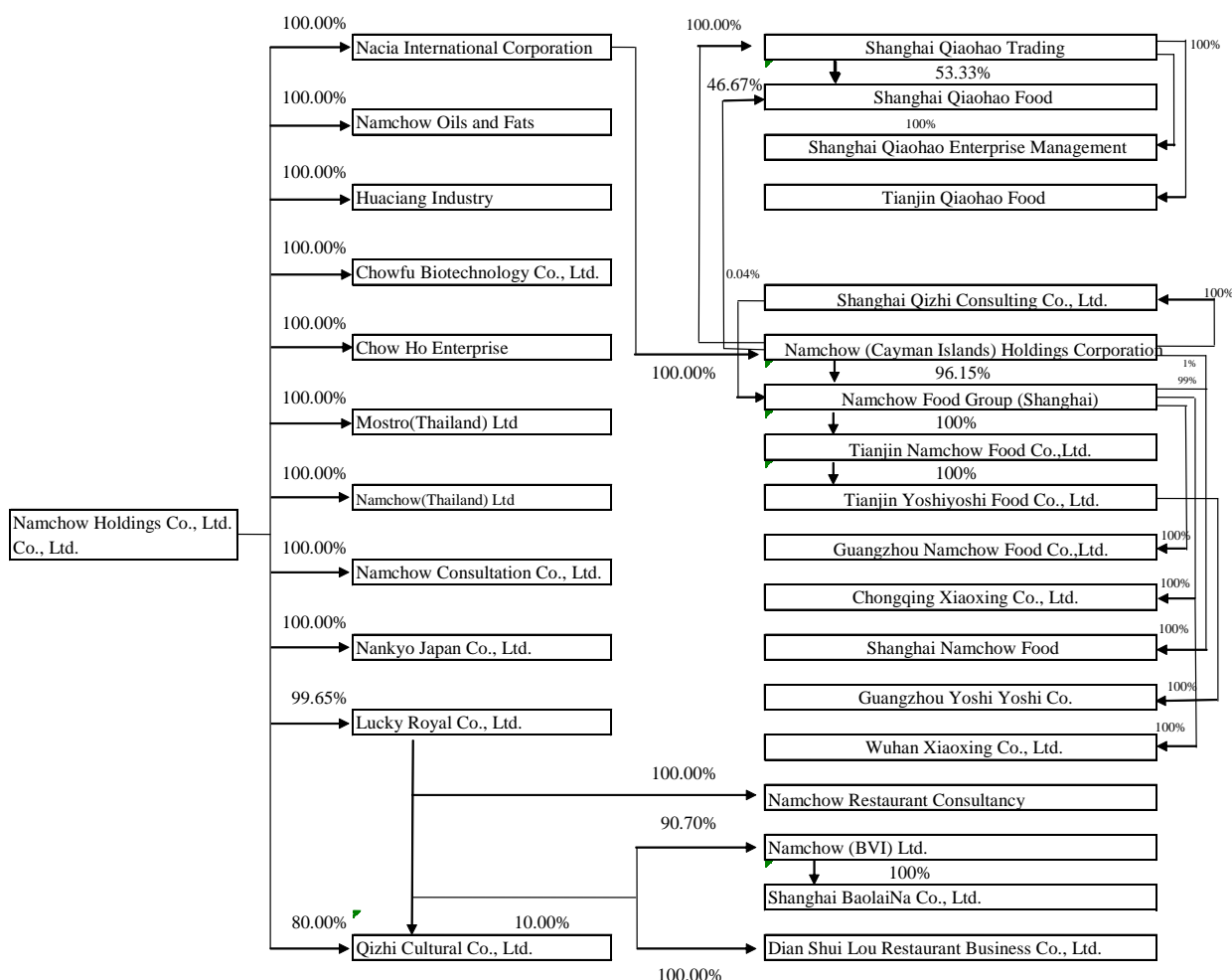
#### (I) Consolidated Financial Statement of Associated Enterprises

Companies that should be included in the compiled Consolidated Financial Statement of associated enterprises for 2019 in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are identical to those that should be compiled in the Consolidated Statement of Parent Company and Subsidiaries as per the 7th Communique of Financial Accounting Standards. Therefore, the Consolidated Financial Statement of associated enterprises is not prepared separately.

#### (II) Consolidated Business Report of Associated Enterprises

##### 1. Overview of Associated Enterprises

##### (1) Organizational Chart of Associated Enterprises



## (2) Profile of various associated enterprises of Namchow

Unit:NT Thousand

Name of company	Date of Establishment	Address	Paid-in capital size	Main scope of operation or production
Lucky Royal Co., Ltd.	1986.08.26	7F, No. 64, Huaining Street, Taipei City	956,684	Manufacturing and sale of Ice Cream
Namchow (Thailand) Ltd.	1989.03.01	75/27-29,18th-19th Floor, Ocean Tower 2 Bldg, Soi Sukhumvit 19(Soi Wattana) Sukhumvit Rd., North Klongtoey, Wattana Bangkok10110	891,865	Processing and sale of instant noodles and rice crackers
Yongju (Thailand) Ltd.	1988.09.21	75/27-29,18th-19th Floor, Ocean Tower 2 Bldg, Soi Sukhumvit 19(Soi Wattana) Sukhumvit Rd., North Klongtoey, Wattana Bangkok10111	9,647	Land rental
Chow Ho Enterprise Co., Ltd.	1999.11.20	2F, No. 64, Huaining Street, Taipei City	25,000	Management of chained noodles stores
Qizhi Business Administration Cultural Co., Ltd.	1987.11.05	2F, No. 64, Huaining Street, Taipei City	1,000	Publishing
Nacia International Corporation	1996.05.24	Trinity Chambers,P.O.Box 4301.Road Town, Tortola, British Virgin Islands	378,438	Investment holding
Shanghai Qiaohao Trading Co.,Ltd.	2001.03.26	Room 337 of Xinxing Building at No. 2005, Yanggao North Road, Waigao Bridge, Shanghai	669,270	Trade
Namchow Cayman Islands Holdings Corporation	1996.06.07	3rd Floor,Genesis Building,P.O.Box 613,George Town, Grand Cayman,Cayman Islands,British West Indies	1,085,455	Investment holding
Tianjin Namchow Food Co.,Ltd.	1992.09.16	No. 52, Bohai Road, Economic and Technological Development Zone, Tianjin	756,875	Production and sale of oil and fat products
Tianjin Yoshiyoshi Food Co., Ltd.	2003.01.27	No. 52, Bohai Road, Economic and Technological Development Zone, Tianjin	121,100	Production and sale of fresh cream
Namchow (BVI) Ltd.	1992.10.16	Trinity Chambers,P.O.Box 4301.Road Town, Tortola, British Virgin Islands	156,219	Investment holding

Name of company	Date of Establishment	Address	Paid-in capital size	Main scope of operation or production
Shanghai BaolaiNa Co., Ltd.	1996.03.29	Room 310, No. 58, Huaihaizhong Road, Shanghai	112,018	Restaurant management
Dian Shui Lou Restaurant Business Co., Ltd.	2004.12.31	4F, No. 338, Chongqing North Road Sec. 3, Taipei	104,000	Restaurant management
Guangzhou Namchow Food Co.,Ltd.	2005.09.16	No. 333, Lianguang Road, East Section of Guangzhou Economic and Technological Development Zone	544,950	Production and sale of oil and fat products
Shanghai Qizhi Business Consulting Co., Ltd.	2007.12.17	Unit A, 6F, 4th Building, No. 889, Yishan Road, Caohe Emerging Technology Research and Development Zone, Shanghai	4,541	Business administration and investment consulting
Namchow Food Group (Shanghai) Co., Ltd. Company	2010.08.02	Unit 1803, No. 889, Yishan Road, Xuhui District, Shanghai	856,481	Sales company that undertakes products within the Group for sale.
Shanghai Qiaohao Business Administration Co.,Ltd	2010.06.28	Unit F, 6F, 4th Building, No. 889, Yishan Road, Shanghai	961	Exhibition and business information consulting
Shanghai Qiaohao Food Co.,Ltd	2010.09.02	No. 780, Jiugong Road, Jinshan Industrial Park, Shanghai	704,181	Manufacturing, distribution, and sale of packaged foods
Namchow Food and Dining Consultation Co., Ltd.	2011.11.11	7F, No. 276, Chongqing North Road Sec. 3, Taipei	5,000	Restaurant business and management consulting
Shanghai Namchow Food Co., Ltd.	2012.08.21	No. 399, Guangye Road, Jinshan Industrial Park, Shanghai	676,597	Production and processing of edible oils and fats, frozen foods, among others
Nankyo Japan Co., Ltd.	2014.05.02	東京都新宿区四谷四丁目 30 エスツウイン新宿 3階	308,530	Restaurant, beverages, and alcohol business
Namchow Consultation Co., Ltd.	2014.08.14	7F, No. 276, Chongqing North Road Sec. 3, Taipei	5,000	Restaurant and food and management consulting

Name of company	Date of Establishment	Address	Paid-in capital size	Main scope of operation or production
Tianjin Qiaohao Food Co., Ltd.	2016.11.28	No. 52, Bohai Road, Technological Development Zone, Tianjin	90,836	Manufacturing, distribution, and sale of packaged foods
Chongqing Xiaoxing Co., Ltd.	2016.10.13	No. 319, Haier Road, Jiangbei District, Chongqing	94,200	Distribution and sale of foods and corporate business investment consulting
Guangzhou Yoshi Yoshi Co., Ltd	2017.04.11	No. 333, Jiufojianshe Road, Zhongxing Guangzhou Knowledge Town, Guangzhou	452,150	Manufacturing and distribution of dairy products
Namchow Oils and Fats	2017.03.20	5F, No. 21, Jianguo North Road, Sec 1, Zhongshan District, Taipei City	411,731	Manufacturing and distribution of edible oils and fats and frozen dough
Huaciang Industry	2017.03.20	7F, No. 21, Jianguo North Road, Sec 1, Zhongshan District, Taipei City	300,000	Manufacturing and distribution of foods and cleaning supplies
Chowfu Biotechnology Co., Ltd.	2017.01.23	6F, No. 21, Jianguo North Road, Sec 1, Zhongshan District, Taipei City	22,000	Research and development of biotechnology
Wuhan Qiaoxing Co., Ltd.	2019.10.29	Putian Internet of Things Innovation Research, No. 18, Financial Port Fourth Road, East Lake New Technology Development Zone, Wuhan Development Base (Phase II) No.1, Floor 1-5, Unit 1, 10th Building	215,250	Baking fats products technical service

(3) The Company does not have the conditions determined to be a controlling or subordinate relationship under Article 369-3 of the Company Act.

(4) Industries covered in the scope of operations of the associated enterprises as a whole and interaction and division of labor:

Name of associated enterprise	Industry covered in the scope of operations	Business correspondence	Interaction and division of labor
Namchow Holdings Co.,Ltd.	Investment holding	Yes	Sub-letting of part of premises and buildings to affiliated businesses
Namchow Oils and Fats	Production and sale of oils and fats products	Yes	Some oils and fats products are sold to Lucky Royal Co., Ltd. to be the latter's production raw materials.
	Production and sale of frozen dough	Yes	Some of the bread products are sold to restaurants as their purchases.
Huaciang Industry	Production and sale of cleaners and restaurant operations goods	Yes	Some of the bread products are purchased from the oils & fats company and supplied to the restaurant as raw materials
	Production and sale of frozen noodles	Yes	Some of frozen noodles are sold to Chow Ho Enterprise Co., Ltd. to be the purchases by chained bakeries while Lucky Royal Co., Ltd. is authorized as the general distributor for the remainder.
Lucky Royal Co., Ltd.	Production and sale of ice cream	Yes	Oils and fats raw materials are purchased from Namchow.
	Sale and distribution of frozen noodles	Yes	The frozen noodles produced by Namchow are undertaken to be sold.
	Restaurant management	Yes	Some of the restaurant food ingredients are purchased from Chowho.
Namchow (Thailand) Ltd.	Instant noodles and rice crackers, among others	Yes	Some instant noodles sold to Huciang Industry
	Manufacturing, sale, and processing	None	
Yongju (Thailand) Ltd.	Land rental	Yes	Land is leased to Namchow (Thailand) Ltd.
Chow Ho Enterprise	Management of chain noodles stores	Yes	Frozen noodles are purchased from Namchow while some of the ingredients are sold to Dian Shui Lou and Lucky Royal

Name of associated enterprise	Industry covered in the scope of operations	Business correspondence	Interaction and division of labor
Qizhi Business Administration Cultural Co., Ltd.	Magazine publishing and release	Yes	Publications on associated enterprises
Nacia International Corporation	Investment holding	None	
Shanghai Qiaohao Trading Co.,Ltd.	Trade	None	
Namchow Cayman Islands Holdings Corporation	Investment holding	None	
Tianjin Namchow Food Co.,Ltd.	Production and sale of oil and fat products	Yes	Manufacturing and sale of products of the Group
Tianjin Yoshiyoshi Food Co., Ltd.	Production and sale of fresh cream	Yes	Manufacturing and sale of products of the Group
Namchow (BVI) Ltd.	Investment holding	None	
Shanghai BaolaiNa Co., Ltd.	Restaurant management	None	
Dian Shui Lou Restaurant Business Co., Ltd.	Restaurant management	Yes	Some of the food ingredients are purchased from Chowho.
Guangzhou Namchow Food Co.,Ltd.	Production and sale of oils and fats products	Yes	Manufacturing and sale of products of the Group
Shanghai Qizhi Business Consulting Co., Ltd.	Business administration and investment consulting	None	
Namchow Food Group (Shanghai) Co., Ltd. Company	Holding and distribution company	Yes	Storage, transportation, and sale of products of the Group
Shanghai Qiaohao Business Administration Co.,Ltd	Exhibition and business information consulting	Yes	Design and planning for companies within the Group to attend exhibitions
Shanghai Qiaohao Food Co.,Ltd	Manufacturing and sale of packaged foods	Yes	Manufacturing and sale of products of the Group

Name of associated enterprise	Industry covered in the scope of operations	Business correspondence	Interaction and division of labor
Namchow Food and Dining Consultation Co., Ltd.	Restaurant business and management consulting	None	
Shanghai Namchow Food Co., Ltd.	Production and sale of oils and fats products	Yes	Manufacturing and sale of products of the Group
Nankyo Japan Co., Ltd.	Restaurant, beverages, and alcohol business	None	
Namchow Consultation Co., Ltd.	Restaurant and food and management consulting	None	
Tianjin Qiaohao Food Co., Ltd.	Manufacturing, distribution, and sale of packaged foods	None	
Chongqing Qiaoxing Co., Ltd.	Distribution and sale of foods and corporate consulting	Yes	Storage, transportation, and sale of products of the Group
Guangzhou Yoshi Yoshi Co., Ltd	Production and sale of fresh cream	Yes	Manufacturing and sale of products of the Group
Chowfu Biotechnology Co., Ltd.	Research and development of biotechnology	None	
Wuhan Qiaoxing Co., Ltd.	Baking fats products technical service	None	

(5) Profile of directors, supervisors, and general managers of individual associated enterprises

Name of Business	Title	Name or Representative	Number of shares	
			Number of shares	Shareholding ratio
Lucky Royal Co., Ltd.	Chairman	Fei-Lung Chen, Representative of Namchow Holdings Co., Ltd.	95,337,885	99.65%
	Director	Fei-Peng Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Kan-Wen Li, Representative of Representative of Namchow Holdings Co., Ltd.		
	Supervisor	Jung-Chang Lien		
Chow Ho Enterprise Co., Ltd.	Chairman	Fei-Lung Chen, Representative of Namchow Holdings Co., Ltd.	2,500,000	100.00%
	Director	Fei-Peng Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Ming-Fen Chou, Representative of Namchow Holdings Co., Ltd.		
	Supervisor	Yi-Wen Chen		
Qizhi Business Administration Cultural Co., Ltd.	Chairman	Fei-Lung Chen, Representative of Namchow Holdings Co., Ltd.	80,000	80.00%
	Director	Fei-Peng Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Cheng-Wen Chen, Representative of Lucky Royal Co., Ltd.	10,000	10.00%
	Supervisor	Yi-Wen Chen		
Namchow (BVI) Ltd.	Chairman	Fei-Lung Chen, Representative of Lucky Royal Co., Ltd.	4,680,000	90.70%
	Director	Fei-Peng Chen, Representative of Lucky Royal Co., Ltd.		
	Director	Cheng-Wen Chen, Representative of Lucky Royal Co., Ltd.		
	Director	Yi-Wen Chen, Representative of Lucky Royal Co., Ltd.		
Nacia International Corporation	Chairman	Fei-Lung Chen, Representative of Namchow Holdings Co., Ltd.	1,250	100.00%
	Director	Fei-Peng Chen, Representative of Representative of Namchow Holdings Co., Ltd.		

Name of Business	Title	Name or Representative	Number of shares	
			Number of shares	Shareholding ratio
	Director	Yi-Wen Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Cheng-Wen Chen, Representative of Namchow Holdings Co., Ltd.		
	Director	Kan-Wen Li, Representative of Representative of Namchow Holdings Co., Ltd.		
Namchow Cayman Islands Holdings Corporation	Chairman	Fei-Lung Chen, Representative of Nancia CO., LTD.	35,378,120	100.00%
	Director	Fei-Peng Chen, Representative of Nancia CO., LTD.		
	Director	Yi-Wen Chen, Representative of Nancia CO., LTD.		
	Director	Kan-Wen Li, Representative of Nancia CO., LTD.		
	Director	Cheng-Wen Chen, Representative of Nancia CO., LTD.		
Tianjin Namchow Food Co.,Ltd.	Chairman	Yi-Wen Chen, Representative of Namchow Food Group Co., Ltd.		100.00%
	Director	Kan-Wen Li, Representative of Namchow Food Group Co., Ltd.		
	Director	Cheng-Wen Chen, Representative of Namchow Food Group Co., Ltd.		
	Director	Chou-Ching Chen, Representative of Namchow Food Group Co., Ltd.		
	Supervisor	Shih-Wei Wang, Representative of Namchow Food Group Co., Ltd.		
Tianjin Yoshiyoshi Food Co., Ltd.	Chairman	Yi-Wen Chen, Representative of Tianjin Namchow Oils and Fats Company		100.00%
	Director	Kan-Wen Li, Representative of Tianjin Namchow Oils and Fats Company		
	Director	Cheng-Wen Chen, Representative of Tianjin Namchow Oils and Fats Company		
	Director	Ming-Fen Chou, Representative of Tianjin Namchow Oils and Fats Company		

Name of Business	Title	Name or Representative	Number of shares	
			Number of shares	Shareholding ratio
	Director	Chou-Ching Chen, Representative of Tianjin Namchow Oils and Fats Company		
	Supervisor	Rui-Ying Liu, Representative of Tianjin Namchow Oils and Fats Company		
Shanghai BaolaiNa Co., Ltd.	Chairman	Cheng-Wen Chen, Representative of Namchow (BVI) Ltd.		100.00%
	Vice Chairman	Li-Ming Chen, Representative of Namchow (BVI) Ltd.		
	Vice Chairman	Jian-Fan Yu		
	Vice Chairman	Yi-Wen Chen, Representative of Namchow (BVI) Ltd.		
	Director	Chih-Mei Wang, Representative of Namchow (BVI) Ltd.		
	Supervisor	Rui-Ying Liu, Representative of Namchow (BVI) Ltd.		
Namchow (Thailand) Ltd.	Chairman	Fei-Lung Chen, Representative of Namchow Holdings Co., Ltd.	9,245,000	100.00%
	Director	Fei-Peng Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Kan-Wen Li, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Cheng-Wen Chen, Representative of Namchow Holdings Co., Ltd.		
	Director	Shu-Wen Tai, Representative of Namchow Holdings Co., Ltd.		
	Director	Ming-Fen Chou, Representative of Namchow Holdings Co., Ltd.		
	Director	Yi-Chien Wei, Representative of Namchow Holdings Co., Ltd.		
Yongju (Thailand) Ltd.	Director	Fei-Lung Chen, Representative of Namchow Holdings Co., Ltd.	100,000	100.00%
	Director	Fei-Peng Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Kan-Wen Li, Representative of Representative of Namchow Holdings Co., Ltd.		

Name of Business	Title	Name or Representative	Number of shares	
			Number of shares	Shareholding ratio
	Director	Yi-Chien Wei, Representative of Namchow Holdings Co., Ltd.		
Shanghai Qiaohao Trading Co.,Ltd.	Chairman	Cheng-Wen Chen, Representative of Namchow (Cayman Islands) Holdings Corporation		100.00%
	Director	Yi-Wen Chen, Representative of Namchow (Cayman Islands) Holdings Corporation		
	Director	Ming-Fen Chou, Representative of Namchow (Cayman Islands) Holdings Corporation		
	Supervisor	Rui-Ying Liu, Representative of Namchow (Cayman Islands) Holdings Corporation		
Dian Shui Lou Restaurant Business Co., Ltd.	Director	Fei-Lung Chen, Representative of Lucky Royal Co., Ltd.	10,400,000	100.00%
	Director	Fei-Peng Chen, Representative of Lucky Royal Co., Ltd.		
	Chairman	Yi-Wen Chen, Representative of Lucky Royal Co., Ltd.		
	Supervisor	Chih-Mei Wang, Representative of Lucky Royal Co., Ltd.		
Guangzhou Namchow Food Co.,Ltd.	Chairman	Yi-Wen Chen, Representative of Namchow Food Group Co., Ltd.		100.00%
	Director	Kan-Wen Li, Representative of Namchow Food Group Co., Ltd.		
	Director	Cheng-Wen Chen, Representative of Namchow Food Group Co., Ltd.		
	Director	Chou-Ching Chen, Representative of Namchow Food Group Co., Ltd.		
	Supervisor	Shih-Wei Wang, Representative of Namchow Food Group Co., Ltd.		
Shanghai Qizhi Business Consulting Co., Ltd.	Executive Director	Cheng-Wen Chen, Representative of Namchow (Cayman Islands) Holdings Corporation		100.00%
	Supervisor	Shih-Wei Wang, Representative of Namchow (Cayman Islands) Holdings Corporation		

Name of Business	Title	Name or Representative	Number of shares	
			Number of shares	Shareholding ratio
Namchow Food Group (Shanghai) Co., Ltd. Company	Chairman	Cheng-Wen Chen, Representative of Namchow (Cayman Islands) Holdings Corporation	346,153,846	96.15%
	Director	Yi-Wen Chen, Representative of Namchow (Cayman Islands) Holdings Corporation		
	Director	Kan-Wen Li, Representative of Namchow (Cayman Islands) Holdings Corporation		
	Director	Yi-Chien Wei, Representative of Namchow (Cayman Islands) Holdings Corporation		
	Independent Director	Ming-Chih Wang, Representative of Namchow (Cayman Islands) Holdings Corporation		
	Independent Director	Huai-Ku Chen, Representative of Namchow (Cayman Islands) Holdings Corporation		
	Supervisor	Shih-Wei Wang, Representative of Namchow (Cayman Islands) Holdings Corporation		
	Supervisor	Tien-Chueh Chien, Representative of Namchow (Cayman Islands) Holdings Corporation		
	Supervisor	Nien Liu , Representative of Namchow (Cayman Islands) Holdings Corporation		
Shanghai Qiaohao Business Administration Co.,Ltd	Executive Director	Cheng-Wen Chen, Representative of Shanghai Qiaohao Trading Co.,Ltd.		100.00%
	Supervisor	Yi-Wen Chen, Representative of Shanghai Qiaohao Trading Co.,Ltd.		
Shanghai Qiaohao Food Co.,Ltd	Chairman	Yi-Wen Chen, Representative of Shanghai Qiaohao Trading Co.,Ltd.		53.33%
	Director	Cheng-Wen Chen, Representative of Shanghai Qiaohao Trading Co.,Ltd.		
	Director	Chou-Ching Chen, Representative of Shanghai Qiaohao Trading Co.,Ltd.		
	Supervisor	Shih-Wei Wang, Representative of Namchow (Cayman Islands) Holdings Corporation, Ltd.		46.67%

Name of Business	Title	Name or Representative	Number of shares	
			Number of shares	Shareholding ratio
Namchow Food and Dining Consultation Co., Ltd.	Chairman	Chih-Mei Wang, Representative of Lucky Royal Co., Ltd.	500,000	100.00%
	Vice Chairman	Yi-Wen Chen, Representative of Lucky Royal Co., Ltd.		
	Director	Chou-Ching Chen, Representative of Lucky Royal Co., Ltd.		
	Supervisor	Ming-Fen Chou, Representative of Lucky Royal Co., Ltd.		
Shanghai Namchow Food Co., Ltd.	Chairman	Yi-Wen Chen, Representative of Namchow Food Group Co., Ltd.		100.00%
	Director	Cheng-Wen Chen, Representative of Namchow Food Group Co., Ltd.		
	Director	Chou-Ching Chen, Representative of Namchow Food Group Co., Ltd.		
	Supervisor	Shih-Wei Wang, Representative of Namchow Food Group Co., Ltd.		
Nankyo Japan Co., Ltd.	Chairman	Yi-Wen Chen, Representative of Representative of Namchow Holdings Co., Ltd.	3	100.00%
	Supervisor	Shu-Wen Tai, Representative of Namchow Holdings Co., Ltd.		
Namchow Consultation Co., Ltd.	Chairman	Zhi-Mei Wang, Representative of Namchow Holdings Co., Ltd.	500,000	100.00%
	Director	Shu-Wen Tai, Representative of Namchow Holdings Co., Ltd.		
	Director	Chou-Ching Chen, Representative of Namchow Holdings Co., Ltd.		
	Supervisor	Yi-Wen Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
Tianjin Qiaohao Food Co., Ltd.	Chairman	Yi-Wen Chen, Representative of Shanghai Qiaohao Trading Co.,Ltd.		100.00%
	Director	Cheng-Wen Chen, Representative of Shanghai Qiaohao Trading Co.,Ltd.		
	Director	Chou-Ching Chen, Representative of Shanghai Qiaohao Trading Co.,Ltd.		

Name of Business	Title	Name or Representative	Number of shares	
			Number of shares	Shareholding ratio
	Supervisor	Shih-Wei Wang, Representative of Shanghai QiaoHao Co.,Ltd.		
Chongqing Qiaoxing Co., Ltd.	Executive Director	Cheng-Wen Chen, Representative of Namchow Food Group		100.00%
	Supervisor	Yi-Wen Chen, Representative of Namchow Food Group		
Guangzhou Yoshi Yoshi Co., Ltd	Chairman	Yi-Wen Chen, Representative of Tianjin Yoshi Yoshi Food Co., Ltd.		100.00%
	Director	Kan-Wen Li, Representative of Tianjin Yoshi Yoshi Food Co., Ltd.		
	Director	Cheng-Wen Chen, Representative of Tianjin Yoshi Yoshi Food Co., Ltd.		
	Director	Ming-Fen Chou, Representative of Tianjin Yoshi Yoshi Food Co., Ltd.		
	Supervisor	Rui-Ying Liu, Representative of Tianjin Yoshi Yoshi Food Co., Ltd.		
Namchow Oils and Fats	Chairman	Fei-Lung Chen, Representative of Namchow Holdings Co., Ltd.	41,173,127	100.00%
	Director	Fei-Peng Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Kan-Wen Li, Representative of Representative of Namchow Holdings Co., Ltd.		
	Supervisor	Yi-Wen Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
Huaciang Industry	Chairman	Fei-Lung Chen, Representative of Namchow Holdings Co., Ltd.	30,000,000	100.00%
	Director	Fei-Peng Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Cheng-Wen Chen, Representative of Namchow Holdings Co., Ltd.		
	Supervisor	Yi-Wen Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
Chowfu Biotechnology Co., Ltd.	Chairman	Kuang-Ren Hsiao, Representative of Namchow Holdings Co., Ltd.	2,200,000	100.00%

Name of Business	Title	Name or Representative	Number of shares	
			Number of shares	Shareholding ratio
	Director	Yi-Wen Chen, Representative of Representative of Namchow Holdings Co., Ltd.		
	Director	Yu-Wen Chen, Representative of Namchow Holdings Co., Ltd.		
	Supervisor	Shu-Wen Tai, Representative of Namchow Holdings Co., Ltd.		
Wuhan Qiaoxing Co., Ltd.	Executive Director	Cheng-Wen Chen, Representative of Namchow Food Group		100.00%
	Supervisor	Lan-Hsin Chou, Representative of Namchow Food Group		

## 2. Overview of individual associated enterprises' operation

Unit: NTD thousands

Name of company	Code	Paid-in capital size	Gross assets	Gross liabilities	Net value	Operating revenues	Business profits	Gains and losses of the term (after tax)	Earnings per share (NT\$/after tax)
Lucky Royal Co., Ltd.	0001	956,684	3,738,277	576,524	3,161,753	1,367,412	39,226	148,392	2
Namchow (Thailand) Ltd.	0004	891,865	2,704,279	639,386	2,064,894	2,718,827	369,985	308,141	33
Yongju (Thailand) Ltd.	0005	9,647	73,068	40,103	32,965	83,455	3,453	2,434	24
Nacia International Corporation	0006	378,438	8,000,249	85	8,000,164	0	(220)	1,070,180	856,144
Namchow (BVI) Ltd.	0007	156,219	200,204	60,985	139,219	0	(77)	(22,586)	(4)
Shanghai BaolaiNa Co., Ltd.	0008	112,018	847,904	654,502	193,402	709,037	2,431	(12,037)	-
Chow Ho Enterprise Co., Ltd.	0009	25,000	29,476	10,476	19,000	26,795	(5,330)	(5,381)	(2)
Qizhi Business Administration Cultural Co., Ltd.	0011	1,000	217	60	157	70	1	1	0
Shanghai Qiaohao Trading Co.,Ltd.	0015	669,270	562,849	158,314	404,534	71,400	(85,871)	(113,953)	-
Namchow Cayman Islands Holdings Corporation	0017	1,085,455	8,349,920	475,254	7,874,666	0	(643)	1,069,885	30
Tianjin Namchow Food Co.,Ltd.	0019	756,875	2,825,934	1,154,201	1,671,732	1,976,917	79,418	232,451	-
Tianjin Yoshiyoshi Food Co., Ltd.	0020	121,100	983,923	292,790	691,132	462,243	1,395	124,107	-
Dian Shui Lou Restaurant Business Co., Ltd.	0021	104,000	449,083	326,921	122,162	589,768	14,728	12,825	1
Guangzhou Namchow Food Co.,Ltd.	0023	544,950	3,596,085	313,236	3,282,848	2,825,134	348,760	336,590	-
Shanghai Qizhi Business Consulting Co., Ltd.	0024	4,541	7,296	0	7,296	0	(118)	405	-
Namchow Food Group (Shanghai) Co., Ltd. Company	0025	856,481	10,250,547	2,429,349	7,821,198	7,701,575	434,568	1,318,425	4
Shanghai Qiaohao Business Administration Co.,Ltd	0026	961	861	0	861	0	0	0	-
Shanghai Qiaohao Food Co.,Ltd	0027	704,181	949,674	442,893	506,782	94,491	(78,794)	(59,092)	-
Namchow Food and Dining Consultation Co., Ltd.	0028	5,000	4,784	352	4,432	0	(2,607)	(2,605)	(5)
Shanghai Namchow Food Co., Ltd.	0029	676,597	2,933,053	2,266,253	666,801	2,095,852	154,690	59,481	-
Nankyo Japan Co., Ltd.	0030	308,530	1,664,975	1,558,155	106,820	13,331	(64,364)	(82,775)	-

Name of company	Code	Paid-in capital size	Gross assets	Gross liabilities	Net value	Operating revenues	Business profits	Gains and losses of the term (after tax)	Earnings per share (NT\$/after tax)
Namchow Consultation Co., Ltd.	0031	5,000	1,780	93	1,687	0	(395)	(394)	(1)
Chowfu Biotechnology Co., Ltd.	0032	22,000	21,323	9,389	11,934	0	(12,375)	(10,382)	(5)
Tianjin Qiaohao Food Co., Ltd.	0033	90,836	61,721	6,718	55,004	0	(12,237)	(9,194)	-
Chongqing Xiaoxing Co., Ltd.	0034	94,200	1,172,300	575,146	597,154	3,383,907	370,528	334,855	-
Namchow Oils and Fats	0035	411,731	1,490,828	894,971	595,857	1,879,179	180,634	145,839	4
Huaciang Industry	0036	300,000	845,832	571,856	273,976	1,071,020	(21,186)	(26,018)	(1)
Guangzhou Yoshi Yoshi Co., Ltd	0037	452,150	785,704	135,365	650,339	768,238	118,384	118,945	-
Wuhan Qiaoxing Co., Ltd.	0038	215,250	215,256	126	215,130	0	(125)	(125)	-

### 3. Relations Report

The Company is not an affiliate of another company as indicated in the chapter about Associated Enterprises of the Company Act and hence it is not necessary to compile the Relations Report with its controlling companies.

