

**TON YI INDUSTRIAL CORP. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
SEPTEMBER 30, 2019 AND 2018**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Ton Yi Industrial Corp.

Introduction

We have reviewed the accompanying consolidated balance sheets of Ton Yi Industrial Corp. and its subsidiaries (the “Group”) as at September 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of 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 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 explained in Note 4(3), the financial statements of certain non-significant consolidated subsidiaries were not reviewed by independent accountants. Those statements reflect total assets of NT\$10,280,292 thousand and NT\$8,938,866 thousand, constituting 27.62% and 23.64% of the consolidated total assets, and total liabilities of NT\$2,561,095 thousand and NT\$2,721,578 thousand, constituting 14.15% and 14.93% of the consolidated total liabilities as at September 30, 2019 and 2018, respectively, and total comprehensive income of NT\$115,025 thousand, (NT\$30,643) thousand, NT\$335,352 thousand and NT\$378,373 thousand, constituting (16.67%), 6.18%, (545.92%) and 49.27% of the consolidated total

comprehensive income for the three-month and nine-month periods then ended, respectively.

Qualified Conclusion

Based on our reviews, except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain non-significant consolidated subsidiaries been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, 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 at September 30, 2019 and 2018, and of its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-month periods then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Liu, Tzu-Meng

Independent Accountants

Lin, Tzu-Shu

PricewaterhouseCoopers, Taiwan

Republic of China

November 5, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TON YI INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
YEARS ENDED SEPTEMBER 30
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2019 and 2018 are reviewed, not audited)

Assets	Notes	September 30, 2019		December 31, 2018		September 30, 2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,183,018	3	\$ 2,265,386	6	\$ 2,322,096	6
1150	Notes receivable, net	6(2) and 8	550,111	2	928,680	3	643,485	2
1170	Accounts receivable, net	6(2)	2,100,382	6	2,143,012	6	1,980,033	5
1180	Accounts receivable - related parties	7	1,455,777	4	1,248,553	3	1,587,386	4
1200	Other receivables		100,185	-	247,046	1	332,007	1
1220	Current income tax assets	6(26)	60,548	-	52,465	-	41,120	-
130X	Inventories	5(2) and 6(3)	4,238,983	11	3,903,529	10	4,091,648	11
1410	Prepayments	3(1) and 7	673,006	2	376,439	1	510,577	1
1476	Other current financial assets	8	516,010	1	698,578	2	768,883	2
11XX	Total current assets		<u>10,878,020</u>	<u>29</u>	<u>11,863,688</u>	<u>32</u>	<u>12,277,235</u>	<u>32</u>
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(4) and 7	93,535	-	122,199	-	175,451	1
1600	Property, plant and equipment - net	6(5)(11) and 7	22,536,447	61	23,286,735	63	23,811,528	63
1755	Right-of-use assets	3(1) and 6(6)	2,501,701	7	-	-	-	-
1760	Investment property - net	6(8)(11)	106,888	-	114,763	-	115,836	-
1780	Intangible assets	6(9)	357,694	1	362,330	1	362,493	1
1840	Deferred income tax assets	6(26)	572,887	2	590,016	2	532,919	2
1915	Prepayments for business facilities	6(5) and 7	135,338	-	335,343	1	960	-
1920	Guarantee deposits paid	7	27,026	-	26,996	-	30,947	-
1985	Long-term prepaid rents	3(1) and 6(10)	-	-	494,267	1	495,673	1
1990	Other non-current assets	3(1)	13,194	-	16,496	-	16,063	-
15XX	Total non-current assets		<u>26,344,710</u>	<u>71</u>	<u>25,349,145</u>	<u>68</u>	<u>25,541,870</u>	<u>68</u>
1XXX	Total assets		<u>\$ 37,222,730</u>	<u>100</u>	<u>\$ 37,212,833</u>	<u>100</u>	<u>\$ 37,819,105</u>	<u>100</u>

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TON YI INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
YEARS ENDED SEPTEMBER 30

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of September 30, 2019 and 2018 are reviewed, not audited)

Liabilities and Equity	Notes	September 30, 2019		December 31, 2018		September 30, 2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(12) and 8	\$ 4,450,752	12	\$ 3,712,581	10	\$ 4,063,629	11
2110	Short-term notes and bills payable	6(13)	999,629	3	399,927	1	1,099,423	3
2130	Current contract liabilities	6(20) and 7	34,845	-	71,206	-	108,523	-
2150	Notes payable		2,978	-	15,245	-	15,051	-
2170	Accounts payable		1,234,356	3	1,035,480	3	1,457,584	4
2180	Accounts payable - related parties	7	103,926	-	134,098	-	92,866	-
2200	Other payables		1,260,744	3	1,504,902	4	1,434,283	4
2220	Other payables - related parties	7	148,457	-	67,824	-	104,419	-
2230	Current income tax liabilities	6(26)	67,819	-	212,191	1	102,387	-
2280	Lease liabilities - current	3(1) and 7	201,006	1	-	-	-	-
2305	Other current financial liabilities		21,057	-	20,180	-	19,319	-
2320	Long-term liabilities, current portion	6(14)	108,557	-	850,829	2	1,393,716	4
2365	Current refund liabilities		8,915	-	9,145	-	7,458	-
21XX	Total current liabilities		<u>8,643,041</u>	<u>22</u>	<u>8,033,608</u>	<u>21</u>	<u>9,898,658</u>	<u>26</u>
Non-current liabilities								
2540	Long-term borrowings	6(14)	6,750,000	18	8,100,000	22	7,194,411	19
2550	Provisions for liabilities - non-current	6(15)	79,343	