**(II) Organization of the Latest Private Placement Securities as of the Date of Printing of the Annual Report:** None.

**(III) Holding or disposal of the Company's shares by its subsidiaries of the latest year and up to the date of printing of the Annual Report:**

Unit: NTD Thousand; Share; %

Name of company	Paid-in capital size	Capital Source	Shareholding Ratio in the Company	Date of Acquisition or Disposal	Number and Value of Shares Acquired	Number of shares disposed of and value	Investment Profit and Loss	Number of shares held as of the date the Annual Report was printed and value	Pledge created	Value of endorsement and guarantee of the Company to its subsidiary	Value lent by the Company to its subsidiary
Lucky Royal Co., Ltd.	956,684	Self-capital	99.65%	By January 01, 2017	46,041,259 shares acquired Amount 530,113 thousand			46,041,259 shares Value 530,113 thousand	None	None	None
				2017	None	None	None				
				This year up to the date the Annual Report was printed	None	None	None				

**(IV) Other matters requiring supplementary information:** None.

※Latest Matters with Important Impacts on Shareholder Rights or Security Prices Indicated in Article 36 Paragraph 3 Subparagraph 2 of the Securities Exchange Act as of the Date of Printing of Annual Report: None

*Namchow Holdings CO.,Ltd.*



*(Formerly known as Namchow Chemical Industrial Co., Ltd.)*

*Person in Charge:* 陈孔能



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

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2019 and 2018**

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

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

## Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Organization and business scope	9
(2) Approval date and procedures of the consolidated financial statements	9
(3) New standards, amendments and interpretations adopted	9~12
(4) Significant accounting policies	12~29
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	29~30
(6) Description of significant accounts	30~65
(7) Related-party transactions	65~66
(8) Pledged assets	66
(9) Significant commitments and contingencies	66~67
(10) Significant losses from calamity	67
(11) Significant subsequent events	67
(12) Others	67
(13) Other disclosures	
(a) Information on significant transactions	68~71
(b) Information on investees	71~72
(c) Information on investment in Mainland China	72~73
(14) Segment information	73~76

## Representation Letter

The entities that are required to be included in the combined financial statements of Namchow Holdings Co., Ltd. as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Namchow Holdings Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Namchow Holdings Co., Ltd.

Chairman: Fei-Lung Chen

Date: March 26, 2020

## Independent Auditors' Report

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

### Opinion

We have audited the consolidated financial statements of Namchow Holdings Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation developed by the International Financial Reporting Interpretation Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, the key audit matters we communicated in the auditor's report were as follows:

### 1. Impairment of trades receivable

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

### 2. Valuation of inventories

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

Description of key audit matter:

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

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

How the matter was addressed in our audit:

Our principal audit procedures included

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

### 3. Revenue recognition – customer loyalty program

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

### **Other Matter**

Namchow Holdings Co., Ltd. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unqualified opinion.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Po-Shu Huang and Lin Wu.

KPMG

Taipei, Taiwan (Republic of China)  
March 26, 2020

#### **Notes to Readers**

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

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

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

**Consolidated Balance Sheets**

**December 31, 2019 and 2018**

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2019		December 31, 2018			December 31, 2019		December 31, 2018			
	Amount	%	Amount	%		Amount	%	Amount	%		
<b>Assets</b>					<b>Liabilities and Equity</b>						
<b>Current assets:</b>					<b>Current liabilities:</b>						
1100	Cash and cash equivalents (note 6(a))	\$ 4,623,715	19	4,708,562	22	2100	Short-term borrowings (notes 6(k) and 8)	\$ 3,642,940	15	3,933,410	18
1110	Financial assets at fair value through profit or loss – current (note 6(b))	218,568	1	-	-	2322	Current portion of long-term borrowings (notes 6(k) and 8)	444,141	2	1,052,335	5
1150	Notes receivable, net (note 6(d))	166,114	1	212,925	1	2130	Contract liabilities (note 6(t))	443,417	2	511,135	2
1170	Accounts receivable, net (note 6(d))	1,574,372	7	1,609,130	7	2150	Notes payable	-	-	7,040	-
1200	Other receivables (note 6(e))	45,904	-	55,369	-	2170	Accounts payable	968,336	4	937,832	4
1220	Current income tax assets	188,552	1	180,420	1	2219	Other payables (notes 6(u) and 9)	1,419,633	5	1,355,538	6
130x	Inventories (note 6(f))	2,222,431	9	2,211,404	10	2230	Current income tax liabilities	137,609	1	164,294	1
1410	Prepayments	403,815	2	534,330	2	2280	Current lease liabilities (notes 6(n) and 7)	228,455	1	-	-
1470	Other current assets	69,148	-	68,826	-	2399	Other current liabilities	62,619	-	36,860	-
	<b>Total current assets</b>	<u>9,512,619</u>	<u>40</u>	<u>9,580,966</u>	<u>43</u>		<b>Total current liabilities</b>	<u>7,347,150</u>	<u>30</u>	<u>7,998,444</u>	<u>36</u>
<b>Non-current assets:</b>					<b>Non-current liabilities:</b>						
1517	Financial assets at fair value through other comprehensive income – non-current (note 6(c))	43,623	-	40,259	-	2530	Bonds payable (note 6(l))	3,958,804	17	3,937,311	18
1600	Property, plant and equipment (notes 6(g), 8 and 9)	12,408,247	52	11,793,459	53	2540	Long-term borrowings (notes 6(k) and 8)	3,717,266	16	2,549,625	11
1755	Right-of-use assets (notes 6(h) and 7)	1,424,126	6	-	-	2580	Provision liabilities – non-current (note 6(m))	15,784	-	14,259	-
1760	Investment property (note 6(i))	42,362	-	47,333	-	2570	Lease liabilities – non-current (notes 6(n) and 7)	962,190	4	-	-
1805	Goodwill (note 6(j))	105,417	-	105,417	1	2640	Deferred income tax liabilities (note 6(q))	1,134,582	5	1,002,177	5
1840	Deferred income tax assets	174,721	1	191,373	1	2670	Accrued pension liabilities – non-current (note 6(p))	251,229	1	254,595	1
1915	Prepayments for equipment	36,948	-	51,914	-		Other non-current liabilities	48,164	-	56,431	-
1985	Long-term prepaid rents	-	-	221,733	1		<b>Total non-current liabilities</b>	<u>10,088,019</u>	<u>43</u>	<u>7,814,398</u>	<u>35</u>
1990	Other non-current assets (note 8)	107,119	1	76,409	1		<b>Total liabilities</b>	<u>17,435,169</u>	<u>73</u>	<u>15,812,842</u>	<u>71</u>
	<b>Total non-current assets</b>	<u>14,342,563</u>	<u>60</u>	<u>12,527,897</u>	<u>57</u>	3100	<b>Equity attributable to shareholders of parent (notes 6(p) and (r)):</b>				
						3200	Common stock	2,941,330	12	2,941,330	13
						3310	Capital surplus	1,136,347	5	1,011,972	5
						3320	Retained earnings:				
						3350	Legal reserve	740,987	3	639,714	3
							Special reserve	1,071,360	4	512,508	2
							Unappropriated earnings	1,562,023	7	2,035,934	9
								3,374,370	14	3,188,156	14
						3410	Other equity:				
						3420	Financial statement translation differences for foreign operations	(725,159)	(3)	(506,975)	(2)
							Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(48,516)	-	(51,878)	-
								(773,675)	(3)	(558,853)	(2)
						3500	Treasury stock	(576,860)	(2)	(576,860)	(2)
							<b>Total equity attributable to shareholders of parent</b>	<u>6,101,512</u>	<u>26</u>	<u>6,005,745</u>	<u>28</u>
						36xx	<b>Non-controlling interests</b>	318,501	1	290,276	1
							<b>Total equity</b>	<u>6,420,013</u>	<u>27</u>	<u>6,296,021</u>	<u>29</u>
<b>Total assets</b>		<u>\$ 23,855,182</u>	<u>100</u>	<u>22,108,863</u>	<u>100</u>		<b>Total liabilities and equity</b>	<u>\$ 23,855,182</u>	<u>100</u>	<u>22,108,863</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2019 and 2018**

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

	2019		2018	
	Amount	%	Amount	%
4000 <b>Operating revenue (note 6(t))</b>	\$ 18,343,979	100	18,287,354	100
5000 <b>Operating costs (notes 6(f), (g), (h), (m), (o), (p) and 9)</b>	<u>11,918,057</u>	<u>65</u>	<u>12,209,502</u>	<u>67</u>
5900 <b>Gross profit</b>	<u>6,425,922</u>	<u>35</u>	<u>6,077,852</u>	<u>33</u>
6000 <b>Operating expenses (notes 6(d), (e), (g), (h), (o), (p), (u) and 7):</b>				
6100 Selling expenses	2,924,778	16	2,683,696	15
6200 General and administrative expenses	1,404,245	8	1,421,477	8
6300 Research and development expenses	422,742	2	303,232	2
6450 Expected credit loss (gain) for bad debt expense	<u>3,069</u>	<u>-</u>	<u>(823)</u>	<u>-</u>
<b>Total operating expenses</b>	<u>4,754,834</u>	<u>26</u>	<u>4,407,582</u>	<u>25</u>
<b>Other income:</b>				
6900 <b>Operating profit</b>	<u>1,671,088</u>	<u>9</u>	<u>1,670,270</u>	<u>8</u>
7000 <b>Non-operating income and expenses (notes 6(i) and (v)):</b>				
7010 Other income	243,884	1	189,617	1
7020 Other gains and losses	(49,891)	-	(137,801)	(1)
7050 Finance costs	<u>(262,612)</u>	<u>(1)</u>	<u>(206,443)</u>	<u>(1)</u>
<b>Total non-operating income and expenses</b>	<u>(68,619)</u>	<u>-</u>	<u>(154,627)</u>	<u>(1)</u>
<b>Profit from continuing operations before tax</b>	1,602,469	9	1,515,643	7
7950 <b>Less: Income tax expenses (note 6(q))</b>	<u>589,162</u>	<u>3</u>	<u>453,830</u>	<u>2</u>
<b>Profit</b>	<u>1,013,307</u>	<u>6</u>	<u>1,061,813</u>	<u>5</u>
8300 <b>Other comprehensive income (notes 6(p) and (r)):</b>				
8310 <b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
8311 Gains on remeasurements of defined benefit plans	14,251	-	18,303	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	3,362	-	(2,764)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	<u>17,613</u>	<u>-</u>	<u>15,539</u>	<u>-</u>
8360 <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361 Exchange differences on translation of foreign financial statements	(239,147)	(1)	(79,844)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	<u>(239,147)</u>	<u>(1)</u>	<u>(79,844)</u>	<u>-</u>
8300 <b>Other comprehensive income</b>	<u>(221,534)</u>	<u>(1)</u>	<u>(64,305)</u>	<u>-</u>
<b>Total comprehensive income</b>	<u>\$ 791,773</u>	<u>5</u>	<u>997,508</u>	<u>5</u>
<b>Net income (loss) attributable to:</b>				
8610 Shareholders of the parent	\$ 964,149	6	1,012,724	5
8620 Non-controlling interests	<u>49,158</u>	<u>-</u>	<u>49,089</u>	<u>-</u>
	<u>\$ 1,013,307</u>	<u>6</u>	<u>1,061,813</u>	<u>5</u>
<b>Total Comprehensive income attributable to:</b>				
8710 Shareholders of the parent	\$ 763,548	5	954,252	5
8720 Non-controlling interests	<u>28,225</u>	<u>-</u>	<u>43,256</u>	<u>-</u>
	<u>\$ 791,773</u>	<u>5</u>	<u>997,508</u>	<u>5</u>
9750 <b>Basic earnings per share (in New Taiwan dollars) (note 6(s))</b>	<u>\$ 3.90</u>		<u>4.09</u>	
9850 <b>Diluted earnings per share (in New Taiwan dollars) (note 6(s))</b>	<u>\$ 3.89</u>		<u>4.09</u>	

See accompanying notes to financial statements.

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

**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent						Total other equity interest			Treasury stock	Total equity attributable to shareholders of the parent	Non-controlling interests	Total equity
	Retained earnings					Total	Financial statements translation differences for foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total				
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings								
<b>Balance at January 1, 2018</b>	\$ 2,941,330	886,756	540,441	512,508	1,896,370	2,949,319	(432,998)	(49,114)	(482,112)	(576,860)	5,718,433	247,019	5,965,452
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	99,273	-	(99,273)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	123,876	-	-	(792,156)	(792,156)	-	-	-	-	(668,280)	-	(668,280)
Other changes in capital surplus	-	1,340	-	-	-	-	-	-	-	-	1,340	-	1,340
Net income	-	-	-	-	1,012,724	1,012,724	-	-	-	-	1,012,724	49,089	1,061,813
Other comprehensive income (loss)	-	-	-	-	18,269	18,269	(73,977)	(2,764)	(76,741)	-	(58,472)	(5,832)	(64,304)
Total comprehensive income (loss)	-	-	-	-	1,030,993	1,030,993	(73,977)	(2,764)	(76,741)	-	954,252	43,257	997,509
<b>Balance at December 31, 2018</b>	2,941,330	1,011,972	639,714	512,508	2,035,934	3,188,156	(506,975)	(51,878)	(558,853)	(576,860)	6,005,745	290,276	6,296,021
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	101,273	-	(101,273)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	558,852	(558,852)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	123,876	-	-	(792,156)	(792,156)	-	-	-	-	(668,280)	-	(668,280)
Other changes in capital surplus	-	499	-	-	-	-	-	-	-	-	499	-	499
Net income	-	-	-	-	964,149	964,149	-	-	-	-	964,149	49,158	1,013,307
Other comprehensive income (loss)	-	-	-	-	14,221	14,221	(218,184)	3,362	(214,822)	-	(200,601)	(20,933)	(221,534)
Total comprehensive income (loss)	-	-	-	-	978,370	978,370	(218,184)	3,362	(214,822)	-	763,548	28,225	791,773
<b>Balance at December 31, 2019</b>	\$ <u>2,941,330</u>	<u>1,136,347</u>	<u>740,987</u>	<u>1,071,360</u>	<u>1,562,023</u>	<u>3,374,370</u>	<u>(725,159)</u>	<u>(48,516)</u>	<u>(773,675)</u>	<u>(576,860)</u>	<u>6,101,512</u>	<u>318,501</u>	<u>6,420,013</u>

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

**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
<b>Consolidated net income before tax</b>	\$ 1,602,469	1,515,643
<b>Adjustments:</b>		
Adjustments to reconcile profit and loss:		
Depreciation	1,041,897	795,598
Impairment loss (reversal of impairment loss)	3,069	(823)
Gains on financial assets at fair value through profit or loss	(3,444)	-
Interest expense	262,612	206,443
Interest income	(74,178)	(54,728)
Loss on disposal of property, plant and equipment	19,502	(1,793)
Property, plant and equipment transferred to expenses	19,571	-
Loss on lease modification	79	-
Total adjustments to reconcile profit	<u>1,269,108</u>	<u>944,697</u>
Changes in assets / liabilities relating to operating activities:		
Changes in operating assets:		
Notes receivable	46,811	(679)
Accounts receivable	32,306	72,762
Other receivable	9,080	(5,428)
Inventories	(11,027)	210,373
Prepayments	129,990	75,181
Other current assets	(322)	(18,416)
Total changes in operating assets, net	<u>206,838</u>	<u>333,793</u>
Changes in operating liabilities:		
Contract liabilities	(67,718)	86,957
Notes payable	(7,040)	7,040
Accounts payable	30,504	(84,418)
Other payables	66,622	(221,169)
Provisions liabilities	1,525	3,804
Other current liabilities	29,134	1,200
Net defined benefit liabilities	10,885	(56,777)
Total changes in operating liabilities, net	<u>63,912</u>	<u>(263,363)</u>
Total changes in operating assets / liabilities, net	<u>270,750</u>	<u>70,430</u>
Total adjustments	<u>1,539,858</u>	<u>1,015,127</u>
Cash provided by operating activities	3,142,327	2,530,770
Interest income received	74,178	54,728
Interest paid	(201,791)	(184,949)
Income taxes paid	(474,922)	(393,981)
<b>Net cash provided by operating activities</b>	<u>2,539,792</u>	<u>2,006,568</u>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets designated at fair value through profit or loss	(215,124)	-
Acquisition of property, plant and equipment	(1,681,900)	(1,049,851)
Proceeds from disposal of property, plant and equipment	4,268	15,217
Acquisition of right-of-use assets	(415)	-
Decrease (increase) in other non-current assets	(30,710)	8,805
Decrease in other prepayments	-	6,869
<b>Net cash used in investing activities</b>	<u>(1,923,881)</u>	<u>(1,018,960)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	15,964,091	11,064,196
Decrease in short-term borrowings	(16,312,691)	(10,389,196)
Decrease in short-term notes and bills payable	-	(94,968)
Proceeds from long-term borrowings	8,270,512	3,883,925
Repayments of long-term borrowings	(7,685,055)	(4,790,115)
Payment of lease liabilities	(220,445)	-
Decrease in other non-current liabilities	(7,359)	(3,487)
Cash dividends paid	(668,280)	(668,280)
Interest paid	(39,328)	-
Overaging unclaimed dividends	499	1,340
<b>Net cash used in financing activities</b>	<u>(698,056)</u>	<u>(996,585)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(2,702)</u>	<u>55,041</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(84,847)	46,064
<b>Cash and cash equivalents at beginning of period</b>	4,708,562	4,662,498
<b>Cash and cash equivalents at end of period</b>	<u>\$ 4,623,715</u>	<u>4,708,562</u>

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

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2019 and 2018**

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

**(1) Organization and business scope**

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

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

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

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

The consolidated financial statements were authorized for issue by the Board of Directors on March 26, 2020.

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

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning, or after, January 1, 2019. The differences between the current version and the previous version are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019

(Continued)

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

Except for the IFRS 16 “Leases” the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

IFRS 16 replaces the existing leases guidance, including IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases – Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

(i) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is, or contains, a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is, or contains, a lease based on the definition of a lease, as explained in note 4(k).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on, or after, January 1, 2019.

(ii) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes the right-of-use assets and lease liabilities for most its leases, which are recorded in the balance sheet.

The Group decided to apply the recognition exemptions to the short-term leases of its machinery and leases of other equipment.

At transition, lease liabilities recognized for leases previously classified as an operating leases under IAS 17, were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at the date of initial application. Right-of-use assets are measured an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

(Continued)

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

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- 1) Applied a single discount rate to a portfolio of leases with similar characteristics.
- 2) Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application as an alternative to an impairment review.
- 3) Applied the exemption not to recognize the right-of-use assets and liabilities for leases with less than 12 months of lease term.
- 4) Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- 5) Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(iii) Impacts on financial statements

On transition to IFRS 16, the Group recognized the additional amounts of \$1,346,969 thousand of right-of-use assets and \$1,065,090 thousand of lease liabilities, less \$525 thousand of prepayments, \$221,733 thousand of long-term prepaid rents, \$3,375 thousand of other current liability and \$908 thousand of other non-current liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.26%.

An explanation of the differences between the operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and the lease liabilities recognized in the statement of financial position at the date of initial application disclosed, is as follows:

	<b>January 1, 2019</b>
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ 888,460
Extension and termination options reasonably certain to be exercised	194,883
	<b>\$ 1,083,343</b>
Discounted using the incremental borrowing rate at January 1, 2019	\$ 1,060,210
Finance lease liabilities recognized as at December 31, 2018	4,880
Lease liabilities recognized at January 1, 2019	<b>\$ 1,065,090</b>

(Continued)

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

- (b) The impact of IFRS endorsed by FSC that will soon take effect

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

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

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

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

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

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

The Group assessed that the above IFRSs may not be relevant to the Group.

**(4) Significant accounting policies**

The significant accounting policies presented in the consolidated financial statements are summarized as follows. Except for Notes 3 and 4(k), the following accounting policies have been applied consistently throughout the presented periods in the consolidated financial statements.

- (a) Statement of compliance

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

- (b) Basis of preparation

- (i) Basis of measurement

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

(Continued)

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

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

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

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

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

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

List of the subsidiaries included in the consolidated financial statements:

Name investor	Name of investee	Scope of business	Percentage of ownership		Description
			December 31, 2019	December 31, 2018	
The Company	Namchow (Thailand) Ltd.	Manufacturing and selling of instant noodles and rice cracker	100.00 %	100.00 %	
The Company	Mostro (Thailand) Ltd.	Manufacturing and selling of food	100.00 %	100.00 %	
The Company	Nacia International Corp. (Nacia Co.)	Holding of investments	100.00 %	100.00 %	
The Company	Chow Ho Enterprise Co., Ltd. (Chow Ho Co.)	Catering services, food and beverage retailing, and frozen food manufacturing	100.00 %	100.00 %	
The Company	Lucky Royal Co., Ltd. (Lucky Co.)	Manufacturing, selling and processing of various food and beverage products	99.00 %	99.00 %	

(Continued)

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

Name investor	Name of investee	Scope of business	Percentage of ownership		Description
			December 31, 2019	December 31, 2018	
The Company	Nankyo Japan Co., Ltd. (Nankyo Japan Co.)	Catering services, Bistro and wine-selling	100.00 %	100.00 %	
The Company	Namchow Consulting Company, Ltd. (Namchow Consulting Co.)	Catering services, food and beverage retailing and other consulting services	100.00 %	100.00 %	
The Company	Chow Food Biotechnology Co., Ltd. (Chow Food Co.)	Development of biotechnology products	100.00 %	100.00 %	
The Company	Namchow Oil and Fat Co., Ltd. (Namchow Oil and Fat Co.)	Manufacturing, processing and selling of edible oil and frozen dough	100.00 %	100.00 %	
The Company	Huaciang Industry Co., Ltd. (Huaciang Co.)	Manufacturing, processing and selling of dish and laundry liquid detergent as well as frozen food	100.00 %	100.00 %	
The Company and Lucky Co.	Navigator Business Publications Co., Ltd. (NBP Co.)	Publishing, distributing and selling of printed publications	90.00 %	90.00 %	Note 1
Lucky Co.	Namchow (British Virgin Island) Ltd. (Namchow BVI Co.)	Holding of investments	90.00 %	90.00 %	
Lucky Co.	Dian Shui Lou Restaurant Business Co., Ltd. (Dian Shui Lou Co.)	Liquor importing and retailing, and catering services	99.00 %	99.00 %	Note 2
Lucky Co.	Namchow Gastronomy Consulting Company, Ltd. (Namchow Gastronomy Consulting Co.)	Catering services and food consulting services	99.00 %	99.00 %	Note 2
Namchow BVI Co.	Shanghai Bao Lai Na Company Limited. (Bao Lai Na Co.)	Multinational eateries, and the promotion and management of craft beers	90.00 %	90.00 %	
Nacia Co.	Namchow (Cayman Islands) Holding Corp. (Namchow Cayman Co.)	Holding of investments	100.00 %	100.00 %	
Shanghai Qiaohao Co.	Shanghai Qiaohao Enterprise Management Co., Ltd. (Shanghai Qiaohao Enterprise Management Co.)	Business management and investment consulting services	100.00 %	100.00 %	
Namchow Cayman Co. and Shanghai Qiaohao Co.	Shanghai Qiaohao Food Co., Ltd. (Shanghai Qiaohao Food Co.)	Food packaging, selling and trading of restaurant equipment	100.00 %	100.00 %	Note 3
Shanghai Qiaohao Co.	Tianjin Qiaohao Food Co., Ltd. (Tianjin Qiaohao Food Co.)	Food packaging, selling and trading of restaurant equipment	100.00 %	100.00 %	
Namchow Cayman Co.	Shanghai Qiaohao Trading Co., Ltd. (Shanghai Qiaohao Co.)	Holding of investments and international trade	100.00 %	100.00 %	
Namchow Cayman Co.	Shanghai Qizhi Business Consulting Co., Ltd. (Shanghai Qizhi Co.)	Business management and investment consulting services	100.00 %	100.00 %	
Namchow Cayman Co. and Shanghai Qizhi Co.	Namchow Food Group (Shanghai) Co., Ltd. (Namchow Food Co.)	Food packaging, dairy product and product purchasing management and selling	96.15 %	96.15 %	
Namchow Cayman Co. and Namchow Food Co.	Shanghai Namchow Food co., Ltd. (Shanghai Namchow Co.)	Developing, manufacturing, processing and selling of edible oil, and frozen food manufacturing	96.15 %	96.15 %	
Namchow Food Co.	Tianjin Namchow Food Co., Ltd. (Tianjin Namchow Co.)	Manufacturing, and selling of edible oil and related services	96.15 %	96.15 %	
Namchow Food Co.	Guangzhou Namchow Food Co., Ltd. (Guangzhou Namchow Co.)	Manufacturing, and selling of edible oil and related services	96.15 %	96.15 %	
Namchow Food Co.	Chongqing Qiaoxing Co., Ltd. (Chongqing Qiaoxing Co.)	Food packaging, dairy product and product purchasing management and selling	96.15 %	96.15 %	
Namchow Food Co.	Wuhan Qiaoxing Co., Ltd. (Wuhan Qiaoxing Co.)	The technical service of baking oil and fat product	96.15 %	- %	Note 4
Tianjin Namchow Co.	Tianjin Yoshi Yoshi Food Co., Ltd. (Tianjin Yoshi Yoshi Co.)	Developing , manufacturing, and selling of dairy products and related services	96.15 %	96.15 %	
Tianjin Yoshi Yoshi Co.	Guangzhou Yoshi Yoshi Food Co., Ltd. (Guangzhou Yoshi Yoshi Co.)	Developing , manufacturing, and selling of dairy products and related services	96.15 %	96.15 %	

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

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

(Continued)

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

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

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

(d) Foreign currency

(i) Foreign currency transactions

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

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

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

(ii) Foreign operations

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

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

(Continued)

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

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

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

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

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

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

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(i) Financial assets

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

(Continued)

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

(Continued)

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

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

(Continued)

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

2) **Treasury shares**

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

3) **Financial liabilities**

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

4) **Derecognition of financial liabilities**

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

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

5) **Offsetting of financial assets and liabilities**

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

(h) **Inventories**

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

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

(Continued)

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

(i) Investment property

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

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

(Continued)

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

(k) Leases

Applicable commencing January 1, 2019

(i) Identifying a lease

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

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

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

(ii) As a lessee

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

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

(Continued)

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

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

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

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

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

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

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

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

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

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

(Continued)

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

Applicable before January 1, 2019

(i) Prepaid land lease

Prepaid land lease is the Group's right of land use, which is recorded under acquisition costs, and is amortized within a useful term of 50 years by using the straight line method, and is also reclassified as prepaid expenses and long term prepaid rents.

(ii) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into an operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(iii) Lessee

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present of the minimum lease payments. Subsequent minimum lease payments are attributable to finance cost and the reduction of the outstanding liabilities, and the finance cost is allocated to each period during the lease term using a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognized in the Group's statement of financial position. Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral of the total lease expense over the term of the lease. Any benefit provided by the lessor for the purpose of reaching the agreement is accounted for as a reduction of lease expense on a straight-line basis.

(I) Intangible assets – Goodwill

(i) Recognition

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

(ii) Measurement

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

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

(Continued)

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

(m) Impairment of non-financial assets

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

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

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

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

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

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

(n) Provisions

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

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

(Continued)

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

(o) Revenue from contracts with customers

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

(i) Sale of goods

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

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

(ii) Customer loyalty program

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

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

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

(Continued)

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

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

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

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

(iii) Short term employee benefits

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

(q) Income tax

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

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

(Continued)

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

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

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

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

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

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

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

- (r) Earnings per share

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

(Continued)

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

(s) Operating segments

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

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

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

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

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

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

(a) The loss allowance of trade receivable

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

(b) Valuation of inventories

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

(Continued)

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

(c) Revenue recognition – customer loyalty program

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

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

**(6) Description of significant accounts**

(a) Cash and cash equivalents

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Cash on hand	\$ 15,832	8,648
Savings and checking deposits	4,343,602	3,578,249
Time deposits	242,756	1,121,665
Cash equivalents	<u>21,525</u>	<u>-</u>
Cash and cash equivalents per statements of cash flow	<b><u>\$ 4,623,715</u></b>	<b><u>4,708,562</u></b>

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

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Mandatorily measured at fair value through profit or loss:		
Structured deposits	<b><u>\$ 218,568</u></b>	<b><u>-</u></b>

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

(Continued)

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

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

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Equity investments at fair value through other comprehensive income		
Stocks listed on domestic markets	\$ 16,457	13,093
Stocks unlisted on domestic markets	<u>27,166</u>	<u>27,166</u>
Total	<u>\$ 43,623</u>	<u>40,259</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.

No strategic investments were disposed for the years ended December 31, 2019 and 2018, 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>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Notes receivable	\$ 166,114	212,925
Accounts receivable	1,589,285	1,628,166
Less: allowance for impairment	<u>14,913</u>	<u>19,036</u>
	<u>\$ 1,740,486</u>	<u>1,822,055</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>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average expected credit loss rate</b>	<b>Loss allowance provision</b>
Not overdue	\$ 1,584,072	0~0.64%	2,397
Overdue 1~30 days	144,172	0.18~11.71%	1,990
Overdue 31~60 days	14,523	0.24~60.59%	860
Overdue 61~90 days	1,430	1.01~100.00%	469
Overdue 91~180 days	4,374	1.00~100.00%	3,243
Overdue 181~365 days	3,532	1.01~75.53%	2,658
Overdue 365 days past due	3,296	100.00%	3,296
	<b><u>\$ 1,755,399</u></b>		<b><u>14,913</u></b>
	<b>December 31, 2018</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average expected credit loss rate</b>	<b>Loss allowance provision</b>
Not overdue	\$ 1,684,834	0~0.63%	2,697
Overdue 1~30 days	131,305	0.04~10.43%	2,148
Overdue 31~60 days	9,635	3.63~52.47%	742
Overdue 61~90 days	2,436	1~100%	1,584
Overdue 91 days past due	3,384	10.42~100%	2,438
Overdue 181~365 days	368	81.94%~100%	314
Overdue 365 days past due	9,129	100%	9,113
	<b><u>\$ 1,841,091</u></b>		<b><u>19,036</u></b>

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

	<b>2019</b>	<b>2018</b>
Balance on January 1	\$ 19,036	20,253
Impairment losses recognized (reversal)	2,669	(823)
Amounts written off	(6,575)	(244)
Effect of changes in exchange rates	(217)	(150)
Balance on December 31	<b><u>\$ 14,913</u></b>	<b><u>19,036</u></b>

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

(Continued)

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

## (e) Other receivables

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Other receivables	\$ 46,289	70,488
Less: loss allowance	385	15,119
	<b><u>\$ 45,904</u></b>	<b><u>55,369</u></b>

The Group's other receivables which were overdue on December 31, 2019 and 2018, have been assessed for impairment losses.

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

	<b>2019</b>	<b>2018</b>
Balance on January 1	\$ 15,119	15,119
Impairment loss recognized	400	-
Amounts written off	(15,119)	-
Effect of changes in exchange rates	(15)	-
Balance on December 31	<b><u>\$ 385</u></b>	<b><u>15,119</u></b>

## (f) Inventories

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Merchandise	\$ 57,336	73,160
Finished goods	974,280	895,434
Work in progress	85,530	103,974
Raw materials	730,029	803,460
Supplies	237,269	241,859
Goods in transit	137,987	93,517
Total	<b><u>\$ 2,222,431</u></b>	<b><u>2,211,404</u></b>

As of December 31, 2019 and 2018, 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>2019</b>	<b>2018</b>
Reversal of decline in market value of inventory	\$ (1,260)	(1,392)
Loss on physical count, net	2,976	3,197
Loss on scrap of inventory	9,482	15,216
Income from sale of scrap	(17,834)	(16,468)
Total	<b><u>\$ (6,636)</u></b>	<b><u>553</u></b>

(Continued)

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

(g) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Unfinished construction</u>	<u>Total</u>
Cost and revaluation:						
Balance at January 1, 2019	\$ 2,892,515	4,989,234	6,523,477	3,955,228	828,149	19,188,603
Additions	-	20,404	57,510	128,591	1,440,583	1,647,088
Disposals	-	(22,757)	(7,226)	(32,667)	(740)	(63,390)
Reclassification	-	717,242	59,344	(79)	(813,074)	(36,567)
Effect of changes in exchange rates	2,554	(133,601)	(42,438)	(66,716)	(10,433)	(250,634)
Balance at December 31, 2019	<u>\$ 2,895,069</u>	<u>5,570,522</u>	<u>6,590,667</u>	<u>3,984,357</u>	<u>1,444,485</u>	<u>20,485,100</u>
Balance at January 1, 2018	\$ 2,850,929	4,689,806	6,376,481	3,794,248	779,929	18,491,393
Additions	-	24,634	44,828	169,537	569,710	808,709
Disposals	-	(25,795)	(30,029)	(106,950)	(6,277)	(169,051)
Reclassification	-	357,543	155,063	132,485	(549,906)	95,185
Effect of changes in exchange rates	41,586	(56,954)	(22,866)	(34,092)	34,693	(37,633)
Balance at December 31, 2018	<u>\$ 2,892,515</u>	<u>4,989,234</u>	<u>6,523,477</u>	<u>3,955,228</u>	<u>828,149</u>	<u>19,188,603</u>
Depreciation and impairment loss:						
Balance at January 1, 2019	\$ 31,953	1,333,606	3,686,267	2,343,318	-	7,395,144
Depreciation	-	160,087	296,811	326,537	-	783,435
Disposal	-	(9,055)	(5,823)	(24,742)	-	(39,620)
Reclassification	-	-	14,239	(6,363)	-	7,876
Effect of changes in exchange rates	-	(22,242)	(5,997)	(41,743)	-	(69,982)
Balance at December 31, 2019	<u>\$ 31,953</u>	<u>1,462,396</u>	<u>3,985,497</u>	<u>2,597,007</u>	<u>-</u>	<u>8,076,853</u>
Balance at January 1, 2018	\$ 31,953	1,211,163	3,462,329	2,079,473	-	6,784,918
Depreciation	-	157,447	289,142	345,618	-	792,207
Disposal	-	(25,453)	(28,267)	(101,907)	-	(155,627)
Reclassification	-	-	(38,605)	38,002	-	(603)
Effect of changes in exchange rates	-	(9,551)	1,668	(17,868)	-	(25,751)
Balance at December 31, 2018	<u>\$ 31,953</u>	<u>1,333,606</u>	<u>3,686,267</u>	<u>2,343,318</u>	<u>-</u>	<u>7,395,144</u>
Carrying value:						
December 31, 2019	<u>\$ 2,863,116</u>	<u>4,108,126</u>	<u>2,605,170</u>	<u>1,387,350</u>	<u>1,444,485</u>	<u>12,408,247</u>
December 31, 2018	<u>\$ 2,860,562</u>	<u>3,655,628</u>	<u>2,837,210</u>	<u>1,611,910</u>	<u>828,149</u>	<u>11,793,459</u>
January 1, 2018	<u>\$ 2,818,976</u>	<u>3,478,643</u>	<u>2,914,152</u>	<u>1,714,775</u>	<u>779,929</u>	<u>11,706,475</u>

(i) Impairment loss and subsequent reversal

	<u>2019</u>	<u>2018</u>
Ending balance (Beginning balance)	<u>\$ 243,114</u>	<u>243,114</u>

(ii) Collateral

Please refer to note 8 for information on pledged property, plant and equipment as of December 31, 2019 and 2018.

(Continued)

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

(h) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Transposition equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2019	\$ -	-	-	-
Effects of retrospective application	<u>338,858</u>	<u>1,021,232</u>	<u>66,323</u>	<u>1,426,413</u>
Balance at January 1, 2019 after adjustments	338,858	1,021,232	66,323	1,426,413
Additions	-	381,577	20,331	401,908
Modification	-	(18,954)	-	(18,954)
Reclassification	-	-	(11,172)	(11,172)
Effect of changes in exchange rates	<u>(12,653)</u>	<u>(43,594)</u>	<u>107</u>	<u>(56,140)</u>
Balance at December 31, 2019	<u><u>\$ 326,205</u></u>	<u><u>1,340,261</u></u>	<u><u>75,589</u></u>	<u><u>1,742,055</u></u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2019	\$ -	-	-	-
Effects of retrospective application	<u>73,239</u>	<u>-</u>	<u>6,205</u>	<u>79,444</u>
Balance at January 1, 2019 after adjustments	73,239	-	6,205	79,444
Depreciation	7,136	220,798	27,202	255,136
Modification	-	(2,292)	-	(2,292)
Reclassification	-	-	(4,712)	(4,712)
Effect of changes in exchange rates	<u>(2,996)</u>	<u>(6,641)</u>	<u>(10)</u>	<u>(9,647)</u>
Balance at December 31, 2019	<u><u>\$ 77,379</u></u>	<u><u>211,865</u></u>	<u><u>28,685</u></u>	<u><u>317,929</u></u>
Carrying value:				
December 31, 2019	<u><u>\$ 248,826</u></u>	<u><u>1,128,396</u></u>	<u><u>46,904</u></u>	<u><u>1,424,126</u></u>

(i) Investment property

	<u>Buildings</u>
Cost:	
Balance as at January 1, 2019	\$ 73,959
Effect of changes in exchange rates	<u>(2,762)</u>
Balance as at December 31, 2019	<u><u>\$ 71,197</u></u>
Balance as at January 1, 2018	\$ 75,497
Effect of changes in exchange rates	<u>(1,538)</u>
Balance as at December 31, 2018	<u><u>\$ 73,959</u></u>

(Continued)

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

	<b>Buildings</b>
Depreciation:	
Balance as at January 1, 2019	\$ 26,626
Depreciation	3,326
Effect of changes in exchange rates	(1,117)
Balance as at December 31, 2019	<u>\$ 28,835</u>
Balance as at January 1, 2018	\$ 23,782
Depreciation	3,391
Effect of changes in exchange rates	(547)
Balance as at December 31, 2018	<u>\$ 26,626</u>
Carrying value:	
Balance as at December 31, 2019	<u>\$ 42,362</u>
Balance as at December 31, 2018	<u>\$ 47,333</u>
Balance as at January 1, 2018	<u>\$ 51,715</u>
Fair value:	
Balance as at December 31, 2019	<u>\$ 75,420</u>
Balance as at December 31, 2018	<u>\$ 73,561</u>
Balance as at January 1, 2018	<u>\$ 72,189</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 (as disclosed in the financial statements) is based on a valuation by the management of the Group. The range of yields applied to the net annual rentals to determine the fair value of the property was as follows:

<b>Region</b>	<b>2019</b>	<b>2018</b>
Xuhui Dist, Shanghai	4.27%	4.27%

As of December 31, 2019 and 2018, the Group's investment properties were not provided as pledged assets.

(j) Goodwill

Goodwill arising from the merger was as follows:

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

(Continued)

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

The cost and accumulated amortization was as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cost	\$ 149,780	149,780
Less: Accumulated amortization	<u>44,363</u>	<u>44,363</u>
Carrying value	<u><u>\$ 105,417</u></u>	<u><u>105,417</u></u>

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

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

(k) Short-term and long-term borrowings

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

(i) Short-term borrowings

	<u>December 31, 2019</u>			
	<u>Currency</u>	<u>Range of interest rates (%)</u>	<u>Year of maturity</u>	<u>Amount</u>
Unsecured loans	RMB	2.24~4.70	2020	\$ 2,021,548
Unsecured loans	EUR	0.84	2020	24,192
Unsecured loans	USD	4.22	2020	192,197
Unsecured loans	TWD	0.85~1.00	2020	827,000
Unsecured loans	JPY	0.95	2020	458,160
Unsecured loans	THB	0.07	2020	<u>119,843</u>
Total				<u><u>\$ 3,642,940</u></u>
	<u>December 31, 2018</u>			
	<u>Currency</u>	<u>Range of interest rates (%)</u>	<u>Year of maturity</u>	<u>Amount</u>
Unsecured loans	RMB	3.00~5.00	2019	\$ 1,325,078
Unsecured loans	EUR	0.80	2019	25,216
Unsecured loans	USD	2.09~3.74	2019	857,456
Unsecured loans	TWD	0.85~1.71	2019	1,364,000
Unsecured loans	JPY	0.57~1.55	2019	<u>361,660</u>
Total				<u><u>\$ 3,933,410</u></u>

As of December 31, 2019 and 2018, the unused credit facilities amounted to \$16,956,668 thousand and \$12,592,248 thousand, respectively.

(Continued)

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

(ii) Short-term commercial paper payable

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

As of December 31, 2019 and 2018, the unused credit facilities amounted to \$510,000 thousand and \$540,000 thousand, respectively.

(iii) Long-term borrowings

	<b>December 31, 2019</b>			
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Secured loans	JPY	1.275	2021~2039	\$ 1,092,540
Unsecured loans	TWD	0.8885~1.2503	2020~2022	2,640,000
Unsecured loans	RMB	4.2750~4.7500	2020~2023	<u>428,867</u>
Total				<b>\$ <u>4,161,407</u></b>
Current				\$ 444,141
Non-current				<u>3,717,266</u>
Total				<b>\$ <u>4,161,407</u></b>
	<b>December 31, 2018</b>			
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Secured loans	TWD	1.2000	2019	\$ 110,000
Secured loans	JPY	1.2500~1.5000	2019~2038	1,085,774
Unsecured loans	TWD	0.8096~1.32	2019~2025	1,495,000
Unsecured loans	USD	3.3	2019	153,575
Unsecured loans	RMB	4.2750~4.75	2020~2023	<u>757,611</u>
Total				<b>\$ <u>3,601,960</u></b>
Current				\$ 1,052,335
Non-current				<u>2,549,625</u>
Total				<b>\$ <u>3,601,960</u></b>

As of December 31, 2019 and 2018, the unused credit facilities amounted to \$4,566,309 thousand and \$3,369,728 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.

(Continued)

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

(iv) Commitments of loan contracts

The Group's subsidiary, Lucky Co., signed a loan contract with the maximum credit amounting to \$120,000 thousand with O-Bank Co., Ltd. on September 27, 2017. The main purpose of the loan was for overseas investment and operation. The borrower is obligated to maintain the following financial ratios, which are assessed annually, within the designated length of the contract:

- 1) Debt ratio shall not exceed 100%.
- 2) The interest coverage ratio shall not be lower than 3 times of the loan interest.
- 3) The identifiable net worth shall not be less than \$2,500,000 thousand.

The above loan was repaid in advance in 2019.

(l) Bonds payable

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Secured bonds	\$ 4,000,000	4,000,000
Less: discounts on bonds payable	<u>41,196</u>	<u>62,689</u>
Total	<b><u>\$ 3,958,804</u></b>	<b><u>3,937,311</u></b>

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

<b>Item</b>	<b>1st domestic secured bonds</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

(Continued)

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

## (m) Provisions

The information of the Group's provisions for the years ended December 31, 2019 and 2018 were as follows:

	<u>Site restoration</u>
Balance as of January 1, 2019	\$ 14,259
Provisions made during the year	<u>1,525</u>
Balance as of December 31, 2019	<u>\$ 15,784</u>
Balance as of January 1, 2018	\$ 10,455
Provisions made during the year	<u>3,804</u>
Balance as of December 31, 2018	<u>\$ 14,259</u>

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

## (n) Lease liabilities

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

	<u>December 31,</u> <u>2019</u>
Current	<u>\$ 228,455</u>
Non-current	<u>\$ 962,190</u>

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

The amounts recognized in profit or loss were as follows:

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

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

	<u>2019</u>
Total cash outflow for leases	<u>\$ 444,872</u>

(Continued)

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

(o) Operating leases

Non-cancellable rental payables of operating leases were as follows:

	<b>December 31, 2018</b>
One year	\$ 226,446
Less than five years	561,498
More than five years	<u>100,516</u>
	<b><u>\$ 888,460</u></b>

The Group leases offices, restaurant and transport equipment under operating leases. The leases typically run for a period of 1 to 6 years. The lease payment will be adjusted to reflect market price.

For the year ended December 31, 2018, lease expenses were \$271,994 thousand.

(p) Employee benefits

(i) Defined benefit plans

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
The present value of the defined benefit obligations	\$ 541,344	531,868
Fair value of plan assets	<u>(290,115)</u>	<u>(277,273)</u>
The net defined benefit liability	<b><u>\$ 251,229</u></b>	<b><u>254,595</u></b>

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

1) Composition of plan assets

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$290,115 thousand as of December 31, 2019. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(Continued)

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

2) Movements in present value of defined benefit plan obligation

The movements in present value of the Group's defined benefit plan obligation for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Defined benefit obligation at 1 January	\$ 531,868	565,113
Current service costs and interest	17,213	15,105
Remeasurements of the net defined benefit liability (asset)		
– Due to changes in financial assumption of actuarial (losses) gains	(4,648)	(10,814)
Past services cost and settlement losses	12,064	-
Benefits paid by the plan	<u>(15,153)</u>	<u>(37,536)</u>
Defined benefit obligation at 31 December	<u>\$ 541,344</u>	<u>531,868</u>

3) Movements in fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Fair value of plan assets, January 1	\$ 277,273	235,437
Remeasurements of the net defined benefit liability (asset)		
– Return on plan assets (excluding amounts included in net interest expense)	2,882	2,865
– Due to changes in financial assumption of actuarial (losses) gains	9,603	7,489
Contributions made	14,715	69,018
Benefits paid by the plan	<u>(14,358)</u>	<u>(37,536)</u>
Fair value of plan assets, December 31	<u>\$ 290,115</u>	<u>277,273</u>

4) Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Current service cost	\$ 7,544	5,232
Net interest on the defined benefit liability (asset)	3,792	4,088
Past services cost and settlement losses	<u>12,064</u>	<u>-</u>
	<u>\$ 23,400</u>	<u>9,320</u>

(Continued)

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

	<u>2019</u>	<u>2018</u>
Operating costs	\$ 9,466	3,884
Selling expenses	1,623	1,031
General and administration expenses	12,225	4,240
Research and development expenses	<u>86</u>	<u>165</u>
	<u>\$ 23,400</u>	<u>9,320</u>

- 5) Remeasurement in the net defined benefit liability (asset) recognized in other comprehensive income

The Group's remeasurement in the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Cumulative amount, January 1	\$ 181,050	199,353
Recognized during the period	<u>(14,251)</u>	<u>(18,303)</u>
Cumulative amount, December 31	<u>\$ 166,799</u>	<u>181,050</u>

- 6) Actuarial assumptions

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

	<u>2019</u>	<u>2018</u>
Discount rate	1.000~1.125%	1.125~1.375%
Future salary increases rate	1.000~2.000%	2.000~2.000%

The Group expects to make contributions of \$8,459 thousand to the defined benefit plans in the next year starting from the reporting date of 2019.

The weighted average duration of the defined benefit obligation is 9.85~15.07 years.

- 7) Sensitivity analysis

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

(Continued)

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

As of December 31, 2019 and 2018, the present value of defined benefit obligation impact was as follow:

	<b>The impact of defined benefit obligation</b>	
	<b>Increase</b>	<b>Decrease</b>
December 31, 2019		
Discount rate (0.25%)	\$ (9,408)	9,731
Future salary increase rate (0.25%)	9,388	(9,125)
December 31, 2018		
Discount rate (0.25%)	(10,068)	10,423
Future salary increase rate (0.25%)	10,073	(9,782)

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

There is no change in the method and assumptions used in the preparation of the sensitivity analysis for 2019 and 2018.

(ii) Defined contribution plans

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

The Group's pension costs under the defined contribution plan were \$168,109 thousand and \$163,311 thousand for the years ended December 31, 2019 and 2018, respectively.

(Continued)

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

## (q) Income tax

## i) Income tax expenses

The components of income tax for the years ended December 31, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Current tax expenses		
Current period	\$ 422,153	425,949
Adjustment for prior period	<u>17,952</u>	<u>(55,470)</u>
	<u>440,105</u>	<u>370,479</u>
Origination and reversal of temporary differences	149,057	3,254
Effect of tax rate changes	<u>-</u>	<u>80,097</u>
Deferred tax expenses	<u>149,057</u>	<u>83,351</u>
Income tax on continuing operations	<u><u>\$ 589,162</u></u>	<u><u>453,830</u></u>

No income tax recognized in other comprehensive income for 2019 and 2018.

Reconciliations of the Group's income tax expense and the profit before tax for 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Income before tax	<u>\$ 1,602,469</u>	<u>1,515,643</u>
Income tax calculated on pretax accounting income at statutory rate	\$ 320,494	303,129
Effect of tax rates in foreign jurisdiction	357,588	306,615
Effect of tax rate changes	-	80,097
Adjustment for prior periods	17,952	(55,470)
Non-deduction expenses	32,748	(5,072)
Tax-exempt expense	(199)	(59)
Investment income	(141,947)	(137,303)
Estimated withholding tax of attributable earnings of subsidiaries in Mainland China	21,044	39,264
Surtax on undistributed earnings	2,649	17,237
Others	<u>(21,167)</u>	<u>(94,608)</u>
Total	<u><u>\$ 589,162</u></u>	<u><u>453,830</u></u>

(Continued)

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

ii) Recognized deferred tax assets and liabilities

i. Unrecognized deferred income tax assets

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Deductible temporary differences	\$ 1,348	1,096
Impairment loss	11,526	18,834
Tax losses	14,451	15,957
	<b>\$ 27,325</b>	<b>35,887</b>

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

As of December 31, 2019, the amount of tax losses not yet recognized as deferred tax assets and their last year for credit is as follows:

<b>Year</b>	<b>Amount</b>	<b>Year of expiration</b>
2011	\$ 7,034	2021
2012	21,537	2022
2013	8,252	2023
2014	5,988	2024
2015	4,490	2025
2016	4,302	2026
2017	7,592	2027
2018	5,552	2028
2019	7,093	2029
	<b>\$ 71,840</b>	

(Continued)

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

ii. Recognized deferred income tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

Deferred tax assets:

	<b>Loss carryforward</b>	<b>Other</b>	<b>Total</b>
<b>Balance at January 1, 2019</b>	\$ 40,969	150,404	191,373
Recognized in profit or loss	(26,539)	9,887	(16,652)
<b>Balance at December 31, 2019</b>	<b>\$ 14,430</b>	<b>160,291</b>	<b>174,721</b>
<b>Balance at January 1, 2018</b>	\$ 134,484	105,611	240,095
Recognized in profit or loss	(93,515)	44,793	(48,722)
<b>Balance at December 31, 2018</b>	<b>\$ 40,969</b>	<b>150,404</b>	<b>191,373</b>

Deferred tax liabilities:

	<b>Withholding tax of attributable earnings of subsidiaries in Mainland China</b>	<b>Foreign investment income accounted for using equity method</b>	<b>Depreciation difference between financial and tax reporting and other</b>	<b>Land value increment tax</b>	<b>Total</b>
<b>Balance at January 1, 2019</b>	\$ 144,961	501,350	51,294	304,572	1,002,177
Recognized in profit or loss	39,077	108,617	(15,289)	-	132,405
<b>Balance at December 31, 2019</b>	<b>\$ 184,038</b>	<b>609,967</b>	<b>36,005</b>	<b>304,572</b>	<b>1,134,582</b>
<b>Balance at January 1, 2018</b>	\$ 125,034	494,085	43,857	304,572	967,548
Recognized in profit or loss	19,927	7,265	7,437	-	34,629
<b>Balance at December 31, 2018</b>	<b>\$ 144,961</b>	<b>501,350</b>	<b>51,294</b>	<b>304,572</b>	<b>1,002,177</b>

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

As of December 31, 2019 and 2018, the total value of authorized ordinary shares amounted to \$4,000,000 thousand, with par value of \$10 per share, of which 400,000 thousand shares, 294,133 thousand shares were issued. All issued shares were paid up upon issuance.

(i) Capital surplus

The components of capital surplus were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Share premium	\$ 1,280	1,280
Overaging unclaimed dividends	1,839	1,340
Treasury stock	1,015,336	891,460
Recognize changes in all equity in subsidiaries	<u>117,892</u>	<u>117,892</u>
	<b><u>\$ 1,136,347</u></b>	<b><u>1,011,972</u></b>

The Company's subsidiary, Lucky Co., was awarded with cash dividends on August 9, 2018 and August 9, 2017 amounting to \$123,876 thousand, and they were recognized as capital surplus-treasury stock transactions.

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

(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.

(Continued)

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

The dividend policy of the Company reflects its current and future development plans and takes into account 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 cash or in the form of stock. When it is done in cash, the value may not exceed 10% of the overall dividends.

1) Legal reserve

In accordance with the Company Act, 10% of net income after tax should be set aside as Legal reserve, until such retention equals the amount of issued share capital. When a company incurs no loss, it may, pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares or cash. Only the portion of legal reserve which exceeds 25% of the issued share capital may be distributed. In accordance with Rule No. 10802432410 issued by Ministry of Economic Affairs, R.O.C on January 9, 2020, the Company has to apply the profit distribution based on its financial statement in 2019, wherein the Company shall use the amount of net profit after tax, plus, those net amounts other than the net profits, which are recognized as undistributed surplus earnings, as the basis for the legal reserve.

2) Special earnings reserve

As the Company opted for the exemptions allowed under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the IFRS as endorsed by the FSC, unrealized revaluation increments and cumulative translation adjustments of \$512,508 thousand, which were previously recognized in shareholders' equity were reclassified to retained earnings. In accordance with Regulatory Permit No.1010012865 as issued by the FSC on April 6, 2012, a special reserve is appropriated from retained earnings for the aforementioned reclassification. In addition, during the use, disposal or reclassifications of relevant assets, this special reserve is reverted to distributable earnings proportionately. The carrying amount of special reserve amounted to \$512,508 thousand as of December 31, 2019 and 2018.

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.

(Continued)

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

3) Distribution of retained earnings

The appropriations of 2018 and 2017 earnings as dividends to stockholders that were approved in the Company's shareholders meetings on May 30, 2019 and 2018, respectively, were as follows:

	2018		2017	
	Amount per share (NT dollars)	Total amount	Amount per share (NT dollars)	Total amount
Dividends distributed to common shareholders:				
Cash	\$ 2.70	<u>792,156</u>	2.70	<u>792,156</u>

On March 26, 2020, the Company's Board of Directors resolved to appropriate the 2019 earnings. These earnings were appropriated as follows:

	2019	
	Amount per share (NT dollars)	Total amount
Dividends distributed to common shareholders:		
Cash	\$ 2.00	<u>586,782</u>

(iii) Treasury stock

None shares were purchased by the Company and its subsidiaries during the years ended December 31, 2019 and 2018. The reason is that the subsidiaries held by long-term of the Company shares previous years. As of December 31, 2019 and 2018, the subsidiaries held the Company's shares as follows:

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

Subsidiary name	December 31, 2018				
	Number of shares (in thousand)	Market price per share	Adjusted cost per share	Total market value	Total treasury stock
Lucky Co.	46,041	46.90	11.51	\$ <u>2,159,335</u>	<u>530,114</u>

(Continued)

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

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, 2019, none of the repurchased treasury stocks were exchanged.

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

(iv) Other equities (net for tax)

	Foreign exchange differences arising from foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Non-controlling interests	Total
Balance as of January 1, 2019	\$ (506,975)	(51,878)	210,577	(348,276)
Foreign exchange differences arising from foreign operations	103,478	-	(20,963)	82,515
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	(321,662)	-	-	(321,662)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	2,727	-	2,727
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, subsidiaries accounted for using equity method	-	635	-	635
Balance as of December 31, 2019	<u>\$ (725,159)</u>	<u>(48,516)</u>	<u>189,614</u>	<u>(584,061)</u>
Balance as of January 1, 2018	\$ (432,998)	(49,114)	216,375	(265,737)
Foreign exchange differences arising from foreign operations	66,841	-	(5,798)	61,043
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	(140,818)	-	-	(140,818)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(2,242)	-	(2,242)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, subsidiaries accounted for using equity method	-	(522)	-	(522)
Balance as of December 31, 2018	<u>\$ (506,975)</u>	<u>(51,878)</u>	<u>210,577</u>	<u>(348,276)</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 years ended December 31, 2019 and 2018, was as follows:

(i) Basic earnings per share

	<u>2019</u>	<u>2018</u>
Net income attributable to common shareholders of the Company	\$ <u>964,149</u>	<u>1,012,724</u>
Weighted-average number of common shares	<u>247,350</u>	<u>247,831</u>
Basic earnings per share (in NT dollars)	\$ <u>3.90</u>	<u>4.09</u>

ii) Diluted earnings per share

	<u>2019</u>	<u>2018</u>
Net income attributable to common shareholders of the Company (diluted)	\$ <u>964,149</u>	<u>1,012,724</u>
Weighted-average number of common shares (basic)	247,350	247,350
Impact of potential common shares:		
Effect of employees' remuneration	274	286
Weighted-average number of shares outstanding (diluted)	<u>247,624</u>	<u>247,636</u>
Diluted earnings per share (in NT dollars)	\$ <u>3.89</u>	<u>4.09</u>

(Continued)

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

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

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

(Continued)

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

		2018							
Area of distribution:		Edible and non-edible oil products	Detergent products	Frozen dough	Ice cream products	Foods	Catering	Management and rental revenue	Total
China	\$	10,486,164	-	290,266	-	31,697	760,157	-	11,568,284
Taiwan		1,230,339	523,229	521,042	873,231	388,641	604,823	9,074	4,150,379
Thailand		-	-	-	-	237,357	-	1,755	239,112
New Zealand and Australia		-	-	-	-	973,212	-	1,903	975,115
United states		129	-	34,489	-	428,866	-	1,165	464,649
Europe		-	-	-	-	529,694	-	-	529,694
Others		14,676	-	4,937	-	331,288	8,810	410	360,121
	<b>\$</b>	<b>11,731,308</b>	<b>523,229</b>	<b>850,734</b>	<b>873,231</b>	<b>2,920,755</b>	<b>1,373,790</b>	<b>14,307</b>	<b>18,287,354</b>

(Continued)

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

(ii) Contract balance

	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>January 1, 2018</b>
Contract liability	\$ <u>443,417</u>	<u>511,135</u>	<u>424,178</u>

The amount of revenue recognized for the years ended December 31, 2019 and 2018, that was included in the contract liability balance at the beginning of the period was \$368,036 thousand and \$292,273 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.

The Company estimated its remuneration to employees amounting to \$11,812 thousand and \$11,728 thousand, as well as its directors' \$47,248 thousand and \$52,777 thousand for the years 2019 and 2018, respectively. The estimated amounts mentioned above are based on the net profit before tax of each respective ending period, multiplied by the percentage of the remuneration to employees and directors as specified in the Company's article. The estimations are recorded under operating expenses and cost. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2019 and 2018. The estimated remuneration attributable to the affiliate employees amounted to \$10,109 thousand for the year ended December 31, 2018. The liability was derived from applying the remuneration percentage under the Company's articles of incorporation and was recognized in the long-term equity investment in 2018. The aforementioned remuneration to employees and directors are consistent to the estimated amounts disclosed in the Company's consolidated financial statements.

(v) Non-operating income and expenses

(i) Other income

	<b>2019</b>	<b>2018</b>
Interest income	\$ 74,178	54,728
Rental income	8,312	9,106
Other income — other		
Government grants	117,887	73,927
Others	43,507	51,856
Total other income — Other	<u>161,394</u>	<u>125,783</u>
Total other income	<u>\$ 243,884</u>	<u>189,617</u>

(Continued)

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

ii) Other gains and losses

	<u>2019</u>	<u>2018</u>
Losses on disposal of property, plant and equipment	\$ (19,502)	(1,793)
Losses of foreign exchange	(11,688)	(104,831)
Gains on financial assets (liabilities) at fair value through profit or loss	3,444	-
Others	<u>(22,145)</u>	<u>(31,177)</u>
Net other gains and losses	<u>\$ (49,891)</u>	<u>(137,801)</u>

iii) Finance costs

	<u>2019</u>	<u>2018</u>
Interest expense	<u>\$ 262,612</u>	<u>206,443</u>

(w) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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

(ii) Liquidity risk

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

December 31, 2019	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities						
Secured loans	\$ 1,727,541	1,923,850	20,326	647,946	38,689	1,216,889
Unsecured loans	6,076,806	6,173,261	4,088,075	1,004,359	1,080,827	-
Accounts payable	968,336	968,336	968,336	-	-	-
Other payables	890,581	890,581	890,581	-	-	-
Bonds payable	3,958,804	3,958,804	3,958,804	-	-	-
Lease liabilities	1,190,645	1,416,048	276,370	224,430	458,850	456,398
Guarantee deposits received	50	50	50	-	-	-
	<u>\$ 14,812,763</u>	<u>15,330,930</u>	<u>10,202,542</u>	<u>1,876,735</u>	<u>1,578,366</u>	<u>1,673,287</u>

(Continued)

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<b>December 31, 2018</b>						
Non-derivative financial liabilities						
Secured loans	\$ 1,195,774	1,254,428	956,661	3,057	9,171	285,539
Unsecured loans	6,339,596	6,569,622	4,963,414	1,136,012	368,796	101,400
Notes payable	7,040	7,040	7,040	-	-	-
Accounts payable	937,832	937,832	937,832	-	-	-
Other payables	870,342	870,342	870,342	-	-	-
Bonds payable	3,937,311	3,937,311	3,937,311	-	-	-
Guarantee deposits received	120	120	120	-	-	-
	<u>\$ 13,288,015</u>	<u>13,576,695</u>	<u>11,672,720</u>	<u>1,139,069</u>	<u>377,967</u>	<u>386,939</u>

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

(iii) Currency risk

1) Risk exposure

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

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<b>December 31, 2019</b>			
Financial assets:			
Monetary assets:			
USD	\$ 6,255	29.98	187,540
Financial liabilities:			
Monetary liabilities:			
USD	\$ 11,090	29.98	332,469
EUR	\$ 5,146	33.59	172,837
<b>December 31, 2018</b>			
Financial assets:			
Monetary assets:			
USD	\$ 5,474	31.0000	168,140
Financial liabilities:			
Monetary liabilities:			
USD	\$ 37,069	31.0000	1,138,588
EUR	\$ 874	35.0000	30,773

(Continued)

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

2) Sensitivity analysis

The Group's exposure to foreign currency risk arose from cash and cash equivalents, accounts receivables, other receivables, loans and borrowings, accounts payable and other payables that were denominated in foreign currencies. A 1% appreciation (depreciation) of the TWD against the USD, TWD, JPY, and EUR as of December 31, 2019 and 2018 would have increased (decreased) the net income after tax for the years ended December 31, 2019 and 2018 by \$3,178 thousand and \$10,012 thousand, respectively. The analysis was performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary item

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the December 31, 2019 and 2018, foreign exchange gain (loss) (including realized and unrealized abortions) amounted to \$(11,688) thousand and \$(104,831) thousand, respectively.

(iv) Interest rate risk analysis

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

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

If the interest rate had increased / decreased by 1%, the Group's net income after tax would have decreased / increased by \$75,401 thousand and \$64,137 thousand for the years ended December 31, 2019 and 2018, respectively, with all other variable factors remaining constant.

(Continued)

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

## (v) Fair value and carrying amount

## 1) Categories and fair value of financial instruments

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

	December 31, 2019				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 218,568	-	218,568	-	218,568
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	16,457	16,457	-	-	16,457
Stocks unlisted on domestic markets	27,166	-	-	27,166	27,166
Subtotal	<u>43,623</u>	<u>16,457</u>	<u>-</u>	<u>27,166</u>	<u>43,623</u>
Total	<u>\$ 262,191</u>	<u>16,457</u>	<u>218,568</u>	<u>27,166</u>	<u>262,191</u>
	December 31, 2018				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	\$ 13,093	13,093	-	-	13,093
Stocks unlisted on domestic markets	27,166	-	-	27,166	27,166
Total	<u>\$ 40,259</u>	<u>13,093</u>	<u>-</u>	<u>27,166</u>	<u>40,259</u>

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

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

(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 year ended December 31, 2019 and 2018.

5) Reconciliation of Level 3 fair values

	<b>Fair value through other comprehensive income</b>	
	<b>Unquoted equity instruments</b>	<b>Bond investments</b>
December 31, 2019 (same as January 1, 2019)	\$ 27,166	-
December 31, 2018 (same as January 1, 2018)	\$ 27,166	-

Total gains and losses that were included in unrealized gains and losses from financial assets fair value through other comprehensive income (loss).

(Continued)

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

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

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> <li>· Multiplier of price-to-earnings ratio (As of December 31, 2019 and December 31, 2018 was 0.93 and 0.92)</li> <li>· Market illiquidity discount rate (As of December 31, 2019 and December 31, 2018 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:

	<u>Input</u>	<u>Assumptions</u>	<u>Other comprehensive income</u>	
			<u>Favourable</u>	<u>Unfavourable</u>
<b>December 31, 2019</b>				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	5%	\$ 1,730	(1,730)
<b>December 31, 2018</b>				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	5%	1,698	(1,698)

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

(Continued)

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

(x) Financial risk management

(i) Overview

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

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

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

(ii) Risk management framework

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

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

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

(iii) Credit risk

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

1) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances. In 2019 and 2018, there was no geographical concentration of credit risk regarding the Group's revenue.

(Continued)

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

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

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

2) Investments

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

3) Guarantees

Pursuant to the Group's policies, it is only permissible to provide financial guarantees to subsidiaries. As of December 31, 2019 and 2018, the Group did not provide any endorsement and guarantees to preparation of the third-party.

(iv) Liquidity risk

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

The Group uses activity-based costing to estimate the cost of its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of the expected cash flows on financial liabilities (other than trade payables) over the succeeding 60 days. The Group also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted. The Group has unused short term bank facilities of \$22,032,977 thousand and \$16,501,976 thousand on December 31, 2019 and 2018.

(Continued)

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

(v) Market risk

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

1) Currency risk

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

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

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

2) Interest rate risk

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

3) Other market price risk

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

(y) Capital management

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

(Continued)

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

The Group's debt-to-adjusted-capital ratio at the end of the reporting period was as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total liabilities	\$ 17,435,169	15,812,842
Less: cash and cash equivalents	<u>4,623,715</u>	<u>4,708,562</u>
Net debt	<u>\$ 12,811,454</u>	<u>11,104,280</u>
Total equity	<u>\$ 6,420,013</u>	<u>6,296,021</u>
Debt-to-adjusted-capital ratio	<u>200 %</u>	<u>176 %</u>

As of December 31, 2019, there were no changes in the Group's approach of capital management.

(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 years ended December 31, 2019 and 2018.

(aa) The reconciliation of liabilities arising from financing activities

For the year ended December 31, 2019 and 2018, the reconciliation of liabilities arising from financing activities were as follows:

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

	<u>January 1, 2018</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>December 31, 2018</u>
			<u>Foreign exchange movement</u>	<u>Others</u>	
Long-term borrowings (including current portion)	\$ 4,500,051	(906,190)	8,099	-	3,601,960
Short-term borrowings	3,144,350	675,000	114,060	-	3,933,410
Short-term commercial paper payable	<u>94,968</u>	<u>(94,968)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities from financing activities	<u>\$ 7,739,369</u>	<u>(326,158)</u>	<u>122,159</u>	<u>-</u>	<u>7,535,370</u>

**(7) Related-party transactions**

(a) Names and relationship with related parties

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

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

(Continued)

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

(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 year ended December 31, 2018, the rental amounted to \$6,156, and there was no outstanding balance as of the year ended December 31, 2018. The Group applied IFRS 16, with a date of initial application on January 1, 2019. This lease transaction recognized an additional amount of \$4,354 thousand of right-of-use assets and lease liabilities. For the year ended December 31, 2019, the Group recognized the amount of \$33 thousand as interest expense. As of December 31, 2019, the balance of lease liabilities amounted to \$8,328 thousand.

(c) Personnel transactions from key management

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

	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 209,481	214,426
Post-employments benefits	1,894	1,894
	<u>\$ 211,375</u>	<u>216,320</u>

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other non-current assets:			
Time deposits	Operating lease deposits	\$ 124	408
Property, plant and equipment:			
Land	Long-term borrowings	1,801,641	1,807,358
Buildings	Long-term borrowings	<u>868,447</u>	<u>104,353</u>
		<u>\$ 2,670,212</u>	<u>1,912,119</u>

**(9) Significant commitments and contingencies**

(a) Major contracts not recognized the commitment:

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Acquisition of property, plant and equipment	<u>\$ 57,847</u>	<u>37,012</u>

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unused letters of credit for purchases of materials	<u>\$ 131,513</u>	<u>109,868</u>

(Continued)

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

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Long-term letters of credit guarantee bill	<b>\$ 392,000</b>	<b>392,000</b>

(b) Lucky Co. and BVI Co. and Paulaner Brauhaus Consult GmbH (PBCG) have entered into a contract for the use of the PBCG brand name and beer brewing techniques. In accordance with the contract, PBCG has to provide the right to use its brand name and its management consultation service for restaurant management, information service. The contract lasts for 10 years, starting from October 1, 2019 to September 9, 2029, with the option of extending it for an additional of 10 years, and there will be an automatic renewal for five years after the first renewal.

	<b>December 31, 2019</b>
One year	\$ 806
Less than five years	3,225
More than five years	4,031
	<b>\$ 8,062</b>

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

**(10) Significant losses from calamity: None.**

**(11) Significant subsequent events: None.**

**(12) Others**

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

By function	Years ended December 31, 2019			Years ended December 31, 2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
<b>By nature</b>						
Employee benefits						
Salary	1,014,919	1,356,586	2,371,505	949,373	1,285,368	2,234,741
Labor and health insurance	301,788	140,459	442,247	267,422	134,927	402,349
Pension	70,169	121,340	191,509	63,902	108,729	172,631
Remuneration of directors	-	111,768	111,768	-	105,525	105,525
Others	90,690	120,095	210,785	86,154	93,106	179,260
Depreciation (note 1)	677,201	361,370	1,038,571	496,509	295,698	792,207
Amortization	-	-	-	-	-	-

Note 1: Depreciation expenses for investment property recognized under non-operating income and expenses — other gains and losses amounting to \$3,326 thousand and \$3,391 thousand for the years ended December 31, 2019 and 2018 were not excluded, respectively.

(Continued)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Notes to the Consolidated Financial Statements

#### (13) Other disclosures

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

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the years ended December 31, 2019:

##### (i) Loans extended to other parties:

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the year (Note 2)	Ending balance (Note 2)	Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
1	Guangzhou Namchow Co.	Shanghai Namchow Co.	Other long term accounts receivable – related parties	Yes	750,000	645,750	645,750	4%	2	-	Capital for operation	-	-	-	3,282,848 (Note 1)	3,282,848 (Note 1)

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

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

##### (ii) Guarantees and endorsements for other parties:

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 year	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	Namchow Cayman Co.	3	6,101,512	145,000	-	-	-	- %	6,101,512	Y	N	N
0	The Company	Nankyo Japan Co.	2	6,101,512	2,643,846	1,660,060	714,420	-	27.21 %	6,101,512	Y	N	N
1	Lucky Co.	Dian Shui Lou Co.	2	3,161,753	58,000	-	-	-	- %	3,161,753	N	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 Namchow Co.'s guarantee and endorsement policies, the total guarantee and endorsement not exceed 100% of Namchow Co.'s net worth, while the total guarantees and endorsements for an individual party not exceed 100% of Namchow Co.'s net worth.

Note 3: According to Lucky Co.'s guarantee and endorsement policies, the total guarantee and endorsement not exceed 100% of Lucky Co.'s net worth, while the total guarantees and endorsements for an individual party not exceed 100% of Namchow Co.'s net worth.

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

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Maximum investment in 2019	Remarks
				Number of shares	Book value	Holding percentage	Market value		
The Company	Global securities Financial Corporation	-	Financial assets at fair value through comprehensive income – non-current	3,504	27,166	0.87 %	27,166	57,832	
The Company	Stock: Capital Securities Co., Ltd.	-	Financial assets at fair value through comprehensive income – non-current	1,185	13,336	0.05 %	13,336	16,186	
Lucky Co., Ltd.	Stock: The Company	The Company	Financial assets at fair value through comprehensive income – non-current	46,041	2,343,500	15.65 %	2,343,500	530,114	Note 1
Lucky Co., Ltd.	Stock: Capital Securities Co., Ltd.	-	Financial assets at fair value through comprehensive income – non-current	277	3,121	0.01 %	3,121	3,789	

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Notes to the Consolidated Financial Statements

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Unit: thousand dollars

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
Nankyo Japan Co.	Building	June 30, 2019	525,409	Payment due based on the agreement	Kumagai Gumi CO., Ltd. Metropolitan Branch	-	-	-	-	-	Based on the bid price	Operational	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	282,204	41 %	Note 1	-	-	(43,997)	(55) %	Note 2
Huaciang Co.	Lucky Co.	Subsidiary	(Sales)	(282,204)	(26) %	Note 1	-	-	43,997	27 %	Note 2
Tianjin Yoshi Yoshi Co.	Tianjin Namchow Co.	Subsidiary	Purchase	176,865	(72) %	Note 1	-	-	(192,071)	97 %	Note 2
Tianjin Namchow Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	(Sales)	(176,865)	(9) %	Note 1	-	-	192,071	25 %	Note 2
Namchow Food Co.	Tianjin Namchow Co.	Subsidiary	Purchase	1,351,966	(22) %	Note 1	-	-	(538,110)	32 %	Note 2
Tianjin Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(1,351,966)	(67) %	Note 1	-	-	538,110	70 %	Note 2
Namchow Food Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	1,436,477	(24) %	Note 1	-	-	(448,933)	27 %	Note 2
Guangzhou Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(1,436,477)	(51) %	Note 1	-	-	448,933	68 %	Note 2
Namchow Food Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	Purchase	364,323	(6) %	Note 1	-	-	-	- %	Note 2
Tianjin Yoshi Yoshi Co.	Namchow Food Co.	Subsidiary	(Sales)	(364,323)	(79) %	Note 1	-	-	-	- %	Note 2
Namchow Food Co.	Shanghai Namchow Co.	Subsidiary	Purchase	1,768,214	(29) %	Note 1	-	-	(168,212)	10 %	Note 2
Shanghai Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(1,768,214)	(84) %	Note 1	-	-	168,212	82 %	Note 2
Chongqing Qiaoxing Co.	Tianjin Namchow Co.	Subsidiary	Purchase	417,440	(14) %	Note 1	-	-	(43,379)	11 %	Note 2
Tianjin Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(417,440)	(21) %	Note 1	-	-	43,379	6 %	Note 2
Chongqing Qiaoxing Co.	Shanghai Namchow Co.	Subsidiary	Purchase	293,848	(10) %	Note 1	-	-	(36,727)	9 %	Note 2
Shanghai Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(293,848)	(14) %	Note 1	-	-	36,727	18 %	Note 2
Chongqing Qiaoxing Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	921,294	(32) %	Note 1	-	-	(125,176)	31 %	Note 2
Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(921,294)	(33) %	Note 1	-	-	125,176	19 %	Note 2
Guangzhou Yoshi Yoshi Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	419,208	(75) %	Note 1	-	-	(81,298)	86 %	Note 2
Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	(Sales)	(419,208)	(15) %	Note 1	-	-	81,298	12 %	Note 2
Namchow Food Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	Purchase	486,215	(8) %	Note 1	-	-	(226,471)	14 %	Note 2
Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	Subsidiary	(Sales)	(486,215)	(63) %	Note 1	-	-	226,471	85 %	Note 2
Chongqing Qiaoxing Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	Purchase	281,621	(10) %	Note 1	-	-	(41,205)	10 %	Note 2
Guangzhou Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(281,621)	(37) %	Note 1	-	-	41,205	15 %	Note 2
Namchow Food Co.	Chongqing Qiaoxing Co.	Subsidiary	Purchase	620,145	(10) %	Note 1	-	-	(279,050)	17 %	Note 2
Chongqing Qiaoxing Co.	Namchow Food Co.	Subsidiary	(Sales)	(620,145)	(18) %	Note 1	-	-	279,050	57 %	Note 2

Note 1: Depending on capital movement motor adjustment.

Note 2: All inter company accounts and transactions are eliminated.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Notes to the Consolidated Financial Statements**

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

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover rate	Overdue amount		Amounts received in subsequent period	Allowances for bad debts
					Amount	Action taken		
Guangzhou Namchow Co.	Namchow Food Co.	Subsidiary	448,933	2.39	-		111,715 (As of March 26, 2020)	-
Tianjin Namchow Co.	Namchow Food Co.	Subsidiary	538,110	2.40	-		223,430 (As of March 26, 2020)	-
Tianjin Namchow Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	192,071	0.98	-		- (As of March 26, 2020)	-
Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	125,176	5.94	-		129,933 (As of March 26, 2020)	-
Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	Subsidiary	226,471	2.40	-		- (As of March 26, 2020)	-
Shanghai Namchow Co.	Namchow Food Co.	Subsidiary	168,212	20.25	-		174,604 (As of March 26, 2020)	-
Chongqing Qiaoxing Co.	Namchow Food Co.	Subsidiary	279,050	4.28	-		134,058 (As of March 26, 2020)	-

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

- (ix) Trading in derivative instruments: None.
- (x) Business relationships and significant intercompany transactions:

Unit: thousand dollars

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
1	Tianjin Namchow Co.	Tianjin Yoshi Yoshi Co.	3	Sales revenue	176,865	No significant differences	0.96 %
1	Tianjin Namchow Co.	Tianjin Yoshi Yoshi Co.	3	Accounts receivable	192,071	No significant differences	0.81 %
1	Tianjin Namchow Co.	Namchow Food Co.	3	Sales revenue	1,351,966	No significant differences	7.37 %
1	Tianjin Namchow Co.	Namchow Food Co.	3	Accounts receivable	538,110	No significant differences	2.26 %
1	Tianjin Namchow Co.	Chongqing Qiaoxing Co.	3	Sales revenue	417,440	No significant differences	2.28 %
1	Tianjin Namchow Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	43,379	No significant differences	0.18 %
2	Guangzhou Namchow Co.	Shanghai Namchow Co.	3	Long-term other accounts receivable-related parties	645,750	Interest calculated in accordance with the mutually agreed interest rate	2.71 %
2	Guangzhou Namchow Co.	Namchow Food Co.	3	Sales revenue	1,436,477	No significant differences	7.83 %
2	Guangzhou Namchow Co.	Namchow Food Co.	3	Accounts receivable	448,933	No significant differences	1.88 %
2	Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	3	Sales revenue	921,294	No significant differences	5.02 %
2	Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	125,176	No significant differences	0.52 %
2	Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	3	Sales revenue	419,208	No significant differences	2.29 %
2	Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	3	Accounts receivable	81,298	No significant differences	0.34 %
3	Tianjin Yoshi Yoshi Co.	Namchow Food Co.	3	Sales revenue	364,323	No significant differences	1.99 %
4	Mostro (Thailand) Ltd.	Namchow (Thailand) Ltd.	3	Sales revenue	81,679	No significant differences	0.45 %

**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	Trading terms	Percentage of the total consolidated revenue or total assets
5	Shanghai Namchow Co.	Namchow Food Co.	3	Sales revenue	1,768,214	No significant differences	9.64 %
5	Shanghai Namchow Co.	Namchow Food Co.	3	Accounts receivable	168,212	Determined capital demand	0.71 %
5	Shanghai Namchow Co.	Chongqing Qiaoxing Co.	3	Sales revenue	293,848	No significant differences	1.60 %
5	Shanghai Namchow Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	36,727	No significant differences	0.15 %
6	Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	3	Sales revenue	486,215	No significant differences	2.65 %
6	Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	3	Accounts receivable	226,471	No significant differences	0.95 %
6	Guangzhou Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	3	Sales revenue	281,621	No significant differences	1.54 %
6	Guangzhou Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	3	Accounts receivable	41,205	No significant differences	0.17 %
7	Chongqing Qiaoxing Co.	Namchow Food Co.	3	Sales revenue	620,145	No significant differences	3.38 %
7	Chongqing Qiaoxing Co.	Namchow Food Co.	3	Accounts receivable	279,050	No significant differences	1.17 %
8	Namchow Oil and Fat Co.	Huaciang Co.	3	Sales revenue	79,624	No significant differences	0.43 %
9	Huaciang Co.	Lucky Co.	3	Sales revenue	282,204	No significant differences	1.54 %
9	Huaciang Co.	Lucky Co.	3	Accounts receivable	43,997	No significant differences	0.18 %

Note 1: Company numbering is as follows:

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

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

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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2019 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Maximum investment amount in 2019	Net income (losses) of investee	Investment income (losses)	Remarks
				December 31, 2019	December 31, 2018	Shares	Percentage of ownership	Book value				
The Company	Namchow (Thailand) Ltd.	Bangkok, Thailand	Manufacturing and selling instant noodles and rice cracker	1,027,405	1,027,405	9,245	100 %	2,082,563	1,027,405	308,141	308,141	Note 3
The Company	Mostro (Thailand) Ltd.	Bangkok, Thailand	Manufacturing and selling food	10,201	10,201	100	100 %	32,965	10,201	2,434	2,434	Note 3
The Company	Nacia Co.	Tortola, British Virgin Islands	Holding of investments	343,443	343,443	1	100 %	8,000,139	343,443	1,070,180	1,070,180	Note 3
The Company	Chow Ho Co.	Taipei, Taiwan	Catering services, food and beverage retailing, and frozen food manufacturing	119,000	100,000	2,500	100 %	18,950	119,000	(5,381)	(5,356)	Note 3
The Company	Lucky Co.	Taipei, Taiwan	Manufacturing, selling and processing various food and beverage products	938,438	938,438	95,338	99 %	774,339	938,438	148,392	24,449	Note 3
The Company	NBP Co.	Taipei, Taiwan	Publishing, distributing and selling printed publications	763	763	80	80 %	126	763	1	-	Note 3
The Company	Nankyo Japan Co.	Tokyo, Japan	Catering services, Bistro and wine-selling	308,530	308,530	-	100 %	106,820	308,530	(82,775)	(82,775)	Notes 2 and 3
The Company	Namchow Consulting Co.	Taipei, Taiwan	Catering services, food and beverage retailing and other consulting	5,000	5,000	500	100 %	1,687	5,000	(394)	(394)	Note 3
The Company	Chow Food Co.	Taipei, Taiwan	Development of biotechnology products	39,000	20,000	2,200	100 %	11,961	39,000	(10,382)	(10,355)	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 %	597,041	411,731	145,839	147,023	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	221,307	30,000	100 %	275,042	392,341	(26,018)	(24,953)	Note 3
Lucky Co.	Namchow BVI Co.	Tortola, British Virgin Islands	Holding of investments	228,970	228,970	4,680	90 %	126,266	228,970	(22,586)	(20,485)	Notes 1 and 3

(Continued)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Maximum investment amount in 2019	Net income (losses) of investee	Investment income (losses)	Remarks
				December 31, 2019	December 31, 2018	Shares	Percentage of ownership	Book value				
Lucky Co.	Dian Shui Lou Co.	Taipei, Taiwan	Liquor importing and retailing	222,000	222,000	10,400	100 %	122,165	222,000	12,825	12,828	Notes 1 and 3
Lucky Co.	Namchow Gastronomy Consulting Co.	Taipei, Taiwan	Catering services and food consulting	14,000	9,900	500	100 %	4,432	14,000	(2,605)	(2,605)	Note 3
Lucky Co.	NBP Co.	Taipei, Taiwan	Publishing, distributing and selling printed publications	100	100	10	10 %	16	100	1	-	Note 3
Nacia Co.	Namchow Cayman Co.	Cayman Islands British West Indies.	Holding of investments	2,522,207	2,522,207	35,378	100 %	7,987,430	2,522,207	1,069,885	1,069,885	Note 3

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

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

Note 3: All inter company 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, 2019	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2019	Net income (losses) of investee	Direct / indirect investment holding percentage	Maximum investment in 2019	Investment income (loss) (note 2)	Book value as of December 31, 2019	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount							
					Unit: thousand dollars								
Shanghai Qiaohao Co.	Holding of investments and international trade	669,270	(3)	-	-	-	(113,953)	100.00 %	669,270	(113,953) (2b.)	404,534	-	
Shanghai Qiaohao Enterprise Management Co.	Business management and investment consulting	961	(3)	-	-	-	-	100.00 %	961	- (2b.)	861	-	
Shanghai Qiaohao Food Co.	Food packaging, selling and trading of restaurant equipment and trading	704,181	(3)	-	-	-	(59,092)	100.00 %	704,181	(59,092) (2b.)	506,782	-	
Tianjin Qiaohao Food Co.	Food packaging, selling and trading of restaurant equipment and trading	90,836	(3)	-	-	-	(9,194)	100.00 %	90,836	(9,194) (2b.)	55,004	-	
Namchow Food Co.	Food packaging, dairy product and product purchasing management and selling	856,481	(3)	-	-	-	1,319,020	96.15 %	856,481	1,268,288 (2a.)	7,516,160	60,491	
Tianjin Namchow Co.	Manufacturing and selling of edible fat	756,875	(3)	372,813	-	372,813	232,451	96.15 %	756,875	223,501 (2a.)	1,607,371	30,245	
Tianjin Yoshi Yoshi Co.	Developing, manufacturing, and selling of dairy products and related services	121,100	(3)	-	-	-	124,107	96.15 %	121,100	119,329 (2a.)	664,524	-	
Guangzhou Yoshi Yoshi Co.	Developing, manufacturing, and selling of dairy products and related services	452,150	(3)	-	-	-	118,945	96.15 %	452,150	114,365 (2a.)	625,301	-	
Guangzhou Namchow Co.	Manufacturing and selling of edible fat	544,950	(3)	-	-	-	336,590	96.15 %	544,950	323,631 (2a.)	3,156,459	90,736	
Shanghai Namchow Co.	Selling, developing, manufa of uring and processing of fats and frozen food	676,597	(3)	-	-	-	59,481	96.15 %	676,597	57,191 (2a.)	641,129	-	
Chongqing Qiaoxing Co.	Food packaging, dairy product and product purchasing management and selling	94,200	(3)	-	-	-	334,855	96.15 %	94,200	321,963 (2a.)	574,164	-	
Wuhan Qiaoxing CO.	The technical service of baking oil and fat product	215,250	(3)	-	-	-	(125)	96.15 %	215,250	(120) (2a.)	206,847	-	
Shanghai Qizhi Co.	Business management and investment consulting services	4,541	(3)	-	-	-	405	100.00 %	4,541	405 (2b.)	7,296	-	
Bao Lai Na Co.	Multinational esteries, and the promotion, and management of self-made beers	112,018	(3)	79,468	-	79,468	(12,037)	90.39 %	112,018	(10,880) (2c.)	174,816	35,967	

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

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

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

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

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

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

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount in Mainland China as of December 31, 2019	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
The Company	372,813	3,373,763	3,660,907
Lucky Co.	226,649	194,406	1,897,052

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

**(14) Segment information**

(a) General information

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

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

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

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

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

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

(Continued)

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

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

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

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

	Years ended December 31, 2018								
	Edible and non-edible oil products	Detergent products	Frozen dough	Ice cream products	Foods	Catering	Management and rental revenue and other	Adjustments or elimination	Total
Revenue:									
Revenue from external customers	\$ 11,731,308	523,229	850,734	873,231	2,920,755	1,373,790	14,307	-	18,287,354
Inter-segment revenues	<u>173,591</u>	<u>-</u>	<u>2,102</u>	<u>6,132</u>	<u>302,015</u>	<u>36,564</u>	<u>232,074</u>	<u>(752,478)</u>	<u>-</u>
<b>Total revenue</b>	<b><u>\$ 11,904,899</u></b>	<b><u>523,229</u></b>	<b><u>852,836</u></b>	<b><u>879,363</u></b>	<b><u>3,222,770</u></b>	<b><u>1,410,354</u></b>	<b><u>246,381</u></b>	<b><u>(752,478)</u></b>	<b><u>18,287,354</u></b>
Reportable segment profit or loss	<u>\$ 1,516,086</u>	<u>5,825</u>	<u>(26,907)</u>	<u>4,049</u>	<u>367,956</u>	<u>(25,872)</u>	<u>(180,724)</u>	<u>9,857</u>	1,670,270
Other revenue									189,617
Other gains and losses									(137,801)
Finance costs									<u>(206,443)</u>
Net income before tax									<b><u>\$ 1,515,643</u></b>

- (i) In 2019 and 2018, inter-segment revenues of \$(739,594) thousand and \$(752,478) thousand respectively, should be eliminated from total revenue.
- (ii) Share of associate profit under equity method amounting to \$(7,796) thousand and \$9,857 thousand, respectively, should be eliminated.

(Continued)

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

(c) Information about the products and services

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

<u>Products and services</u>	<u>2019</u>	<u>2018</u>
Baking oil, cooking oil and industrial oil	\$ 11,449,309	11,731,308
Frozen dough, noodles and cooked rice	4,102,336	3,771,489
Restaurant Business	1,318,353	1,373,790
Ice cream products	925,085	873,231
Others	<u>548,896</u>	<u>537,536</u>
Total	<u>\$ 18,343,979</u>	<u>18,287,354</u>

(d) Geographical information

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

<u>Geographical information</u>	<u>2019</u>	<u>2018</u>
Revenue from external customers:		
China	\$ 10,954,731	11,225,957
Taiwan	4,682,487	4,661,704
Thailand	<u>2,706,781</u>	<u>2,399,693</u>
Total	<u>\$ 18,343,999</u>	<u>18,287,354</u>

<u>Geographical information</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Non-current assets:		
Taiwan	\$ 3,504,242	3,583,354
China	5,843,702	6,121,177
Thailand	1,618,977	916,006
Japan	<u>1,646,428</u>	<u>1,603,675</u>
Total	<u>\$ 12,613,349</u>	<u>12,224,212</u>

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

(e) Information about major customers

For the years 2019 and 2018, the Group had no major customer who constituted 10% or more of net sales.

Stock Code:1702

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

**Consolidated Financial Statements**

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

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

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

## Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	10~12
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	12
(6) Explanation of significant accounts	12~40
(7) Related-party transactions	41
(8) Pledged assets	42
(9) Commitments and contingencies	42~43
(10) Losses Due to Major Disasters	43
(11) Subsequent Events	43
(12) Other	43
(13) Other disclosures	
(a) Information on significant transactions	44~46
(b) Information on investees	46~47
(c) Information on investment in mainland China	47~48
(d) Major shareholders	48
(14) Segment information	48~50

## **Independent Auditors' Review Report**

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

### **Introduction**

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

### **Scope of Review**

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

### **Basis for Qualified Conclusion**

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

**Qualified Conclusion**

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

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

KPMG

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

**Notes to Readers**

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

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

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

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

**Consolidated Balance Sheets**

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

**(Expressed in Thousands of New Taiwan Dollars)**

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

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2020 and 2019

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

		For the three months ended March 31			
		2020		2019	
		Amount	%	Amount	%
4000	<b>Operating revenue (note 6(s))</b>	\$ 3,616,096	100	4,218,239	100
5000	<b>Operating costs (notes 6(f), (g), (h), (n), (o) and 9)</b>	2,501,341	69	2,804,117	66
5900	<b>Gross profit</b>	1,114,755	31	1,414,122	34
6000	<b>Operating expenses (notes 6(d), (e), (g), (h), (n), (o), (t) and 7):</b>				
6100	Selling expenses	575,335	16	685,306	16
6200	General and administrative expenses	328,910	9	335,415	8
6300	Research and development expenses	53,184	2	63,078	1
6450	Expected credit loss for bad debt expense	9,122	-	2,915	-
	<b>Total operating expenses</b>	966,551	27	1,086,714	25
6900	<b>Operating profit</b>	148,204	4	327,408	9
7000	<b>Non-operating income and expenses (notes 6(c), (i), (n), (u) and 7):</b>				
7010	Other income	71,348	2	61,724	1
7020	Other gains and losses	(122)	-	11,526	-
7050	Finance costs	(64,450)	(2)	(65,113)	(2)
	<b>Total non-operating income and expenses</b>	6,776	-	8,137	(1)
7900	<b>Profit from continuing operations before tax</b>	154,980	4	335,545	8
7950	<b>Less: Income tax expenses (note 6(p))</b>	77,770	2	129,551	3
	<b>Profit</b>	77,210	2	205,994	5
8300	<b>Other comprehensive income (note 6(q)):</b>				
8310	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(2,734)	-	950	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	(2,734)	-	950	-
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(284,885)	(8)	218,600	5
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	(284,885)	(8)	218,600	5
8300	<b>Other comprehensive income</b>	(287,619)	(8)	219,550	5
	<b>Total comprehensive income</b>	<b>\$ (210,409)</b>	<b>(6)</b>	<b>425,544</b>	<b>10</b>
	<b>Net income attributable to:</b>				
8610	Shareholders of the parent	\$ 75,705	2	197,194	5
8620	Non-controlling interests	1,505	-	8,800	-
		<b>\$ 77,210</b>	<b>2</b>	<b>205,994</b>	<b>5</b>
	<b>Total Comprehensive income attributable to:</b>				
8710	Shareholders of the parent	\$ (194,991)	(6)	418,439	10
8720	Non-controlling interests	(15,418)	-	7,105	-
		<b>\$ (210,409)</b>	<b>(6)</b>	<b>425,544</b>	<b>10</b>
9750	<b>Basic earnings per share (in New Taiwan dollars) (note 6(r))</b>	<b>\$ 0.31</b>		<b>0.80</b>	
9850	<b>Diluted earnings per share (in New Taiwan dollars) (note 6(r))</b>	<b>\$ 0.31</b>		<b>0.80</b>	

See accompanying notes to financial statements.

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

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

**Consolidated Statements of Changes in Equity**  
**For the three months ended March 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent												
	Retained earnings					Total	Total other equity interest			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		Financial statements translation differences for foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total				
<b>Balance at January 1, 2019</b>	\$ 2,941,330	1,011,972	639,714	512,508	2,035,934	3,188,156	(506,975)	(51,878)	(558,853)	(576,860)	6,005,745	290,276	6,296,021
Other changes in capital surplus	-	477	-	-	-	-	-	-	-	-	477	-	477
Net income	-	-	-	-	197,194	197,194	-	-	-	-	197,194	8,800	205,994
Other comprehensive income (loss)	-	-	-	-	-	-	220,295	950	221,245	-	221,245	(1,695)	219,550
Total comprehensive income (loss)	-	-	-	-	197,194	197,194	220,295	950	221,245	-	418,439	7,105	425,544
<b>Balance at March 31, 2019</b>	<b>\$ 2,941,330</b>	<b>1,012,449</b>	<b>639,714</b>	<b>512,508</b>	<b>2,233,128</b>	<b>3,385,350</b>	<b>(286,680)</b>	<b>(50,928)</b>	<b>(337,608)</b>	<b>(576,860)</b>	<b>6,424,661</b>	<b>297,381</b>	<b>6,722,042</b>
<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:													
Cash dividends of ordinary share	-	91,760	-	-	(586,782)	(586,782)	-	-	-	-	(495,022)	-	(495,022)
Other changes in capital surplus	-	980	-	-	-	-	-	-	-	-	980	-	980
Net income	-	-	-	-	75,705	75,705	-	-	-	-	75,705	1,505	77,210
Other comprehensive income (loss)	-	-	-	-	-	-	(267,962)	(2,734)	(270,696)	-	(270,696)	(16,923)	(287,619)
Total comprehensive income (loss)	-	-	-	-	75,705	75,705	(267,962)	(2,734)	(270,696)	-	(194,991)	(15,418)	(210,409)
<b>Balance at March 31, 2020</b>	<b>\$ 2,941,330</b>	<b>1,229,087</b>	<b>740,987</b>	<b>1,071,360</b>	<b>1,050,946</b>	<b>2,863,293</b>	<b>(993,121)</b>	<b>(51,250)</b>	<b>(1,044,371)</b>	<b>(576,860)</b>	<b>5,412,479</b>	<b>303,083</b>	<b>5,715,562</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**

**Consolidated Statements of Cash Flows**

**For the three months ended March 31, 2020 and 2019**

(Expressed in Thousands of New Taiwan Dollars)

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

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

#### (1) Company history

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

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

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

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

The consolidated financial statements were reported to the Board of Directors and issued on May 14, 2020.

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

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

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

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

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

(Continued)

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

**Notes to the Consolidated Financial Statements**

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

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

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

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

<b>Issuance / Release Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
January 23, 2020	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

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

(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, 2019. For the related information, please refer to note 4 of the consolidated financial statement for the year ended December 31, 2019.

##### (a) Statement of compliance

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

##### (b) Basis of consolidation

List of the subsidiaries included in the consolidated financial statements:

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

(Continued)

## NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name investor	Name of investee	Scope of business	Percentage of ownership			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
Lucky Co.	Namchow Gastronomy Consulting Company, Ltd. (Namchow Gastronomy Consulting Co.)	Catering services and food consulting services	99.00%	99.00%	99.00%	Notes 2, 5
Namchow BVI Co.	Shanghai Bao Lai Na Company Limited. (Bao Lai Na Co.)	Multinational eateries, and the promotion and management of craft beers	90.00%	90.00%	90.00%	Note 5
Nacia Co.	Namchow (Cayman Islands) Holding Corp. (Namchow Cayman Co.)	Holding of investments	100.00%	100.00%	100.00%	
Shanghai Qiaohao Co.	Shanghai Qiaohao Enterprise Management Co., Ltd. (Shanghai Qiaohao Enterprise Management Co.)	Business management and investment consulting services	100.00%	100.00%	100.00%	
Namchow Cayman Co. and Shanghai Qiaohao Co.	Shanghai Qiaohao Food Co., Ltd. (Shanghai Qiaohao Food Co.)	Food packaging, selling and trading of restaurant equipment	100.00%	100.00%	100.00%	Note 3
Shanghai Qiaohao Co.	Tianjin Qiaohao Food Co., Ltd. (Tianjin Qiaohao Food Co.)	Food packaging, selling and trading of restaurant equipment	100.00%	100.00%	100.00%	
Namchow Cayman Co.	Shanghai Qiaohao Trading Co., Ltd. (Shanghai Qiaohao Co.)	Holding of investments and international trade	100.00%	100.00%	100.00%	
Namchow Cayman Co.	Shanghai Qizhi Business Consulting Co., Ltd. (Shanghai Qizhi Co.)	Business management and investment consulting services	100.00%	100.00%	100.00%	
Namchow Cayman Co. and Shanghai Qizhi Co.	Namchow Food Group (Shanghai) Co., Ltd. (Namchow Food Co.)	Food packaging, dairy product and product purchasing management and selling	96.15%	96.15%	96.15%	
Namchow Cayman Co. and Namchow Food Co.	Shanghai Namchow Food co., Ltd. (Shanghai Namchow Co.)	Developing, manufacturing, processing and selling of edible oil, and frozen food manufacturing	96.15%	96.15%	96.15%	
Namchow Food Co.	Tianjin Namchow Food Co., Ltd. (Tianjin Namchow Co.)	Manufacturing, and selling of edible oil and related services	96.15%	96.15%	96.15%	
Namchow Food Co.	Guangzhou Namchow Food Co., Ltd. (Guangzhou Namchow Co.)	Manufacturing, and selling of edible oil and related services	96.15%	96.15%	96.15%	
Namchow Food Co.	Chongqing Qiaoxing Co., Ltd. (Chongqing Qiaoxing Co.)	Food packaging, dairy product and product purchasing management and selling	96.15%	96.15%	96.15%	
Namchow Food Co.	Wuhan Qiaoxing Co., Ltd. (Wuhan Qiaoxing Co.)	The technical service of baking oil and fat product	96.15%	96.15%	- %	Note 4
Tianjin Namchow Co.	Tianjin Yoshi Yoshi Food Co., Ltd. (Tianjin Yoshi Yoshi Co.)	Developing , manufacturing, and selling of dairy products and related services	96.15%	96.15%	96.15%	
Tianjin Yoshi Yoshi Co.	Guangzhou Yoshi Yoshi Food Co., Ltd. (Guangzhou Yoshi Yoshi Co.)	Developing , manufacturing, and selling of dairy products and related services	96.15%	96.15%	96.15%	

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

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

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

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

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

#### (c) Employee benefits

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

(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, 2019.

**(6) Explanation of significant accounts**

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

(a) Cash and cash equivalents

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

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

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

(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(u).

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

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

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

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

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

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

- (ii) Credit risk (including depreciation of debt instrument investment) and market risk, please refer to note 6(v).
- (iii) The aforesaid financial assets were not pledged as collateral.

- (d) Notes and accounts receivable

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Notes receivable	\$ 175,036	166,114	192,014
Accounts receivable	1,574,026	1,589,285	1,467,063
Less: allowance for impairment	23,769	14,913	15,261
	<u>\$ 1,725,293</u>	<u>1,740,486</u>	<u>1,643,816</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>March 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-aver age expected credit loss rate</b>	<b>Loss allowance provision</b>
Not overdue	\$ 1,416,591	0~0.80%	2,489
Overdue 1~30 days	181,782	0.25~12.57%	2,241
Overdue 31~60 days	99,654	0.13~60.49%	3,186
Overdue 61~90 days	36,367	1.00~100.00%	5,643
Overdue 91~180 days	7,356	1.25~100.00%	5,164
Overdue 181~365 days	3,899	1.00~73.20%	1,633
Overdue 365 days past due	<u>3,413</u>	100.00%	<u>3,413</u>
	<b><u>\$ 1,749,062</u></b>		<b><u>23,769</u></b>
	<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted-aver age expected credit loss rate</b>	<b>Loss allowance provision</b>
Not overdue	\$ 1,584,072	0~0.64%	2,397
Overdue 1~30 days	144,172	0.18~11.71%	1,990
Overdue 31~60 days	14,523	0.24~60.59%	860
Overdue 61~90 days	1,430	1.01~100.00%	469
Overdue 91~180 days	4,374	1.00~100.00%	3,243
Overdue 181~365 days	3,532	1.01~75.53%	2,658
Overdue 365 days past due	<u>3,296</u>	100.00%	<u>3,296</u>
	<b><u>\$ 1,755,399</u></b>		<b><u>14,913</u></b>

(Continued)

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

**Notes to the Consolidated Financial Statements**

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

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

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

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

(e) Other receivables

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

The Group's other receivables which were overdue on March 31, 2020, December 31 and March 31, 2019, 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 was as follows:

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

(f) Inventories

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

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

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

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

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

(Continued)

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

(g) Property, plant and equipment

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

	Land	Buildings	Machinery	Other equipment	Unfinished construction	Total
Cost and revaluation:						
Balance at January 1, 2020	\$ 2,895,069	5,570,522	6,590,667	3,984,357	1,444,485	20,485,100
Additions	-	23,799	6,890	23,591	425,947	480,227
Disposals	-	-	(1,799)	(4,553)	(1,936)	(8,288)
Reclassification	-	394,223	4,879	43,486	(439,576)	3,012
Effect of changes in exchange rates	(4,824)	(60,357)	(172,820)	(51,514)	(63,580)	(353,095)
Balance at March 31, 2020	<b>\$ 2,890,245</b>	<b>5,928,187</b>	<b>6,427,817</b>	<b>3,995,367</b>	<b>1,365,340</b>	<b>20,606,956</b>
Balance at January 1, 2019	\$ 2,892,515	4,989,234	6,523,477	3,955,228	828,149	19,188,603
Additions	-	2,957	11,397	19,047	53,701	87,102
Disposals	-	-	(3,922)	(8,482)	-	(12,404)
Reclassification	-	-	2,480	(82,558)	(1,224)	(81,302)
Effect of changes in exchange rates	3,299	90,599	116,794	59,821	4,293	274,806
Balance at March 31, 2019	<b>\$ 2,895,814</b>	<b>5,082,790</b>	<b>6,650,226</b>	<b>3,943,056</b>	<b>884,919</b>	<b>19,456,805</b>
Depreciation and impairment loss:						
Balance at January 1, 2020	\$ 31,953	1,462,396	3,985,497	2,597,007	-	8,076,853
Depreciation	-	42,949	70,912	78,782	-	192,643
Disposal	-	-	(1,799)	(4,259)	-	(6,058)
Effect of changes in exchange rates	-	(22,701)	(117,654)	(32,239)	-	(172,594)
Balance at March 31, 2020	<b>\$ 31,953</b>	<b>1,482,644</b>	<b>3,936,956</b>	<b>2,639,291</b>	<b>-</b>	<b>8,090,844</b>
Balance at January 1, 2019	\$ 31,953	1,333,606	3,686,267	2,343,318	-	7,395,144
Depreciation	-	40,623	74,136	83,846	-	198,605
Disposal	-	-	(2,779)	(5,723)	-	(8,502)
Reclassification	-	-	-	(5,623)	-	(5,623)
Effect of changes in exchange rates	-	20,552	62,595	32,570	-	115,717
Balance at March 31, 2019	<b>\$ 31,953</b>	<b>1,394,781</b>	<b>3,820,219</b>	<b>2,448,388</b>	<b>-</b>	<b>7,695,341</b>
Carrying value:						
January 1, 2020	<b>\$ 2,863,116</b>	<b>4,108,126</b>	<b>2,605,170</b>	<b>1,387,350</b>	<b>1,444,485</b>	<b>12,408,247</b>
March 31, 2020	<b>\$ 2,858,292</b>	<b>4,445,543</b>	<b>2,490,861</b>	<b>1,356,076</b>	<b>1,365,340</b>	<b>12,516,112</b>
March 31, 2019	<b>\$ 2,863,861</b>	<b>3,688,009</b>	<b>2,830,007</b>	<b>1,494,668</b>	<b>884,919</b>	<b>11,761,464</b>
January 1, 2019	<b>\$ 2,860,562</b>	<b>3,655,628</b>	<b>2,837,210</b>	<b>1,611,910</b>	<b>828,149</b>	<b>11,793,459</b>

(i) Impairment loss and subsequent reversal

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

(ii) Collateral

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

(Continued)

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

**Notes to the Consolidated Financial Statements**

(h) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Transposition equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2020	\$ 326,205	1,340,261	75,589	1,742,055
Additions	-	5,001	2,324	7,325
Modification	-	(19,127)	-	(19,127)
Effect of changes in exchange rates	(3,789)	(14,317)	(558)	(18,664)
Balance at March 31, 2020	<u>\$ 322,416</u>	<u>1,311,818</u>	<u>77,355</u>	<u>1,711,589</u>
Balance at January 1, 2019	\$ 265,619	1,021,232	92,236	1,379,087
Effect of changes in exchange rates	6,415	20,153	(28,199)	(1,631)
Balance at March 31, 2019	<u>\$ 272,034</u>	<u>1,041,385</u>	<u>64,037</u>	<u>1,377,456</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2020	\$ 77,379	211,865	28,685	317,929
Depreciation	1,720	60,915	7,206	69,841
Modification	-	(2,454)	-	(2,454)
Effect of changes in exchange rates	(920)	(3,070)	(152)	(4,142)
Balance at March 31, 2020	<u>\$ 78,179</u>	<u>267,256</u>	<u>35,739</u>	<u>381,174</u>
Balance at January 1, 2019	\$ -	-	11,737	11,737
Depreciation	1,822	53,654	6,218	61,694
Effect of changes in exchange rates	7	166	(6,254)	(6,081)
Balance at March 31, 2019	<u>\$ 1,829</u>	<u>53,820</u>	<u>11,701</u>	<u>67,350</u>
Carrying value:				
January 1, 2020	<u>\$ 248,826</u>	<u>1,128,396</u>	<u>46,904</u>	<u>1,424,126</u>
March 31, 2020	<u>\$ 244,237</u>	<u>1,044,562</u>	<u>41,616</u>	<u>1,330,415</u>
March 31, 2019	<u>\$ 270,205</u>	<u>987,565</u>	<u>52,336</u>	<u>1,310,106</u>
January 1, 2019	<u>\$ 265,619</u>	<u>1,021,232</u>	<u>80,499</u>	<u>1,367,350</u>

(i) Investment property

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

(Continued)

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

**Notes to the Consolidated Financial Statements**

	<b>Buildings</b>
Depreciation:	
Balance as at January 1, 2020	\$ 28,835
Depreciation	801
Effect of changes in exchange rates	(344)
Balance as at March 31, 2020	<u><u>\$ 29,292</u></u>
Balance as at January 1, 2019	\$ 26,626
Depreciation	849
Effect of changes in exchange rates	646
Balance as at March 31, 2019	<u><u>\$ 28,121</u></u>
Carrying value:	
Balance as at January 1, 2020	<u><u>\$ 42,362</u></u>
Balance as at March 31, 2020	<u><u>\$ 41,078</u></u>
Balance as at March 31, 2019	<u><u>\$ 47,624</u></u>
Balance as at January 1, 2019	<u><u>\$ 47,333</u></u>
Fair value:	
Balance as at January 1, 2020	<u><u>\$ 75,420</u></u>
Balance as at March 31, 2020	<u><u>\$ 74,544</u></u>
Balance as at March 31, 2019	<u><u>\$ 75,143</u></u>
Balance as at January 1, 2019	<u><u>\$ 73,561</u></u>

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

The fair value of investment property is based on expected cash flow from the rental income, discounted at yields which reflect the specific level of risk associated with the cash flow.

<b>Region</b>	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Xuhui Dist., Shanghai	4.27%	4.27%

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

(j) Goodwill

Goodwill arising from the merger was as follows:

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

(Continued)

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

**Notes to the Consolidated Financial Statements**

The cost and accumulated amortization was as follows:

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

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

(k) Short-term and long-term borrowings

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

(i) Short-term borrowings

	<b>March 31, 2020</b>			
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Unsecured loans	RMB	2.27~4.65	2020	\$ 2,208,003
Unsecured loans	EUR	0.84	2020	23,891
Unsecured loans	USD	3.40	2020	189,915
Unsecured loans	TWD	0.85~1.00	2020	1,689,550
Unsecured loans	JPY	0.58~0.98	2021	532,508
Unsecured loans	THB	0.07	2021	313,006
Total				<b><u>\$ 4,956,873</u></b>
	<b>December 31, 2019</b>			
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Unsecured loans	RMB	2.24~4.70	2020	\$ 2,021,548
Unsecured loans	EUR	0.84	2020	24,192
Unsecured loans	USD	4.22	2020	192,197
Unsecured loans	TWD	0.85~1.00	2020	827,000
Unsecured loans	JPY	0.95	2020	458,160
Unsecured loans	THB	0.07	2020	119,843
Total				<b><u>\$ 3,642,940</u></b>

(Continued)

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

**Notes to the Consolidated Financial Statements**

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

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

(ii) Short-term commercial paper payable

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

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

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

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

(Continued)

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

**Notes to the Consolidated Financial Statements**

(iii) Long-term borrowings

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

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

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

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

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

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

(Continued)

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

**Notes to the Consolidated Financial Statements**

(l) Bonds payable

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

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

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

(m) Provisions

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

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

(n) Lease liabilities

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

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

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

The amounts recognized in profit or loss were as follows:

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

(Continued)

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

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

	<b>For the three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Total cash outflow for leases	<b>\$ 100,377</b>	<b>114,210</b>

(o) Employee benefits

(i) Defined benefit plans

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

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

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

(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 March 31</b>	
	<b>2020</b>	<b>2019</b>
Operating costs	\$ 10,803	15,994
Operating expenses	21,224	27,790
Total	<b>\$ 32,027</b>	<b>43,784</b>

(p) Income tax

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

(Continued)

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

**Notes to the Consolidated Financial Statements**

ii) Income tax expenses

The components of income tax are as follows:

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

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

iii) Examination and approval

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

(q) Capital and other equity

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

(i) Capital surplus

The components of capital surplus were as follows:

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

(Continued)

## NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ii) Retained earnings

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

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

1) Special earnings reserve

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

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

2) Distribution of retained earnings

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

	2019	2018
Dividends distributed to common shareholders:		
Cash	\$ 586,782	792,156

(Continued)

## NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(iii) Treasury stock

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

<b>March 31, 2020</b>					
<b>Subsidiary name</b>	<b>Number of shares (in thousand)</b>	<b>Market price per share</b>	<b>Adjusted cost per share</b>	<b>Total market value</b>	<b>Total treasury stock</b>
Lucky Co.	46,041	40.40	11.51	\$ 1,860,067	530,114

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

<b>March 31, 2019</b>					
<b>Subsidiary name</b>	<b>Number of shares (in thousand)</b>	<b>Market price per share</b>	<b>Adjusted cost per share</b>	<b>Total market value</b>	<b>Total treasury stock</b>
Lucky Co.	46,041	53.40	11.51	\$ 2,458,603	530,114

In pursuant to Article 12 of the Business Mergers and Acquisition Act, a resolution was made by the Board of the Company to repurchase 742 thousand treasury stock amounting to \$46,746 thousand from the shareholders who objected on the share swap agreement in August 2017. As of March 31, 2020, none of the repurchased treasury stocks were exchanged.

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

(iv) Other equities (net for tax)

	<b>Foreign exchange differences arising from foreign operations</b>	<b>Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income</b>	<b>Non-controlling interests</b>	<b>Total</b>
Balance as of January 1, 2020	\$ (725,159)	(48,516)	189,614	(584,061)
Foreign exchange differences arising from foreign operations	(267,962)	-	(16,923)	(284,885)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(2,217)	-	(2,217)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, subsidiaries accounted for using equity method	-	(517)	-	(517)
Balance as of March 31, 2020	\$ (993,121)	(51,250)	172,691	(871,680)

(Continued)

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

**Notes to the Consolidated Financial Statements**

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

(r) Earnings per share

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

(i) Basic earnings per share

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

ii) Diluted earnings per share

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

(Continued)

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

**Notes to the Consolidated Financial Statements**

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

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

(Continued)

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

**Notes to the Consolidated Financial Statements**

For the three months ended March 31, 2019

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

(Continued)

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

**Notes to the Consolidated Financial Statements**

(ii) Contract balance

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

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

(t) Remuneration to employees and directors

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

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

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

The Company estimated its remuneration to employees amounting to \$11,812 thousand and \$11,728 thousand, as well as its directors' \$47,248 thousand and \$52,777 thousand for the years 2019 and 2018, respectively. The estimated amounts mentioned above are based on the net profit before tax of each respective ending period, multiplied by the percentage of the remuneration to employees and directors as specified in the Company's article. The estimations are recorded under operating expenses and cost. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2019 and 2018. The estimated remuneration attributable to the affiliate employees amounted to \$10,109 thousand for the years ended December 31, 2018. The liability was derived from applying the remuneration percentage under the Company's articles of incorporation and was recognized in the long term equity investment in 2018. The aforementioned remuneration to employees and directors are consistent to the estimated amounts disclosed in the Company's consolidated financial statements for the years ended December 31, 2019 and 2018.

(Continued)

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

**Notes to the Consolidated Financial Statements**

(u) Non-operating income and expenses

(i) Other income

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

ii) Other gains and losses

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

iii) Finance costs

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

(Continued)

## NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(v) Financial instruments

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

(i) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within a year	1-2 years	2-5 years	More than 5 years
<b>March 31, 2020</b>						
Non-derivative financial liabilities						
Secured loans	\$ 1,203,624	1,393,810	14,773	113,933	39,081	1,226,023
Unsecured loans	6,840,121	6,920,749	5,396,815	1,213,042	310,892	-
Short-term commercial paper payable	219,904	220,000	220,000	-	-	-
Accounts payable	779,098	779,098	779,098	-	-	-
Dividends payable	495,022	495,022	495,022	-	-	-
Other payables	1,044,895	1,044,895	1,044,895	-	-	-
Bonds payable	3,964,178	3,964,178	3,964,178	-	-	-
Lease liabilities	1,128,903	1,338,750	265,952	209,669	437,732	425,397
Guarantee deposits received	50	50	50	-	-	-
	<b>\$ 15,675,795</b>	<b>16,156,552</b>	<b>12,180,783</b>	<b>1,536,644</b>	<b>787,705</b>	<b>1,651,420</b>
<b>December 31, 2019</b>						
Non-derivative financial liabilities						
Secured loans	\$ 1,727,541	1,923,850	20,326	647,946	38,689	1,216,889
Unsecured loans	6,076,806	6,173,261	4,088,075	1,004,359	1,080,827	-
Accounts payable	968,336	968,336	968,336	-	-	-
Other payables	1,419,633	1,419,633	1,419,633	-	-	-
Bonds payable	3,958,804	3,958,804	3,958,804	-	-	-
Lease liabilities	1,190,645	1,416,048	276,370	224,430	458,850	456,398
Guarantee deposits received	50	50	50	-	-	-
	<b>\$ 15,341,815</b>	<b>15,859,982</b>	<b>10,731,594</b>	<b>1,876,735</b>	<b>1,578,366</b>	<b>1,673,287</b>
<b>March 31, 2019</b>						
Non-derivative financial liabilities						
Secured loans	\$ 1,073,816	1,252,552	969,583	2,896	8,688	271,385
Unsecured loans	6,317,106	6,623,945	4,650,958	1,016,372	855,514	101,101
Short-term commercial paper payable	279,893	280,000	280,000	-	-	-
Bills payable	7,040	7,040	7,040	-	-	-
Accounts payable	968,981	968,981	968,981	-	-	-
Other payables	1,074,812	1,074,812	1,074,812	-	-	-
Bonds payable	3,942,684	3,942,684	3,942,684	-	-	-
Lease liabilities	1,033,469	1,181,523	255,371	255,371	384,921	285,860
Guarantee deposits received	120	120	120	-	-	-
	<b>\$ 14,697,921</b>	<b>15,331,657</b>	<b>12,149,549</b>	<b>1,274,639</b>	<b>1,249,123</b>	<b>658,346</b>

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

(Continued)

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

**Notes to the Consolidated Financial Statements**

(ii) Liquidity risk – Currency risk

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

	<b>Foreign currency</b>	<b>Exchange rate</b>	<b>TWD</b>
<b>March 31, 2020</b>			
Financial assets:			
Monetary assets:			
USD	\$	3,817	30.23
			115,365
Financial liabilities:			
Monetary liabilities:			
USD	\$	8,936	30.23
EUR	\$	3,343	33.24
			111,134
<b>December 31, 2019</b>			
Financial assets:			
Monetary assets:			
USD	\$	6,255	29.98
			187,540
Financial liabilities:			
Monetary liabilities:			
USD	\$	11,090	29.98
EUR	\$	5,146	33.59
			172,837
<b>March 31, 2019</b>			
Financial assets:			
Monetary assets:			
USD	\$	6,096	31.0000
			187,887
Financial liabilities:			
Monetary liabilities:			
USD	\$	32,962	31.0000
EUR	\$	850	35.0000
			1,015,902
			29,442

(Continued)

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

The Group's exposure to foreign currency risk arose from cash and cash equivalents, accounts receivables, other receivables, loans and borrowings, accounts payable and other payables that were denominated in foreign currencies. A 1% appreciation (depreciation) of the TWD against the USD, TWD, JPY, and EUR as of March 31, 2020 and 2019 would have increased (decreased) the net income after tax for the three months ended March 31, 2020 and 2019 by \$2,658 thousand and \$8,574 thousand, respectively. The analysis was performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months ended March 31, 2020 and 2019, foreign exchange gain (loss) (including realized and unrealized abortions) amounted to \$(1,870) thousand and \$17,717 thousand, respectively.

(iii) Interest rate risk analysis

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

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

If the interest rate had increased / decreased by 1%, the Group's net income before tax would have decreased / increased by \$19,226 thousand and \$15,878 thousand for the three months ended March 31, 2020 and 2019, respectively, with all other variable factors remaining constant.

(Continued)

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

**Notes to the Consolidated Financial Statements**

(iv) Fair value and carrying amount

1) Categories and fair value of financial instruments

The 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 :

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

(Continued)

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

**Notes to the Consolidated Financial Statements**

	<b>December 31, 2019</b>				
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 218,568	-	218,568	-	218,568
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	16,457	16,457	-	-	16,457
Stocks unlisted on domestic markets	27,166	-	-	27,166	27,166
Subtotal	43,623	16,457	-	27,166	43,623
Total	<b>\$ 262,191</b>	<b>16,457</b>	<b>218,568</b>	<b>27,166</b>	<b>262,191</b>
	<b>March 31, 2019</b>				
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	\$ 14,044	14,044	-	-	14,044
Stocks unlisted on domestic markets	27,166	-	-	27,166	27,166
Total	<b>\$ 41,210</b>	<b>14,044</b>	<b>-</b>	<b>27,166</b>	<b>41,210</b>

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

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

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

(Continued)

## NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

#### 3) Fair value hierarchy

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

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

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

#### 4) Transferring between Level 1 and Level 2

There were no transfers from Level 2 to Level 1 for the three months ended March 31, 2020 and 2019.

#### 5) Reconciliation of Level 3 fair values

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

The aforementioned gain is recorded under other income.

(Continued)

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

**Notes to the Consolidated Financial Statements**

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

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> <li>• Multiplier of price-to-earnings ratio (As of March 31, 2020, December 31, 2019 and March 31, 2019 was 0.93, 0.93 and 0.97, respectively)</li> <li>• Market illiquidity discount rate (As of March 31, 2020, December 31, 2019 and March 31, 2019 was both 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:

	<u>Input</u>	<u>Assumptions</u>	<u>Other comprehensive income</u>	
			<u>Favourable</u>	<u>Unfavourable</u>
<b>March 31, 2020</b>				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	5%	\$ 81	(81)
<b>December 31, 2019</b>				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	5%	1,730	(1,730)
<b>March 31, 2019</b>				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	5%	1,819	(1,819)

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

(Continued)

## NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(w) Financial risk management

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

(x) Capital management

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

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

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

(z) The reconciliation of liabilities arising from financing activities

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

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

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

(Continued)

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

**Notes to the Consolidated Financial Statements**

**(7) Related-party transactions**

(a) Names and relationship with related parties

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

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

(b) Significant transactions with related parties – leases

The Group entered into a two-year lease agreement with its key management personnel for a building to be used for its business operation, with a rental fee based on the rental rates within the vicinity. The Group applied IFRS 16, with a date of initial application on January 1, 2019. This lease transaction both recognized an additional amount of \$4,354 thousand of right-of-use assets and lease liabilities. For the three months ended March 31, 2020 and 2019, the Group recognized the amount of \$10 thousand and \$17 thousand as interest expense, respectively. As of March 31, 2020, December 31 and March 31, 2019, the balance of lease liabilities amounted to \$6,254 thousand, \$8,328 thousand and \$3,883 thousand, respectively.

(c) Personnel transactions from key management

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

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

(Continued)

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

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

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

**(9) Commitments and contingencies**

(a) Major contracts not recognized the commitment:

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

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

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

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

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

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

(Continued)

## NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (b) Lucky Co. and BVI Co. and Paulaner Brauhaus Consult GmbH (PBCG) have entered into a contract for the use of the PBCG brand name and beer brewing techniques. In accordance with the contract, PBCG has to provide the right to use its brand name and its management consultation service for restaurant management, information service. The contract lasts for 10 years, starting from October 1, 2019 to September 9, 2029, with the option of extending it for an additional of 10 years, and there will be an automatic renewal for five years after the first renewal.

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

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

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

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

**(12) Other**

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

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

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

- (b) Operating and seasonality

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

(Continued)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Notes to the Consolidated Financial Statements

#### (13) Other disclosures

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

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

##### (i) Loans extended to other parties:

Unit: thousand dollars

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the period (Note 2)	Ending balance (Note 2)	Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
1	Guangzhou Namchow Co.	Shanghai Namchow Co.	Other long term accounts receivable – related parties	Yes	648,600	638,250	638,250	4%	2	-	Capital for operation	-	-	-	3,274,547 (Note 1)	3,274,547 (Note 1)

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

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

##### (ii) Guarantees and endorsements for other parties:

Unit: thousand dollars

No.	Name of company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for one party	Highest balance for guarantees and endorsements during the period	Ending balance of guarantees and endorsements	Amount actually drawn	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum allowable amount for guarantees and endorsements	Parent company endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement / guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of company in Mainland China
		Name	Relationship with the Company										
0	The Company	Nankyo Japan Co.	2	5,412,479	1,676,310	1,676,310	791,368	-	30.97%	5,412,479	Y	N	N

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

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

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

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

Unit: thousand dollars/thousand of shares

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Remarks
				Number of shares	Book value	Holding percentage	Market value	
The Company	Huanhua Co., Ltd.	—	Financial assets at fair value through comprehensive income – non-current	163	1,265	0.87 %	1,265	
The Company	Stock: Capital Securities Co., Ltd.	—	Financial assets at fair value through comprehensive income – non-current	1,185	11,120	0.05 %	11,120	
Lucky Co., Ltd.	Stock: The Company	The Company	Financial assets at fair value through comprehensive income – non-current	46,041	1,860,067	15.65 %	1,860,067	Note 1
Lucky Co., Ltd.	Stock: Capital Securities Co., Ltd.	—	Financial assets at fair value through comprehensive income – non-current	277	2,603	0.01 %	2,603	

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

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

(Continued)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Notes to the Consolidated Financial Statements

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

Unit: thousand dollars

Name of company	Counter-party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Accounts / notes receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
Namchow Food Co.	Tianjin Namchow Co.	Subsidiary	Purchase	219,408	(21) %	Note 1	-		(137,995)	10%	Note 2
Tianjin Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(219,408)	(82) %	Note 1	-		137,995	42%	Note 2
Namchow Food Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	198,474	(19) %	Note 1	-		(557,785)	41%	Note 2
Guangzhou Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(198,474)	(45) %	Note 1	-		557,785	78%	Note 2
Namchow Food Co.	Shanghai Namchow Co.	Subsidiary	Purchase	227,805	(22) %	Note 1	-		(4,311)	-%	Note 2
Shanghai Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(227,805)	(85) %	Note 1	-		4,311	19%	Note 2
Chongqing Qiaoxing Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	137,431	(27) %	Note 1	-		(54,308)	26%	Note 2
Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(137,431)	(31) %	Note 1	-		54,308	8%	Note 2
Namchow Food Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	Purchase	152,232	(14) %	Note 1	-		(393,758)	29%	Note 2
Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	Subsidiary	(Sales)	(152,232)	(72) %	Note 1	-		393,758	92%	Note 2
Namchow Food Co.	Chongqing Qiaoxing Co.	Subsidiary	Purchase	252,476	(24) %	Note 1	-		(281,042)	20%	Note 2
Chongqing Qiaoxing Co.	Namchow Food Co.	Subsidiary	(Sales)	(252,476)	(36) %	Note 1	-		281,042	59%	Note 2

Note 1: Depending on capital movement motor adjustment.

Note 2: All intercompany accounts and transactions are eliminated.

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

Unit: thousand dollars

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

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

- (ix) Trading in derivative instruments: None.

(Continued)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Notes to the Consolidated Financial Statements

## (x) Business relationships and significant intercompany transactions:

Unit: thousand dollars

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

Note 1: Company numbering is as follows:

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

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

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

## (b) Information on investees:

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

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

Unit: thousand dollars/thousand of shares

(Continued)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Net income (losses) of investee	Investment income (losses)	Remarks
				March 31, 2020	December 31, 2019	Shares	Percentage of ownership	Book value			
The Company	Chow Ho Co.	Taipei, Taiwan	Catering services, food and beverage retailing, and frozen food manufacturing	119,000	119,000	2,500	100%	17,289	(1,740)	(1,736)	Note 3
The Company	Lucky Co.	Taipei, Taiwan	Manufacturing, selling and processing various food and beverage products	938,438	938,438	95,338	99%	815,798	41,984	(49,827)	Note 3
The Company	NBP Co.	Taipei, Taiwan	Publishing, distributing and selling printed publications	763	763	80	80%	112	(17)	(14)	Note 3
The Company	Nankyo Japan Co.	Tokyo, Japan	Catering services, Bistro and wine-selling	308,530	308,530	-	100%	77,401	(30,273)	(30,273)	Notes 2 and 3
The Company	Namchow Consulting Co.	Taipei, Taiwan	Catering services, food and beverage retailing and other consulting	5,000	5,000	500	100%	1,525	(162)	(162)	Note 3
The Company	Chow Food Co.	Taipei, Taiwan	Development of biotechnology products	39,000	39,000	2,200	100%	8,361	(3,606)	(3,606)	Note 3
The Company	Namchow Oil and Fat Co.	Taipei, Taiwan	Manufacturing, processing and selling of edible oil and frozen dough	411,731	411,731	41,173	100%	502,355	36,603	36,862	Note 3
The Company	Huaciang Co.	Taipei, Taiwan	Manufacturing, processing and selling of dish and laundry liquid detergent as well as frozen food	392,341	392,341	30,000	100%	271,221	(4,053)	(3,820)	Note 3
Lucky Co.	Namchow BVI Co.	Tortola, British Virgin Islands	Holding of investments	228,970	228,970	4,680	90%	73,590	(57,161)	(51,844)	Notes 1 and 3
Lucky Co.	Dian Shui Lou Co.	Taipei, Taiwan	Liquor importing and retailing	222,000	222,000	10,400	100%	100,679	(21,485)	(21,486)	Notes 1 and 3
Lucky Co.	Namchow Gastronomy Consulting Co.	Taipei, Taiwan	Catering services and food consulting	14,000	14,000	500	100%	3,791	(641)	(641)	Note 3
Lucky Co.	NBP Co.	Taipei, Taiwan	Publishing, distributing and selling printed publications	100	100	10	10%	14	(17)	(2)	Note 3
Nacia Co.	Namchow Cayman Co.	Gayman Islands British West Indies.	Holding of investments	2,522,207	2,522,207	35,378	100%	8,021,684	127,179	127,179	Note 3

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

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

Note 3: All intercompany accounts and transactions are eliminated.

#### (c) Information on investment in mainland China:

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

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2020	Investment flow during current period		Cumulative investment (amount) from Taiwan as of March 31, 2020	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (loss) (note 2)	Book value as of March 31, 2020	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
Shanghai Qiaohao Co.	Holding of investments and international trade	669,270	(3)	-	-	-	-	(22,858)	100.00%	(22,858) (2)b.	377,258	-
Shanghai Qiaohao Enterprise Management Co.	Business management and investment consulting	961	(3)	-	-	-	-	-	100.00%	- (2)b.	851	-
Shanghai Qiaohao Food Co.	Food packaging, selling and trading of restaurant equipment and trading	704,181	(3)	-	-	-	-	(12,015)	100.00%	(12,015) (2)b.	489,028	-
Tianjin Qiaohao Food Co.	Food packaging, selling and trading of restaurant equipment and trading	90,836	(3)	-	-	-	-	(2,110)	100.00%	(2,110) (2)b.	52,281	-
Namchow Food Co.	Food packaging, dairy product and product purchasing management and selling	856,481	(3)	-	-	-	-	173,246	96.15%	166,583 (2)a.	7,262,383	60,491
Tianjin Namchow Co.	Manufacturing and selling of edible fat	756,875	(3)	372,813	-	-	372,813	17,465	96.15%	16,793 (2)a.	1,605,289	30,245
Tianjin Yoshi Yoshi Co.	Developing, manufacturing, and selling of dairy products and related services	121,100	(3)	-	-	-	-	26,936	96.15%	25,899 (2)a.	682,388	-
Guangzhou Yoshi Yoshi Co.	Developing, manufacturing, and selling of dairy products and related services	452,150	(3)	-	-	-	-	44,465	96.15%	42,753 (2)a.	660,268	-
Guangzhou Namchow Co.	Manufacturing and selling of edible fat	544,950	(3)	-	-	-	-	30,197	96.15%	29,034 (2)a.	3,148,477	90,736
Shanghai Namchow Co.	Selling, developing, manufacturing and processing of fats and frozen food	676,597	(3)	-	-	-	-	(5,987)	96.15%	(5,756) (2)a.	627,997	-
Chongqing Qiaoxing Co.	Food packaging dairy product and product purchasing management and selling	94,200	(3)	-	-	-	-	65,019	96.15%	62,516 (2)a.	629,246	-
Wuhan Qianxing CO.	The technical service of baking oil and fat product	215,250	(3)	-	-	-	-	(887)	96.15%	(853) (2)a.	203,603	-
Shanghai Qizhi Co.	Business management and investment consulting services	4,541	(3)	-	-	-	-	25	100.00%	25 (2)b.	7,236	-
Bao Lai Na Co.	Multinational eateries, and the promotion, and management of self-made beers	112,018	(3)	79,468	-	-	79,468	(56,031)	90.39%	(50,646) (2)c.	122,759	35,967

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

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

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

- (1) There is no investment income for the preparatory case.
- (2) Investment gains and losses were based on three basic:
  - a. The financial statements were reviewed by an international accounting 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

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

(Continued)

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

**Notes to the Consolidated Financial Statements**

(ii) Limitation on investment in Mainland China:

<b>Company name</b>	<b>Accumulated investment amount in Mainland China as of March 31, 2020</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	3,247,488
Lucky Co.	226,649	194,406	1,631,372

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

(d) Major shareholders:

<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 Peng		37,537,995	12.76%
Chen Fei Lung		33,814,934	11.49%
Cathay Life Insurance Co., Ltd.		17,214,000	5.85%

**(14) Segment information**

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

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

(Continued)

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

**Notes to the Consolidated Financial Statements**

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

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

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

**Notes to the Consolidated Financial Statements**

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

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

**NAMCHOW HOLDING CO., LTD.****Parent Company Only Financial Statements****With Independent Auditors' Report  
For the Years Ended December 31, 2019 and 2018**

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

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

## Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Balance Sheets	4
5. Statements of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statements of Cash Flows	7
8. Notes to the Financial Statements	
(1) Organization and business scope	8
(2) Approval date and procedures of the financial statements	8
(3) New standards, amendments and interpretations adopted	8~11
(4) Significant accounting policies	11~24
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	24
(6) Description of significant accounts	25~50
(7) Related-party transactions	50~53
(8) Pledged assets	53
(9) Significant commitments and contingencies	53
(10) Significant losses from calamity	53
(11) Significant subsequent events	53
(12) Others	54
(13) Other disclosures	
(a) Information on significant transactions	55~57
(b) Information on investees	57
(c) Information on investment in Mainland China	58
(14) Segment information	58

## Independent Auditors' Report

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

### Opinion

We have audited the parent company only financial statements of Namchow Holding Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, the key audit matters we communicated in the auditor's report were as follows:

Evaluation of investments accounted for under equity method

Please refer to Notes 4(g) and 6(e) for the disclosure related to the evaluation of investments accounted for under equity method of the parent company only financial statements.

Description of key audit matter:

Namchow Holding Co., Ltd. mainly engages in the investment business. Investments accounted for under equity method amounts to \$11,901,632 thousand, which constitutes 83% of the total assets of Namchow Holding Co., Ltd. Therefore, the evaluation of investments accounted for under equity method is the key judgmental area for our audit.

How the matter is address in our audit:

Our principal audit procedure including providing audit instructions and communicating with auditors of other components; obtaining financial statements of the components, recalculating shares of profit from the subsidiaries and exam whether if it is recognized in the correct period; and evaluating whether the disclosure related to investments accounted for under equity method made by the management is appropriate.

**Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

**Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for under equity method to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditor's report are Po-Shu Huang and Lin Wu.

KPMG

Taipei, Taiwan (Republic of China)  
March 26, 2020

#### Notes to Readers

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

The auditors' report and the accompanying parent company only 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 auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDING CO., LTD.**

**Balance Sheets**

**December 31, 2019 and 2018**

**(Expressed in Thousands of New Taiwan Dollars)**

Assets		December 31, 2019		December 31, 2018		Liabilities and Equity		December 31, 2019		December 31, 2018	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a))	\$ 85,186	1	36,827	-	2100	Short-term borrowings (notes 6(i) and 9)	\$ 457,000	3	874,000	7
1180	Accounts receivable—related parties (notes 6(c) and 7)	2,260	-	2,708	-	2322	Current portion of long-term borrowings (notes 6(i) and 8)	270,000	2	470,000	3
1200	Other receivables (note 6(d))	40	-	40	-	2200	Other payables (notes 6(l) and (q))	146,595	1	171,552	-
1210	Other receivables—related parties (notes 6(d), (m) and 7)	130,608	1	133,000	1	2220	Other payable—related parties(notes 6(m) and 7)	9,909	-	9,005	-
1410	Prepayments	2,842	-	1,854	-	2230	Current income tax liabilities	-	-	13,170	-
1470	Other current assets	466	-	105	-	2280	Current lease liabilities (note 6(k))	7,622	-	-	-
	<b>Total current assets</b>	<u>221,402</u>	<u>2</u>	<u>174,534</u>	<u>1</u>	2399	Other current liabilities	833	-	707	-
<b>Non-current assets:</b>						<b>Total current liabilities</b>		<u>891,959</u>	<u>6</u>	<u>1,538,434</u>	<u>10</u>
1517	Financial assets at fair value through other comprehensive income—non-current (note 6(b))	40,502	-	37,775	-	2530	Bonds payable (note 6(j))	3,958,804	28	3,937,311	30
1550	Investments accounted for under equity method (notes 6(e))	11,901,632	83	10,919,057	82	2540	Long-term borrowings (notes 6(i) and 8)	2,325,000	16	895,000	7
1600	Property, plant and equipment (notes 6(f), 8 and 9)	1,835,969	13	1,843,959	14	2570	Deferred income tax liabilities (note 6(m))	848,929	6	740,313	6
1755	Right-of-use assets (note 6(g))	10,216	-	-	-	2580	Lease liabilities—non-current (note 6(k))	2,640	-	-	-
1760	Investment property (note 6(h))	236,118	2	241,938	2	2640	Accrued pension liabilities—non-current (note 6(l))	142,155	1	152,159	1
1840	Deferred income tax assets (note 6(m))	14,430	-	40,969	1	2670	Other non-current liabilities	50	-	50	-
1990	Other non-current assets	10,780	-	10,780	-		<b>Total non-current liabilities</b>	<u>7,277,578</u>	<u>51</u>	<u>5,724,833</u>	<u>44</u>
	<b>Total non-current assets</b>	<u>14,049,647</u>	<u>98</u>	<u>13,094,478</u>	<u>99</u>		<b>Total liabilities</b>	<u>8,169,537</u>	<u>57</u>	<u>7,263,267</u>	<u>54</u>
							<b>Equity attributable to shareholders of parent (notes 6(l) and (n)):</b>				
						3110		<u>2,941,330</u>	<u>20</u>	<u>2,941,330</u>	<u>22</u>
						3200	Capital surplus	<u>1,136,347</u>	<u>8</u>	<u>1,011,972</u>	<u>8</u>
							Retained earnings:				
						3310	Legal reserve	740,987	5	639,714	5
						3320	Special reserve	1,071,360	8	512,508	4
						3350	Unappropriated earnings	<u>1,562,023</u>	<u>11</u>	<u>2,035,934</u>	<u>15</u>
								<u>3,374,370</u>	<u>24</u>	<u>3,188,156</u>	<u>24</u>
							Other equity:				
						3410	Financial statement translation differences for foreign operations	(725,159)	(5)	(506,975)	(4)
						3420	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(48,516)	-	(51,878)	-
								<u>(773,675)</u>	<u>(5)</u>	<u>(558,853)</u>	<u>(4)</u>
						3500	Treasury stock	<u>(576,860)</u>	<u>(4)</u>	<u>(576,860)</u>	<u>(4)</u>
							<b>Total equity</b>	<u>6,101,512</u>	<u>43</u>	<u>6,005,745</u>	<u>46</u>
<b>Total assets</b>		<u>\$ 14,271,049</u>	<u>100</u>	<u>13,269,012</u>	<u>100</u>	<b>Total liabilities and shareholders' equity</b>		<u>\$ 14,271,049</u>	<u>100</u>	<u>13,269,012</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDING CO., LTD.**

**Statements of Comprehensive Income**

**For the years ended December 31, 2019 and 2018**

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

	2019		2018	
	Amount	%	Amount	%
4000 <b>Operating revenue (notes 6(p) and 7)</b>	\$ 61,076	100	60,498	100
5000 <b>Operating costs</b>	-	-	-	-
5900 <b>Gross profit</b>	61,076	100	60,498	100
6200 <b>General and administrative expenses (notes 6(f), (g), (k),(l), (q) and 7)</b>	276,792	453	273,290	452
6900 <b>Operating loss</b>	(215,716)	(353)	(212,792)	(352)
7000 <b>Non-operating income and expenses (notes 6(h), (k), (r) and 7):</b>				
7010 Other income	56	-	1,358	2
7020 Other gains and losses	(11,711)	(19)	(17,902)	(30)
7050 Finance costs	(78,873)	(129)	(71,655)	(118)
7070 Share of profit of subsidiary accounted for using equity method	1,428,394	2,339	1,409,312	2,330
<b>Total non-operating income and expenses</b>	1,337,866	2,191	1,321,113	2,184
<b>Profit from continuing operations before tax</b>	1,122,150	1,838	1,108,321	1,832
7950 <b>Less: Income tax expenses (note 6(m))</b>	158,001	259	95,597	158
<b>Profit</b>	964,149	1,579	1,012,724	1,674
8300 <b>Other comprehensive income (notes 6(l),(m) and (n)):</b>				
8310 <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8311 Gains on remeasurements of defined benefit plans	5,274	9	8,709	14
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	2,727	4	(2,242)	(4)
8330 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	9,581	16	9,038	15
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	17,582	29	15,505	25
8360 <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361 Exchange differences on translation of foreign financial statements	103,479	169	66,841	110
8380 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(321,662)	(527)	(140,818)	(233)
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	(218,183)	(358)	(73,977)	(123)
8300 <b>Other comprehensive income</b>	(200,601)	(329)	(58,472)	(98)
<b>Total comprehensive income</b>	\$ 763,548	1,250	954,252	1,576
9750 <b>Basic earnings per share (in New Taiwan dollars) (note 6(o))</b>	\$ 3.90		4.09	
9850 <b>Diluted earnings per share (in New Taiwan dollars) (note 6(o))</b>	\$ 3.89		4.09	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDING CO., LTD.**

**Statements of Changes in Equity**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Retained earnings						Total other equity interest		Total	Treasury stock	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Financial statements translation differences for foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income			
<b>Balance at January 1, 2018</b>	\$ 2,941,330	886,756	540,441	512,508	1,896,370	2,949,319	(432,998)	(49,114)	(482,112)	(576,860)	5,718,433
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	99,273	-	(99,273)	-	-	-	-	-	-
Cash dividends of ordinary share	-	123,876	-	-	(792,156)	(792,156)	-	-	-	-	(668,280)
Other changes in capital surplus	-	1,340	-	-	-	-	-	-	-	-	1,340
Net income	-	-	-	-	1,012,724	1,012,724	-	-	-	-	1,012,724
Other comprehensive income (loss)	-	-	-	-	18,269	18,269	(73,977)	(2,764)	(76,741)	-	(58,472)
Total comprehensive income (loss)	-	-	-	-	1,030,993	1,030,993	(73,977)	(2,764)	(76,741)	-	954,252
<b>Balance at December 31, 2018</b>	2,941,330	1,011,972	639,714	512,508	2,035,934	3,188,156	(506,975)	(51,878)	(558,853)	(576,860)	6,005,745
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	101,273	-	(101,273)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	558,852	(558,852)	-	-	-	-	-	-
Cash dividends of ordinary share	-	123,876	-	-	(792,156)	(792,156)	-	-	-	-	(668,280)
Other changes in capital surplus	-	499	-	-	-	-	-	-	-	-	499
Net income	-	-	-	-	964,149	964,149	-	-	-	-	964,149
Other comprehensive income (loss)	-	-	-	-	14,221	14,221	(218,184)	3,362	(214,822)	-	(200,601)
Total comprehensive income (loss)	-	-	-	-	978,370	978,370	(218,184)	3,362	(214,822)	-	763,548
<b>Balance at December 31, 2019</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

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDING CO., LTD.**

**Statements of Cash Flows**

**For the years ended December 31, 2019 and 2018**

**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
<b>Consolidated net income before tax</b>	\$ 1,122,150	1,108,321
<b>Adjustments:</b>		
Adjustments to reconcile profit and loss:		
Depreciation	30,934	19,833
Reversal of impairment loss	(11)	(539)
Interest expense	78,873	71,655
Interest income	(42)	(97)
Share of profit of subsidiaries accounted for using equity method	(1,428,394)	(1,409,312)
Loss on disposal of property, plan and equipment	5	-
Total adjustments to reconcile profit	<u>(1,318,635)</u>	<u>(1,318,460)</u>
Changes in assets / liabilities relating to operating activities:		
Net changes in operating assets:		
Notes receivable	-	367
Accounts receivable	11	1,730
Accounts receivable due from related parties	448	7,646
Other receivable	-	2,641
Other receivable due from related parties	2,392	45,086
Prepayments	(988)	2,287
Other current assets	48	35
Total changes in operating assets, net	<u>1,911</u>	<u>59,792</u>
Changes in operating liabilities:		
Other payables	(25,184)	(30,196)
Other payable to related parties	904	(6,838)
Other current liabilities	126	(1,148)
Net defined benefit liabilities	(4,729)	(34,148)
Total changes in operating liabilities, net	<u>(28,883)</u>	<u>(72,330)</u>
Total changes in operating assets / liabilities, net	<u>(26,972)</u>	<u>(12,538)</u>
Total adjustments	<u>(1,345,607)</u>	<u>(1,330,998)</u>
Cash provided by operating activities	(223,457)	(222,677)
Interest income received	42	97
Interest paid	(57,153)	(50,016)
Income taxes paid	(36,425)	(46,759)
<b>Net cash used in operating activities</b>	<u>(316,993)</u>	<u>(319,355)</u>
<b>Cash flows from investing activities:</b>		
Acquisition of investments accounted for using equity method	(209,035)	-
Acquisition of property, plant and equipment	(4,703)	(3,162)
Decrease in other non-current assets	-	941
Dividends received	570,127	629,804
<b>Net cash provided by investing activities</b>	<u>356,389</u>	<u>627,583</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	7,876,000	4,190,000
Decrease in short-term borrowings	(8,293,000)	(3,638,000)
Increase in short term commercial paper payable	-	(34,981)
Proceeds from long-term borrowings	7,935,000	3,530,350
Repayments of long-term borrowings	(6,705,000)	(3,550,700)
Payment of lease liabilities	(12,380)	-
Cash dividends paid	(792,156)	(792,156)
Overaging unclaimed dividends	499	1,340
<b>Net cash provided by (used in) financing activities</b>	<u>8,963</u>	<u>(294,147)</u>
<b>Net increase in cash and cash equivalents</b>	48,359	14,081
<b>Cash and cash equivalents at beginning of period</b>	<u>36,827</u>	<u>22,746</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 85,186</u>	<u>36,827</u>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDING CO., LTD.**

**Notes to the Financial Statements**

**For the years ended December 31, 2019 and 2018**

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

**(1) Organization and business scope**

Namchow Holding 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 Company 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 Holding Co., Ltd.. After the spin-off, the Company only engaged in investment holding.

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

The financial statements were authorized for issue by the Board of Directors on March 26, 2020.

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

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning, or after, January 1, 2019. The differences between the current version and the previous version are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

Except for IFRS 16 “Leases” the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

IFRS 16 replaces the existing leases guidance, including IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases – Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

(i) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is, or contains, a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is, or contains, a lease based on the definition of a lease, as explained in note 4(j).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on, or after, January 1, 2019.

(ii) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes the right-of-use assets and lease liabilities for most its leases, which are recorded in the balance sheet.

The Company decided to apply the recognition exemptions to the short-term leases of its machinery and leases of other equipment.

At transition, lease liabilities recognized for leases previously classified as an operating leases under IAS 17, were measured at the present value of the remaining lease payments, discounted at the Company’s incremental borrowing rate as at the date of initial application. Right-of-use assets are measured an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all other leases.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

In addition, the Company used the following practical expedients when applying IFRS 16 to leases.

- 1) Applied a single discount rate to a portfolio of leases with similar characteristics.
- 2) Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application as an alternative to an impairment review.
- 3) Applied the exemption not to recognize the right-of-use assets and liabilities for leases with less than 12 months of lease term.
- 4) Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- 5) Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(iii) Impacts on financial statements

On transition to IFRS 16, the Company recognized its right-of-use assets and lease liabilities amounting to \$20,448 thousands at the date of initial application. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.00%.

An explanation of the differences between the operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and the lease liabilities recognized in the statement of financial position at the date of initial application disclosed, is as follows:

	<b>January 1, 2019</b>
Operating lease commitment at December 31, 2018 as disclosed in the Company's financial statements	\$ -
Recognition exemption for:	
short-term leases	(1,406)
leases of low-value assets	(1,991)
Extension and termination options reasonably certain to be exercised	23,845
	<b>\$ 20,448</b>
Discounted using the incremental borrowing rate at January 1, 2019	\$ 20,448
Finance lease liabilities recognized as at December 31, 2018	-
Lease liabilities recognized at January 1, 2019	<b>\$ 20,448</b>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

- (b) The impact of IFRS endorsed by FSC that will soon take effect

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

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

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

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

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

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

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

**(4) Significant accounting policies**

The significant accounting policies presented in the parent company only financial statements are summarized as follows. Except for Notes 3 and 4(j), the following accounting policies have been applied consistently throughout the presented periods in the parent company only financial statements.

- (a) Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers.

- (b) Basis of preparation

- (i) Basis of measurement

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

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The parent company only financial statements are presented in New Taiwan dollars, which is Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transactions

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

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

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

(ii) Foreign operations

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

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

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(d) Classification of current and non-current assets and liabilities

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

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

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

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

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(i) Financial assets

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

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

3) Impairment of financial assets

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

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

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

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

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

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

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

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

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

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

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

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

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

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

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

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

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

4) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Treasury shares

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

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

3) Financial liabilities

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

(g) Investment in subsidiaries

When preparing the parent company only financial statements, investments in subsidiaries which are controlled by the Company using the equity method. Under the equity method, the net income, other comprehensive income, and equity in the parent company only financial statements are equivalent to those attributable to the shareholders of the parent company only financial statements.

Changes in ownership of a subsidiary that do not result in loss of control are accounted for as equity transactions.

(h) Investment property

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

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

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

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

Buildings	3~65 years
Other equipment	1~15 years

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

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(j) Leases

Applicable commencing January 1, 2019

(i) Identifying a lease

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

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

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

(ii) As a lessee

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

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

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

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

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

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

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

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

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

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

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

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

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

Applicable before January 1, 2019

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into an operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(ii) Lessee

Leases in which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present of the minimum lease payments. Subsequent minimum lease payments are attributable to finance cost and the reduction of the outstanding liabilities, and the finance cost is allocated to each period during the lease term using a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognized in the Company's statement of financial position. Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease

(k) Impairment of non-financial assets

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

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

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

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

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

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

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

(l) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for rendering service to its customers, wherein revenue is recognized in the reporting period when the Company satisfies a performance obligation by transferring its control of a service, which is mainly management service, to the customer.

(m) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

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

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

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

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

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(iii) Short-term employee benefits

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

(n) Income tax

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

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

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

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

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

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

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

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

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

When the business of the Company and its subsidiary has been operating for a period of at least 12 months, they are entitled to file a combined income tax return, including a 10% surplus, in accordance with the tax regulation, with the Company being appointed as the tax payer. Thereafter, the Company will allocate the income tax expense (benefit), deferred income tax, as well as tax payables (tax return) to itself and its subsidiary.

(o) Earnings per share

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

(p) Operating segments

The Company has disclosed information about operating segments in its consolidated financial statements. Hence no further information is disclosed in the parent company only financial statements.

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

The preparation of the parent company only financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

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

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

**(6) Description of significant accounts**

(a) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand	\$ 124	116
Savings and checking deposits	85,062	36,711
Cash and cash equivalents per statements of cash flow	<u>\$ 85,186</u>	<u>36,827</u>

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

(b) Financial assets at fair value through other comprehensive income – non-current

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Equity investments at fair value through other comprehensive income		
Stocks listed on domestic markets	\$ 13,336	10,609
Stocks unlisted on domestic markets	27,166	27,166
Total	<u>\$ 40,502</u>	<u>37,775</u>

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

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

No strategic investments were disposed for the year ended December 31, 2019 and 2018, 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(s).

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

(c) Notes and accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts receivable	\$ 850	861
Accounts receivable – related parties	2,260	2,708
Less: allowance for impairment	850	861
	<u>\$ 2,260</u>	<u>2,708</u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all accounts 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 were determined as follows:

	<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average expected credit loss rate</b>	<b>Loss allowance provision</b>
Not overdue	\$ 2,260	0.00%	-
Overdue 91 days past due	850	100.00%	(850)
	<b>\$ 3,110</b>		<b>(850)</b>
	<b>December 31, 2018</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average expected credit loss rate</b>	<b>Loss allowance provision</b>
Not overdue	\$ 2,708	0.00%	-
Overdue 91~180 days	861	100.00%	(861)
	<b>\$ 3,569</b>		<b>(861)</b>

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

	<b>2019</b>	<b>2018</b>
Balance on January 1	\$ 861	1,643
Impairment loss reversed	(11)	(539)
Amounts written off	-	(243)
Balance on December 31	<b>\$ 850</b>	<b>861</b>

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

(d) Other receivables(including related parties)

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Other receivables	\$ 40	40
Other receivables—related parties	130,608	133,000
	<b>\$ 130,648</b>	<b>133,040</b>

As of December 31, 2019 and 2018, the Company had no other receivables that were past due and did not have any impairment on other receivables.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(e) Investments accounted for under the equity method

The details of the investments accounted for under the equity method at the reporting date were as follows:

	December 31, 2019	December 31, 2018
Subsidiaries	<b>\$ 11,901,632</b>	<b>10,919,057</b>

(i) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2019.

(ii) Collateral

As of December 31, 2019 and 2018, the Company did not pledge any collateral on investments accounted for under the equity method.

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2019 and 2018 were as follows:

	Land	Buildings	Other equipment	Construction in progress and testing equip	Total
Cost:					
Balance at January 1, 2019	\$ 1,775,064	69,529	206,712	461	2,051,766
Additions	-	555	713	3,435	4,703
Disposals	-	-	(118)	-	(118)
Reclassification	-	(1,065)	-	(3,896)	(4,961)
Balance at December 31, 2019	<b>\$ 1,775,064</b>	<b>69,019</b>	<b>207,307</b>	<b>-</b>	<b>2,051,390</b>
Balance at January 1, 2018	\$ 1,775,064	71,650	204,211	-	2,050,925
Additions	-	-	2,501	461	2,962
Reclassification	-	(2,121)	-	-	(2,121)
Balance at December 31, 2018	<b>\$ 1,775,064</b>	<b>69,529</b>	<b>206,712</b>	<b>461</b>	<b>2,051,766</b>
Depreciation and impairment loss:					
Balance at January 1, 2019	\$ -	27,329	180,478	-	207,807
Depreciation	-	1,186	6,541	-	7,727
Disposal	-	-	(113)	-	(113)
Balance at December 31, 2019	<b>\$ -</b>	<b>28,515</b>	<b>186,906</b>	<b>-</b>	<b>215,421</b>
Balance at January 1, 2018	\$ -	26,706	172,437	-	199,143
Depreciation	-	623	8,041	-	8,664
Balance at December 31, 2018	<b>\$ -</b>	<b>27,329</b>	<b>180,478</b>	<b>-</b>	<b>207,807</b>
Carrying value:					
December 31, 2019	<b>\$ 1,775,064</b>	<b>40,504</b>	<b>20,401</b>	<b>-</b>	<b>1,835,969</b>
December 31, 2018	<b>\$ 1,775,064</b>	<b>42,200</b>	<b>26,234</b>	<b>461</b>	<b>1,843,959</b>
January 1, 2018	<b>\$ 1,775,064</b>	<b>44,944</b>	<b>31,774</b>	<b>-</b>	<b>1,851,782</b>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

Please refer to note 8 for information on pledged property, plant and equipment as of December 31, 2019 and 2018.

(g) Right-of-use assets

The Company leases assets including transposition equipment. Information about leases, for which the Company is the lessee is presented below:

	<u>Transposition equipment</u>
Cost:	
Balance at January 1, 2019	\$ -
Effects of retrospective application	<u>20,448</u>
Balance at January 1, 2019 after adjustments	20,448
Additions	<u>2,194</u>
Balance at December 31, 2019	<u><u>\$ 22,642</u></u>
Accumulated depreciation and impairment losses:	
Balance at January 1, 2019	\$ -
Depreciation	<u>12,426</u>
Balance at December 31, 2019	<u><u>\$ 12,426</u></u>
Carrying value:	
December 31, 2019	<u><u>\$ 10,216</u></u>

(h) Investment property

	<u>Buildings</u>
Cost:	
Balance as at January 1, 2019	\$ 358,217
Reclassification to property, plant and equipment	<u>4,961</u>
Balance as at December 31, 2019	<u><u>\$ 363,178</u></u>
Balance as at January 1, 2018	\$ 356,096
Reclassification to property, plant and equipment	<u>2,121</u>
Balance as at December 31, 2018	<u><u>\$ 358,217</u></u>
Depreciation:	
Balance as at January 1, 2019	\$ 116,279
Depreciation	<u>10,781</u>
Balance as at December 31, 2019	<u><u>\$ 127,060</u></u>
Balance as at January 1, 2018	\$ 105,110
Depreciation	<u>11,169</u>
Balance as at December 31, 2018	<u><u>\$ 116,279</u></u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

	<b>Buildings</b>
Carrying value:	
Balance as at December 31, 2019	\$ <u><u>236,118</u></u>
Balance as at December 31, 2018	\$ <u><u>241,938</u></u>
Balance as at January 1, 2018	\$ <u><u>250,986</u></u>
Fair value:	
Balance as at December 31, 2019	\$ <u><u>236,118</u></u>
Balance as at December 31, 2018	\$ <u><u>241,938</u></u>
Balance as at January 1, 2018	\$ <u><u>250,986</u></u>

Investment property comprises a number of factory that are leased to the Company's subsidiary Lucky Royal Co., Ltd., Namchow Oil and Fat Co., Ltd. and Huaciang Industry Co., Ltd. Each of the leases contains an initial non-cancellable period of 1 years. Subsequent renewals are negotiable with the lessee, and no contingent rents are charged. Please refer to note 6(p) for further information (including leasing income and direct operating expenses).

Investment property of the Company was acquired in 2014, since the Company considered that the book value of investment property as of December 31, 2019 and 2018 nearly equal to the fair value of investment property, the Company is not required to take any valuation from its independent third party as reference.

Please refer to note 8 for information on pledged investment property as of December 31, 2019 and 2018.

(i) Short-term and long-term borrowings

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

(i) Short-term borrowings

<b>December 31, 2019</b>				
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Unsecured loans	TWD	0.91~0.96	2020	\$ <u><u>457,000</u></u>
<b>December 31, 2018</b>				
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Unsecured loans	TWD	0.85~1.00	2019	\$ <u><u>874,000</u></u>

As of December 31, 2019 and 2018, the unused credit facilities amounted to \$2,259,580 thousand and \$2,397,088 thousand, respectively, which included the credit facilities shared with related parties of \$343,000 thousand and \$180,000 thousand, respectively.

(ii) Short-term commercial paper payable

As of December 31, 2019 and 2018, the unused credit facilities amounted to \$150,000 thousand and \$380,000 thousand, respectively.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

## (iii) Long-term borrowings

<b>December 31, 2019</b>				
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Secured loans	TWD	1.06	2021	\$ 635,000
Unsecured loans	TWD	0.95~1.14	2020~2022	<u>1,960,000</u>
Total				<u><b>\$ 2,595,000</b></u>
Current				\$ 270,000
Non-current				<u>2,325,000</u>
Total				<u><b>\$ 2,595,000</b></u>
<b>December 31, 2018</b>				
	<b>Currency</b>	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Secured loans	TWD	1.20	2019	\$ 110,000
Unsecured loans	TWD	0.81~1.32	2019~2020	<u>1,255,000</u>
Total				<u><b>\$ 1,365,000</b></u>
Current				\$ 470,000
Non-current				<u>895,000</u>
Total				<u><b>\$ 1,365,000</b></u>

As of December 31, 2019 and 2018, the unused credit facilities amounted to \$1,844,800 thousand, and \$2,142,150 thousand, respectively.

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

## (iv) Collateral of loans

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

## (j) Bonds payable

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Secured bonds	\$ 4,000,000	4,000,000
Less: discounts on bonds payable	<u>41,196</u>	<u>62,689</u>
Total	<u><b>\$ 3,958,804</b></u>	<u><b>3,937,311</b></u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

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

<u>Item</u>	<u>1st domestic secured bonds</u>
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

- (k) Lease liabilities

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

	<b>December 31,</b>
	<b>2019</b>
Current	\$ <u>7,622</u>
Non-current	\$ <u>2,640</u>

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

The amounts recognized in profit or loss were as follows:

	<b>2019</b>
Interest on lease liabilities	\$ <u>148</u>
Expenses relating to short-term leases	\$ <u>2,193</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>823</u>

The amount recognized in the statement of cash flows for the Company was as follows:

	<b>2019</b>
Total cash outflow for leases	\$ <u>15,544</u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(l) Employee benefits

(i) Defined benefit plans

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

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
The present value of the defined benefit obligations	\$ 321,987	329,594
Fair value of plan assets	<u>(179,832)</u>	<u>(177,435)</u>
The net defined benefit liability	<u>\$ 142,155</u>	<u>152,159</u>

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

1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$179,832 thousand as of December 31, 2019. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of defined benefit plan obligation

The movements in present value of the Company's defined benefit plan obligation for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Defined benefit obligation at 1 January	\$ 329,594	358,612
Current service costs and interest	3,788	4,881
Re-measurements of the net defined benefit liability		
— Due to changes in financial assumption of actuarial gains	1,073	(3,517)
Benefits paid by the plan	<u>(12,468)</u>	<u>(30,382)</u>
Defined benefit obligation at 31 December	<u>\$ 321,987</u>	<u>329,594</u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

3) Movements in fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Fair value of plan assets, January 1	\$ 177,435	163,596
Remeasurements of the net defined benefit liability (asset)		
– Return on plan assets (excluding amounts included in net interest expense)	1,749	1,899
– Due to changes in financial assumption of actuarial gains	6,347	5,191
Contributions made	6,769	37,131
Benefits paid by the plan	<u>(12,468)</u>	<u>(30,382)</u>
Fair value of plan assets, December 31	<u>\$ 179,832</u>	<u>177,435</u>

4) Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Current service cost	\$ 339	320
Net interest on the defined benefit liability	<u>1,700</u>	<u>2,663</u>
	<u>\$ 2,039</u>	<u>2,983</u>
	<u>2019</u>	<u>2018</u>
General and administration expenses	<u>\$ 2,039</u>	<u>2,983</u>

5) Actuarial gains and losses recognized in other comprehensive income

The Company's actuarial gains and losses recognized in other comprehensive for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Cumulative amount, January 1	\$ 180,837	199,106
Recognized during the period	(5,275)	(8,709)
Using the equity method recognized actuarial gains and loss of subsidiaries	(8,946)	(9,560)
Cumulative amount, December 31	<u>\$ 166,616</u>	<u>180,837</u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

6) Actuarial assumptions

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

	<u>2019</u>	<u>2018</u>
Discount rate	1.000 %	1.125 %
Future salary increases rate	2.000 %	2.000 %

The Company expects to make contributions of \$2,142 thousand to the defined benefit plans in the next year starting from the reporting date of 2019.

The weighted average duration of the defined benefit obligation is 9.85 years.

7) Sensitivity analysis

As of December 31, 2019 and 2018, the present value of defined benefit obligation impact was as follow:

	<b>The impact of defined benefit obligation</b>	
	<u>Increase</u>	<u>Decrease</u>
December 31, 2019		
Discount rate (0.25%)	\$ (5,863)	6,062
Future salary increase rate (0.25%)	5,860	(5,699)
December 31, 2018		
Discount rate (0.25%)	(6,442)	6,667
Future salary increase rate (0.25%)	(6,459)	(6,273)

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

There is no change in the method and assumptions used in the preparation of the sensitivity analysis for 2019 and 2018.

(ii) Defined contribution plans

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

The Company's pension costs under the defined contribution plan were \$1,964 thousand and \$1,891 thousand for the years ended December 31, 2019 and 2018, respectively.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

## (iii) Short-term employee benefit

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Compensated absence liabilities (recorded under other payables)	<u>\$ 1,391</u>	<u>4,595</u>

## (m) Income tax

## (i) Income tax expenses

The amount of the Company's income tax for the years ended December 31, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Current income tax expense		
Current period	\$ -	1,120
Adjustment for prior periods	<u>22,846</u>	<u>9,356</u>
	<u>22,846</u>	<u>10,476</u>
Deferred tax benefit		
Origination and reversal of temporary differences	135,155	18,898
Effect of tax rate changes	<u>-</u>	<u>66,223</u>
	<u>135,155</u>	<u>85,121</u>
Income tax expenses on continuing operations	<u>\$ 158,001</u>	<u>95,597</u>

No income tax recognized in other comprehensive income for 2019 and 2018.

Reconciliations of income tax expense and the profit before tax for 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Income before tax	<u>\$ 1,122,150</u>	<u>1,108,321</u>
Income tax calculated on pretax financial income at the statutory rate	\$ 224,430	221,664
Effect of tax rate changes	-	66,223
Adjustment for prior periods	22,846	9,356
Dividend income	(117,062)	(112,447)
Non-deduction expenses	33,495	(988)
Exempt income	(199)	(59)
Current year losses for which no deferred income tax assets was recognized	(5,502)	(93,488)
Changes in temporary differences not recognized	(7)	-
Surtax on undistributed earnings	<u>-</u>	<u>5,336</u>
Total	<u>\$ 158,001</u>	<u>95,597</u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

The Company and its subsidiaries, Namchow Oil and Fat Co., Ltd. and Huaciang Industry Co., Ltd., will file their combined income tax return. As of December 31, 2019 and 2018, the tax payables to (receivables from) related parties, based on the allocation of the combined income tax return, are as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Receivable from subsidiary (recorded under other receivable – related party)	<u>\$ 37,189</u>	<u>39,130</u>
Payable to subsidiary (recorded under other payable – related party)	<u>\$ 9,739</u>	<u>8,443</u>

(ii) Recognized deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with its investments in its subsidiaries of the years ended December 31, 2019 and 2018. Also, the management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Unrecognized deferred tax liabilities	<u>\$ 273,867</u>	<u>166,819</u>

2) Unrecognized deferred income tax assets

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Deductible temporary differences	<u>\$ 164</u>	<u>171</u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

3) Recognized deferred income tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

Deferred tax liabilities:

	Loss carry forward	Foreign investment income accounted for using equity method	Land value increment tax	Total
<b>Balance at January 1, 2019</b>	\$ 40,969	(501,351)	(238,962)	(699,344)
Recognized in profit or loss	(26,539)	(108,616)	-	(135,155)
<b>Balance at December 31, 2019</b>	<u>\$ 14,430</u>	<u>(609,967)</u>	<u>(238,962)</u>	<u>(834,499)</u>
<b>Balance at January 1, 2018</b>	\$ 118,824	(494,085)	(238,962)	(614,223)
Recognized in profit or loss	(77,855)	(7,266)	-	(85,121)
<b>Balance at December 31, 2018</b>	<u>\$ 40,969</u>	<u>(501,351)</u>	<u>(238,962)</u>	<u>(699,344)</u>

(iii) Examination and approval

The tax returns of the Company have been examined and approved by the tax authorities through 2016.

(n) Capital and other equity

(i) Capital

As of December 31, 2019 and 2018, the total value of authorized ordinary shares amounted to \$4,000,000 thousand, with par value of \$10 per share, of which 400,000 thousand shares, 294,133 shares were issued. All issued shares were paid up upon issuance.

(ii) Additional paid-in capital

The components of additional paid-in capital as of December 31, 2019 and 2018, were as follows:

	December 31, 2019	December 31, 2018
Share premium	\$ 1,280	1,280
Overaging unclaimed dividends	1,839	1,340
Treasury stock	1,015,336	891,460
Recognize changes in all equity in subsidiaries	117,892	117,892
	<u>\$ 1,136,347</u>	<u>1,011,972</u>

The Company's subsidiary, Lucky Co. was awarded with cash dividends on August 9, 2018 and August 9, 2017 amounting to \$123,876 thousand, and they were recognized as capital surplus-treasury stock transactions.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

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

(iii) Retained earnings

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

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

1) Legal reserve

In according with the Company Act, 10% of net income after tax should be set aside as Legal reserve, until such retention equals the amount of issued share capital. When a company incurs no loss, it may, pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares or cash. Only the portion of legal reserve which exceeds 25% of the issued share capital may be distributed. In accordance with Rule No. 10802432410 issued by Ministry of Economic Affairs, R.O.C on January 9, 2020, the Company has to apply the profit distribution based on its financial statement in 2019, wherein the Company shall use the amount of net profit after tax, plus, those net amounts other than the net profits, which are recognized as undistributed surplus earnings, as the basis for the legal reserve.

2) Special earnings reserve

As the Company opted for the exemptions allowed under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the IFRS as endorsed by the FSC, unrealized revaluation increments and cumulative translation adjustments of \$512,508 thousand, which were previously recognized in shareholders' equity were reclassified to retained earnings. In accordance with Regulatory Permit No.1010012865 as issued by the FSC on April 6, 2012, a special reserve is appropriated from retained earnings for aforementioned reclassification. In addition, during the use, disposal or reclassifications of relevant assets, this special reserve is reverted to distributable earnings proportionately. The carrying amount of special reserve amounted to \$512,508 thousand as of December 31, 2019 and 2018.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

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 above-mentioned special reserve and net debit balance of the other components of stockholders' equity.

3) Distribution of retained earnings

The appropriations of 2018 and 2017 earnings as dividends to stockholders that were approved by the Company's shareholders during their meetings on May 30, 2019 and 2018, respectively, were as follows:

	2018		2017	
	Amount per share (NT dollars)	Total amount	Amount per share (NT dollars)	Total amount
Dividends distributed to common shareholders:				
Cash	\$ 2.70	<u>792,156</u>	2.70	<u>792,156</u>

On March 26, 2020, the Company's Board of Directors resolved to appropriate the 2019 earnings. These earnings were appropriated as follows:

	2019	
	Amount per share (NT dollars)	Total amount
Dividends distributed to common shareholders:		
Cash	\$ 2.00	<u>586,782</u>

(iv) Treasury stock

None shares were purchased by the Company and its subsidiaries during the years 2019 and 2018. The reason is that the subsidiaries held by long-term of the Company shares previous years. As of December 31, 2019 and 2018, the subsidiaries held the Company's shares as follows:

	December 31, 2019				
	Number of shares (in thousand)	Market price per share	Adjusted cost per share	Total market value	Total treasury stock
<u>Subsidiary name</u>					
Lucky Co.	46,041	50.90	11.51	\$ <u>2,343,500</u>	<u>530,114</u>
	December 31, 2018				
	Number of shares (in thousand)	Market price per share	Adjusted cost per share	Total market value	Total treasury stock
<u>Subsidiary name</u>					
Lucky Co.	46,041	46.90	11.51	\$ <u>2,159,335</u>	<u>530,114</u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

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 from the shareholders who objected on the share swap agreement in August 2017. As of December 31, 2019, none of the repurchased treasury stocks were exchanged.

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

(v) Other equities

	Foreign exchange differences arising from foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total
Balance as of January 1, 2019	\$ (506,975)	(51,878)	(558,853)
Foreign exchange differences arising from foreign operations	103,478	-	103,478
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	(321,662)	-	(321,662)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	2,727	2,727
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, subsidiaries accounted for using equity method	-	635	635
Balance as of December 31, 2019	<u>\$ (725,159)</u>	<u>(48,516)</u>	<u>(773,675)</u>
Balance as of January 1, 2018	\$ (432,998)	(49,114)	(482,112)
Foreign exchange differences arising from foreign operations	66,841	-	66,841
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	(140,818)	-	(140,818)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(2,242)	(2,242)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, subsidiaries accounted for using equity method	-	(522)	(522)
Balance as of December 31, 2018	<u>\$ (506,975)</u>	<u>(51,878)</u>	<u>(558,853)</u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

## (o) Earnings per share

The calculation of the Company's basic earnings per share and diluted earnings per share for the years ended December 31, 2019 and 2018, was as follows:

## (i) Basic earnings per share

	<u>2019</u>	<u>2018</u>
Net income	\$ <u>964,149</u>	<u>1,012,724</u>
Weighted-average number of common shares	<u>247,350</u>	<u>247,350</u>
Basic earnings per share (in NT dollars)	\$ <u>3.90</u>	<u>4.09</u>

## (ii) Diluted earnings per share

	<u>2019</u>	<u>2018</u>
Net income	\$ <u>964,149</u>	<u>1,012,724</u>
Weighted-average number of common shares (basic)	247,350	247,350
Impact of potential common shares		
Effect of employee's remuneration	<u>274</u>	<u>286</u>
Weighted-average number of shares outstanding (diluted)	<u>247,624</u>	<u>247,636</u>
Diluted earnings per share (in NT dollars)	\$ <u>3.89</u>	<u>4.09</u>

## (p) Revenue from contracts with customers – Disaggregation of revenue

	<u>2019</u>			
	<u>Revenue from dividends</u>	<u>Management revenue</u>	<u>Rental revenue</u>	<u>Total</u>
Area of distribution:				
Taiwan	\$ 994	455	56,869	58,318
Thailand	-	<u>2,758</u>	-	<u>2,758</u>
	<u>\$ 994</u>	<u>3,213</u>	<u>56,869</u>	<u>61,076</u>
	<u>2018</u>			
	<u>Revenue from dividends</u>	<u>Management revenue</u>	<u>Rental revenue</u>	<u>Total</u>
Area of distribution:				
Taiwan	\$ 293	489	56,891	57,673
Thailand	-	<u>2,825</u>	-	<u>2,825</u>
	<u>\$ 293</u>	<u>3,314</u>	<u>56,891</u>	<u>60,498</u>

## (q) 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.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

The Company estimated its remuneration to employees amounting to \$11,812 thousand and \$11,728 thousand, as well as its directors' \$47,248 thousand and \$52,777 thousand for the years 2019 and 2018, respectively. The estimated amounts mentioned above are based on the net profit before tax of each respective ending period, multiplied by the percentage of the remuneration to employees and directors as specified in the Company's article. The estimations are recorded under operating expenses and cost. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2019 and 2018. The estimated remuneration attributable to the affiliate employees amounted to \$10,109 thousand for the year ended December 31, 2018. The liability was derived from applying the remuneration percentage under the Company's articles of incorporation and was recognized in the long-term equity investment in 2018. The aforementioned remuneration to employees and directors are consistent to the estimated amounts disclosed in the Company's individual financial statements.

(r) Non-operating income and expenses

(i) Other income

	<u>2019</u>	<u>2018</u>
Interest income	\$ 42	97
Other income – other	14	1,261
Total other income	<u>\$ 56</u>	<u>1,358</u>

(ii) Other gains and losses

	<u>2019</u>	<u>2018</u>
Losses on disposal of property, plant and equipment	\$ (5)	-
Losses of foreign exchange	(106)	(3,813)
Others	(11,600)	(14,089)
Net other gains and losses	<u>\$ (11,711)</u>	<u>(17,902)</u>

(iii) Finance costs

	<u>2019</u>	<u>2018</u>
Interest expense	<u>\$ 78,873</u>	<u>71,655</u>

(s) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

2) Concentration of credit risk

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

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within a year	1-2 years	2-5 years	More than 5 years
<b>December 31, 2019</b>						
Non-derivative financial liabilities						
Secured loans	\$ 635,000	641,141	6,731	634,410	-	-
Unsecured loans	2,417,000	2,444,483	748,039	944,434	752,010	-
Other payable (including related parties)	42,506	42,506	42,506	-	-	-
Bonds payable	3,958,804	3,958,804	3,958,804	-	-	-
Lease liabilities	10,262	10,329	7,672	2,169	488	-
Guarantee deposits received	50	-	-	-	-	-
	<u>\$ 7,063,622</u>	<u>7,097,263</u>	<u>4,763,752</u>	<u>1,581,013</u>	<u>752,498</u>	<u>-</u>
<b>December 31, 2018</b>						
Non-derivative financial liabilities						
Secured loans	\$ 110,000	110,658	110,658	-	-	-
Unsecured loans	2,129,000	2,135,808	1,146,247	989,561	-	-
Other payable (including related parties)	75,076	75,076	75,076	-	-	-
Bonds payable	3,937,311	3,937,311	3,937,311	-	-	-
Guarantee deposits received	50	-	-	-	-	-
	<u>\$ 6,251,437</u>	<u>6,258,853</u>	<u>5,269,292</u>	<u>989,561</u>	<u>-</u>	<u>-</u>

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

(iii) Interest rate risk analysis

Please refer to the note on liquidity risk management for the interest rate exposure of the Company'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 Company's net income before tax would have increased / decreased by \$24,416 thousand and \$17,912 thousand for the years ended December 31, 2019 and 2018, respectively, with all other variable factors remaining constant.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(iv) Fair value and carrying amount

1) Categories and fair value of financial instruments

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

	<b>December 31, 2019</b>				
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	\$ 13,336	13,336	-	-	13,336
Stocks unlisted on domestic markets	27,166	-	-	27,166	27,166
<b>Total</b>	<b>\$ 40,502</b>	<b>13,336</b>	<b>-</b>	<b>27,166</b>	<b>40,502</b>
	<b>December 31, 2018</b>				
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	\$ 10,609	10,609	-	-	10,609
Stocks unlisted on domestic markets	27,166	-	-	27,166	27,166
<b>Total</b>	<b>\$ 37,775</b>	<b>10,609</b>	<b>-</b>	<b>27,166</b>	<b>37,775</b>

2) Valuation techniques and assumptions used in fair value determination

If there are quoted prices in the active markets for financial instruments, the fair value of those prices may be based on the quoted market prices. The market prices announced by Securities Exchange and Over the Counter are the benchmarks of the fair value of equity instruments and Liability instruments trading in active markets.

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.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

3) Fair value hierarchy

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

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

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

4) Transferring between Level 1 and Level 2

There were no transfers from Level 2 to Level 1 for the years ended December 31, 2019 and 2018.

5) Reconciliation of Level 3 fair values

	<b>Fair value through other comprehensive income</b>	
	<b>Unquoted equity instruments</b>	<b>Bond investments</b>
December 31, 2019 (same as January 1, 2019)	\$ <b>27,166</b>	-
December 31, 2018 (same as January 1, 2018)	<b>27,166</b>	-

Total gains and losses that were included in unrealized gains and losses from financial assets fair value through other comprehensive income (loss).

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

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

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> <li>· Multiplier of price-to-earnings ratio (As of December 31, 2019 and December 31, 2018 was 0.93 and 0.92)</li> <li>· Market illiquidity discount rate (As of December 31, 2019 and December 31, 2018 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:

	<u>Input</u>	<u>Assumptions</u>	<u>Other comprehensive income</u>	
			<u>Favourable</u>	<u>Unfavourable</u>
<b>December 31, 2019</b>				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	6.25%	\$ 1,730	(1,730)
<b>December 31, 2018</b>				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	6.25%	1,698	(1,698)

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

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(t) Financial risk management

(i) Overview

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

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

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

(ii) Risk management framework

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

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

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

(iii) Credit risk

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

1) Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances. In 2019 and 2018, there was no geographical concentration of credit risk regarding the Company's revenue.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

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

2) Investments

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

3) Guarantees

Pursuant to the Group's policies, it is only permissible to provide financial guarantees to subsidiaries. As December 31, 2019 and 2018, the Company did not provide any endorsement and guarantees to preparation of the third-party.

(iv) Liquidity risk

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

The Company uses activity-based costing to estimate the cost of its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Company aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of the expected cash flows on financial liabilities (other than trade payables) over the succeeding 60 days. The Company also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted. The Company has unused short term bank facilities of \$4,334,380 thousand and \$4,919,238 thousand on December 31, 2019 and 2018.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(v) Market risk

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

1) Interest rate risk

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

2) Other market price risk

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

(u) Capital management

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

The Company's debt-to-adjusted-capital ratio at the end of the reporting period was as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Total liabilities	\$ 8,169,537	7,263,267
Less: cash and cash equivalents	<u>85,186</u>	<u>36,827</u>
Net debt	<b>\$ 8,084,351</b>	<b>7,226,440</b>
Total equity	<b>\$ 6,101,512</b>	<b>6,005,745</b>
Debt-to-adjusted-capital ratio	<u>132 %</u>	<u>120 %</u>

As of December 31, 2019, there were no changes in the Company's approach of capital management.

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(v) Investing and financing activities not affecting current cash flow

For the year ended December 31, 2019 and 2018, the reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2019	Cash flows	Non-cash changes	December 31, 2019
			Others	
Long-term borrowings (including current portion)	\$ 1,365,000	1,230,000	-	2,595,000
Short-term borrowings	874,000	(417,000)	-	457,000
Lease liabilities	20,448	(12,380)	2,194	10,262
Total liabilities from financing activities	<u>\$ 2,259,448</u>	<u>800,620</u>	<u>2,194</u>	<u>3,062,262</u>

	January 1, 2018	Cash flows	Non-cash changes	December 31, 2019
			Fair value changes	
Long-term borrowings (including current portion)	\$ 1,385,350	(20,350)	-	1,365,000
Short-term borrowings	322,000	552,000	-	874,000
Short-term commercial paper payable	34,981	(34,981)	-	-
Total liabilities from financing activities	<u>\$ 1,742,331</u>	<u>496,669</u>	<u>-</u>	<u>2,239,000</u>

**(7) Related-party transactions**

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Company.

(b) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Namchow (Thailand) Ltd.	The Company's subsidiary
Mostro (Thailand) Ltd.	The Company's subsidiary
Nacia International Corp. (Nacia Co.)	The Company's subsidiary
Chow Ho Enterprise Co., Ltd. (Chow Ho Co.)	The Company's subsidiary
Lucky Royal Co., Ltd. (Lucky Co.)	The Company's subsidiary
Nankyo Japan Co., Ltd. (Nankyo Japan Co.)	The Company's subsidiary
Namchow Consulting Company, Ltd. (Namchow Consulting Co.)	The Company's subsidiary
Chow Food Biotechnology Co., Ltd. (Chow Food Co.)	The Company's subsidiary
Namchow Oil and Fat Co., Ltd. (Namchow Oil and Fat Co.)	The Company's subsidiary
Huaciang Industry Co., Ltd. (Huaciang Co.)	The Company's subsidiary

(Continued)

**NAMCHOW HOLDING CO., LTD.**

**Notes to the Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Group</u>
Navigator Business Publications Co., Ltd. (NBP Co.)	The Company and Lucky Co. used the equity method to evaluate the invested company
Namchow (British Virgin Island) Ltd. (Namchow BVI Co.)	Lucky Co. used the equity method to evaluate the invested company
Dian Shui Lou Restaurant Business Co., Ltd. (Dian Shui Lou Co.)	Lucky Co. used the equity method to evaluate the invested company
Namchow Gastronomy Consulting Company, Ltd. (Namchow Gastronomy Consulting Co.)	Lucky Co. used the equity method to evaluate the invested company
Shanghai Bao Lai Na Company Limited. (Bao Lai Na Co.)	Namchow BVI Co. used the equity method to evaluate the invested company
Namchow (Cayman Islands) Holding Corp. (Namchow Cayman Co.)	Nacia Co. used the equity method to evaluate the invested company
Shanghai Qiaohao Trading Co., Ltd. (Shanghai Qiaohao Co.)	Namchow Cayman Co. used the equity method to evaluate the invested company
Shanghai Qiaohao Enterprise Management Co., Ltd. (Shanghai Qiaohao Enterprise Management Co.)	Shanghai Qiaohao Co. used the equity method to evaluate the invested company
Shanghai Qiaohao Food Co., Ltd. (Shanghai Qiaohao Food Co.)	Shanghai Qiaohao Co. used the equity method to evaluate the invested company
Tianjin Qiaohao Food Co., Ltd. (Tianjin Qiaohao Food Co.)	Shanghai Qiaohao Co. used the equity method to evaluate the invested company
Shanghai Qizhi Business Consulting Co., Ltd. (Shanghai Qizhi Co.)	Namchow Cayman Co. used the equity method to evaluate the invested company
Namchow Food Group (Shanghai) Co., Ltd. (Namchow Food Co.)	Namchow Cayman Co. and Shanghai Qizhi Co. used the equity method to evaluate the invested company
Shanghai Namchow Food co., Ltd. (Shanghai Namchow Co.)	Namchow Cayman Co. and Namchow Food Co. used the equity method to evaluate the invested company
Tianjin Namchow Food Co., Ltd. (Tianjin Namchow Co.)	Namchow Food Co. used the equity method to evaluate the invested company
Guangzhou Namchow Food Co., Ltd. (Guangzhou Namchow Co.)	Namchow Food Co. used the equity method to evaluate the invested company
Chongqing Qiaoxing Co., Ltd. (Chongqing Qiaoxing Co.)	Namchow Food Co. used the equity method to evaluate the invested company
Wuhan Qiaoxing Co., Ltd. (Wuhan Qiaoxing Co.)	Namchow Food Co. used the equity method to evaluate the invested company
Tianjin Yoshi Yoshi Food Co., Ltd. (Tianjin Yoshi Yoshi Co.)	Tianjin Namchow Co. used the equity method to evaluate the invested company
Guangzhou Yoshi Yoshi Food Co., Ltd. (Guangzhou Yoshi Yoshi Co.)	Tianjin Yoshi Yoshi Co. used the equity method to evaluate the invested company
Board of directors, supervisors, president and vice president	Key management personnel

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

## (c) Significant transactions with related parties

## (i) Management technology service revenue

The Company provided management technology service to subsidiaries recorded under service revenue and the amounts were as follows:

	<u>2019</u>	<u>2018</u>
Subsidiaries:		
Namchow (Thailand) Ltd.	\$ 2,758	2,825
Other subsidiaries	<u>390</u>	<u>445</u>
	<u>\$ 3,148</u>	<u>3,270</u>

## (ii) Rental revenue

The Company rents offices to subsidiaries and the amounts were as follows:

	<u>2019</u>	<u>2018</u>
Subsidiaries:		
Lucky Co.	\$ 8,750	8,750
Namchow Oil and Fat Co.	24,876	24,876
Huaciang Co.	18,216	18,216
Other subsidiaries	<u>4,913</u>	<u>4,913</u>
	<u>\$ 56,755</u>	<u>56,755</u>

## (iii) Receivable from related parties

The details of the receivables from related parties were as follows:

<u>Accounts</u>	<u>Type of related parties</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts receivable — related parties	Subsidiaries:		
	Lucky Co.	\$ 1,397	1,400
	Huaciang Co.	-	738
	Other subsidiaries	<u>863</u>	<u>570</u>
		<u>2,260</u>	<u>2,708</u>
Other receivables — related parties	Subsidiaries		
	Namchow Oil and Fat Co.	75,494	77,589
	Huaciang Co.	54,828	54,983
	Lucky Co.	276	428
	Other subsidiaries	<u>10</u>	<u>-</u>
		<u>130,608</u>	<u>133,000</u>
		<u>\$ 132,868</u>	<u>135,708</u>

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(iv) Payable to related parties

The details of the Group's payable to related parties were as follows:

<u>Accounts</u>	<u>Type of related parties</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other payable—related parties	Subsidiaries		
	Dian Shui Lou Co.	\$ 141	500
	Huaciang Co.	9,766	8,503
	Other subsidiaries	<u>2</u>	<u>2</u>
		<u><u>\$ 9,909</u></u>	<u><u>9,005</u></u>

(v) Guarantees

As of December 31, 2019 and 2018, the Company provided the amounts of \$1,660,060 thousand and \$2,788,585 thousand, respectively, guarantees to its subsidiaries.

(d) Personnel transactions from key management

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

	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 61,522	118,390
Post-employments benefits	<u>1,086</u>	<u>1,086</u>
	<u><u>\$ 62,608</u></u>	<u><u>119,476</u></u>

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Property, plant and equipment:			
Land	Long-term borrowings	\$ 1,084,368	1,084,368
Buildings	Long-term borrowings	25,890	28,236
Investment property:			
Buildings	Long-term borrowings	<u>80,174</u>	<u>76,057</u>
		<u><u>\$ 1,190,432</u></u>	<u><u>1,188,661</u></u>

**(9) Significant commitments and contingencies: None.**

**(10) Significant losses from calamity: None.**

**(11) Significant subsequent events: None.**

(Continued)

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

**(12) Others**

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By nature	By function	2019			2018		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		-	115,557	115,557	-	106,407	106,407
Labor and health insurance		-	6,044	6,044	-	6,059	6,059
Pension		-	4,003	4,003	-	4,874	4,874
Remuneration of directors		-	54,501	54,501	-	51,664	51,664
Others		-	1,207	1,207	-	1,139	1,139
Depreciation		-	20,153	20,153	-	8,664	8,664
Amortization		-	-	-	-	-	-

As of December 31, 2019 and 2018, the depreciation expenses recognized under non-operating income and expenses – other gains and losses amounted to \$10,781 thousand and \$11,169 thousand, respectively.

The Company's number of employees for the years ended December 31, 2019 and 2018 and additional information employee benefits were as follows:

	<u>2019</u>	<u>2018</u>
Number of employees	<u>53</u>	<u>55</u>
Number of directors who were not employees	<u>6</u>	<u>4</u>
The average employee benefit	<u>\$ 2,698</u>	<u>2,323</u>
The average salaries and wages	<u>\$ 2,459</u>	<u>2,086</u>
The average of employee salary cost adjustment as follows	<u>17.88 %</u>	

(Continued)

## NAMCHOW HOLDING CO., LTD.

### Notes to the 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 Company:

##### (i) Loans 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 year	Ending balance	Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
1	Guangzhou Namchow Co.	Shanghai Namchow Co.	Other long term accounts receivable – related parties	Yes	750,000	645,750	645,750	4%	2	-	Capital for operation	-	-	-	3,282,848 (Note 1)	3,282,848 (Note 1)

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

##### (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 year	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	Namchow Cayman Co.	3	6,101,512	145,000	-	-	-	- %	6,101,512	Y		
0	The Company	Nankyo Japan Co.	2	6,101,512	2,643,846	1,660,060	714,420	-	27.21 %	6,101,512	Y		
1	Lucky Co.	Dian Shui Lou Co.	2	3,161,753	58,000	-	-	-	- %	3,161,753			

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 Namchow Co.'s guarantee and endorsement policies, the total guarantee and endorsement not exceed 100% of Namchow Co.'s net worth, while the total guarantees and endorsements for an individual party not exceed 100% of Namchow Co.'s net worth.

Note 3: According to Lucky Co.'s guarantee and endorsement policies, the total guarantee and endorsement not exceed 100% of Lucky Co.'s net worth, while the total guarantees and endorsements for an individual party not exceed 100% of Namchow Co.'s net worth.

##### (iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand dollars

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	Global securities Financial Corporation	—	Financial assets at fair value through comprehensive income – non-current	3,504	27,166	0.87 %	27,166	
The Company	Stock; Capital Co., Ltd.	—	Financial assets at fair value through comprehensive income – non-current	1,185	13,336	0.05 %	13,336	

Note 1: For financial assets carried at cost-non-current in listed companies, market value is determined by the latest monthly average sales price. Market value of unlisted companies is the net worth or the book value prevailing on the balance sheet date.

Note 2: The stated book value is after subtraction of the amount being reclassified treasury stock.

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

##### (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.

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

- (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	282,204	41 %	Note 1	-		(43,997)	(55) %	
Huaciang Co.	Lucky Co.	Subsidiary	(Sales)	(282,204)	(26) %	Note 1	-		43,997	27 %	
Tianjin Yoshi Yoshi Co.	Tianjin Namchow Co.	Subsidiary	Purchase	176,865	(72) %	Note 1	-		(192,071)	97 %	
Tianjin Namchow Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	(Sales)	(176,865)	(9) %	Note 1	-		192,071	25 %	
Namchow Food Co.	Tianjin Namchow Co.	Subsidiary	Purchase	1,351,966	(22) %	Note 1	-		(538,110)	32 %	
Tianjin Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(1,351,966)	(67) %	Note 1	-		538,110	70 %	
Namchow Food Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	1,436,477	(24) %	Note 1	-		(448,933)	27 %	
Guangzhou Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(1,436,477)	(51) %	Note 1	-		448,933	68 %	
Namchow Food Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	Purchase	364,323	(6) %	Note 1	-		-	- %	
Tianjin Yoshi Yoshi Co.	Namchow Food Co.	Subsidiary	(Sales)	(364,323)	(79) %	Note 1	-		-	- %	
Namchow Food Co.	Shanghai Namchow Co.	Subsidiary	Purchase	1,768,214	(29) %	Note 1	-		(168,212)	10 %	
Shanghai Namchow Co.	Namchow Food Co.	Subsidiary	(Sales)	(1,768,214)	(84) %	Note 1	-		168,212	82 %	
Chongqing Qiaoxing Co.	Tianjin Namchow Co.	Subsidiary	Purchase	417,440	(14) %	Note 1	-		(43,379)	11 %	
Tianjin Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(417,440)	(21) %	Note 1	-		43,379	6 %	
Chongqing Qiaoxing Co.	Shanghai Namchow Co.	Subsidiary	Purchase	293,848	(10) %	Note 1	-		(36,727)	9 %	
Shanghai Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(293,848)	(14) %	Note 1	-		36,727	18 %	
Chongqing Qiaoxing Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	921,294	(32) %	Note 1	-		(125,176)	31 %	
Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(921,294)	(33) %	Note 1	-		125,176	19 %	
Guangzhou Yoshi Yoshi Co.	Guangzhou Namchow Co.	Subsidiary	Purchase	419,208	(75) %	Note 1	-		(81,298)	86 %	
Guangzhou Namchow Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	(Sales)	(419,208)	(15) %	Note 1	-		81,298	12 %	
Namchow Food Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	Purchase	486,215	(8) %	Note 1	-		(226,471)	14 %	
Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	Subsidiary	(Sales)	(486,215)	(63) %	Note 1	-		226,471	85 %	
Chongqing Qiaoxing Co.	Guangzhou Yoshi Yoshi Co.	Subsidiary	Purchase	281,621	(10) %	Note 1	-		(41,205)	10 %	
Guangzhou Yoshi Yoshi Co.	Chongqing Qiaoxing Co.	Subsidiary	(Sales)	(281,621)	(37) %	Note 1	-		41,205	15 %	
Namchow Food Co.	Chongqing Qiaoxing Co.	Subsidiary	Purchase	620,145	(10) %	Note 1	-		(279,050)	17 %	
Chongqing Qiaoxing Co.	Namchow Food Co.	Subsidiary	(Sales)	(620,145)	(18) %	Note 1	-		279,050	57 %	

Note 1: Depending on capital movement motor adjustment.

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

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

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover rate	Overdue amount		Amounts received in subsequent period	Allowances for bad debts
					Amount	Action taken		
Guangzhou Namchow Co.	Namchow Food Co.	Subsidiary	448,933	2.39	-		111,715 (As of March 26, 2020)	-
Tianjin Namchow Co.	Namchow Food Co.	Subsidiary	538,110	2.40	-		223,430 (As of March 26, 2020)	-
Tianjin Namchow Co.	Tianjin Yoshi Yoshi Co.	Subsidiary	192,071	0.98	-		- (As of March 26, 2020)	-
Guangzhou Namchow Co.	Chongqing Qiaoxing Co.	Subsidiary	125,176	5.94	-		129,933 (As of March 26, 2020)	-
Guangzhou Yoshi Yoshi Co.	Namchow Food Co.	Subsidiary	226,471	2.40	-		- (As of March 26, 2020)	-
Shanghai Namchow Co.	Namchow Food Co.	Subsidiary	168,212	20.25	-		174,604 (As of March 26, 2020)	-
Chongqing Qiaoxing Co.	Namchow Food Co.	Subsidiary	279,050	4.28	-		134,058 (As of March 26, 2020)	-

(ix) Trading in derivative instruments: None.

(b) Information on investees:

The following is the information on investees for the year 2019 (excluding information on investees in Mainland China):

Unit: thousand dollars

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance		Book value	Net income (losses) of investee	Investment income (losses)	Remarks
				December 31, 2019	December 31, 2018	Shares	Percentage of ownership				
The Company	Namchow (Thailand) Ltd.	Bangkok, Thailand	Manufacturing and selling instant noodles and rice cracker	1,027,405	1,027,405	9,245	100 %	2,082,563	308,141	308,141	
The Company	Mostro (Thailand) Ltd.	Bangkok, Thailand	Manufacturing and selling food	10,201	10,201	100	100 %	32,965	2,434	2,434	
The Company	Nacia Co.	Tortola, British Virgin Islands	Holding of investments	343,443	343,443	1	100 %	8,000,139	1,070,180	1,070,180	
The Company	Chow Ho Co.	Taipei, Taiwan	Catering services, food and beverage retailing, and frozen food manufacturing	119,000	100,000	2,500	100 %	18,950	(5,381)	(5,356)	
The Company	Lucky Co.	Taipei, Taiwan	Manufacturing, selling and processing various food and beverage products	938,438	938,438	95,338	99 %	774,339	148,392	24,449	
The Company	NBP Co.	Taipei, Taiwan	Publishing, distributing and selling printed publications	763	763	80	80 %	126	1	-	
The Company	Nankyo Japan Co.	Tokyo, Japan	Catering services, Bistro and wine-selling	308,530	308,530	-	100 %	106,820	(82,775)	(82,775)	
The Company	Namchow Consulting Co.	Taipei, Taiwan	Catering services, food and beverage retailing and other consulting	5,000	5,000	500	100 %	1,687	(394)	(394)	
The Company	Chow Food Co.	Taipei, Taiwan	Development of biotechnology products	39,000	20,000	2,200	100 %	11,961	(10,382)	(10,355)	
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 %	597,041	145,839	147,023	
The Company	Huaciang Co.	Taipei, Taiwan	Manufacturing, processing and selling of dish and laundry liquid detergent as well as frozen food	392,341	221,307	30,000	100 %	275,042	(26,018)	(24,953)	
Lucky Co.	Namchow BVI Co.	Tortola, British Virgin Islands	Holding of investments	228,970	228,970	4,680	90 %	126,266	(22,586)	(20,485)	
Lucky Co.	Dian Shui Lou Co.	Taipei, Taiwan	Liquor importing and retailing	222,000	222,000	10,400	100 %	122,165	12,825	12,828	
Lucky Co.	Namchow Gastronomy Consulting Co.	Taipei, Taiwan	Catering services and food consulting	14,000	9,900	500	100 %	4,432	(2,605)	(2,605)	
Lucky Co.	NBP Co.	Taipei, Taiwan	Publishing, distributing and selling printed publications	100	100	10	10 %	16	1	-	
Nacia Co.	Namchow Cayman Co.	Gayman Islands British West Indies.	Holding of investments	2,522,207	2,522,207	35,378	100 %	7,987,430	1,069,885	1,069,885	

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

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

**NAMCHOW HOLDING CO., LTD.**  
**Notes to the Financial Statements**

(c) Information on investment in Mainland China:

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

Unit: thousand dollars

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2019	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2019	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (loss) (note 2)	Book value as of December 31, 2019	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
Shanghai Qiaohao Co.	Holding of investments and international trade	669,270	(3)	-	-	-	-	(113,953)	100.00 %	(113,953) (2b.)	404,534	-
Shanghai Qiaohao Enterprise Management Co.	Business management and investment consulting	961	(3)	-	-	-	-	-	100.00 %	- (2b.)	861	-
Shanghai Qiaohao Food Co.	Food packaging, selling and trading of restaurant equipment and trading	704,181	(3)	-	-	-	-	(59,092)	100.00 %	(59,092) (2b.)	506,782	-
Tianjin Qiaohao Food Co.	Food packaging, selling and trading of restaurant equipment and trading	90,836	(3)	-	-	-	-	(9,194)	100.00 %	(9,194) (2b.)	55,004	-
Namchow Food Co.	Food packaging, dairy product and product purchasing management and selling	856,481	(3)	-	-	-	-	1,319,020	96.15 %	1,268,288 (2a.)	7,516,160	60,491
Tianjin Namchow Co.	Manufacturing and selling of edible fat	756,875	(3)	372,813	-	-	372,813	232,451	96.15 %	223,501 (2a.)	1,607,371	30,245
Tianjin Yoshi Yoshi Co.	Developing, manufacturing, and selling of dairy products and related services	121,100	(3)	-	-	-	-	124,107	96.15 %	119,329 (2a.)	664,524	-
Guangzhou Yoshi Yoshi Co.	Developing, manufacturing, and selling of dairy products and related services	452,150	(3)	-	-	-	-	118,945	96.15 %	114,365 (2a.)	625,301	-
Guangzhou Namchow Co.	Manufacturing and selling of edible fat	544,950	(3)	-	-	-	-	336,590	96.15 %	323,631 (2a.)	3,156,459	90,736
Shanghai Namchow Co.	Selling, developing, manufa of uring and processing of fats and frozen food	676,597	(3)	-	-	-	-	59,481	96.15 %	57,191 (2a.)	641,129	-
Chongqing Qiaoxing Co.	Food packaging, dairy product and product purchasing management and selling	94,200	(3)	-	-	-	-	334,855	96.15 %	321,963 (2a.)	574,164	-
Wuhan Qiaoxing Co.	The technical service of baking oil and fat product	215,250	(3)	-	-	-	-	(125)	96.15 %	(120) (2a.)	206,847	-
Shanghai Qizhi Co.	Business management and investment consulting services	4,541	(3)	-	-	-	-	405	100.00 %	405 (2b.)	7,296	-
Bao Lai Na Co.	Multinational eateries, and the promotion, and management of self-made beers	112,018	(3)	79,468	-	-	79,468	(12,037)	90.39 %	(10,880) (2c.)	174,816	35,967

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

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

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

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

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

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount in Mainland China as of December 31, 2019	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
The Company	372,813	3,373,763	3,660,907
Lucky Co.	226,649	194,406	1,897,052

(iii) Significant transactions: None.

**(14) Segment information**

Please refer to the year 2019 consolidated financial statements.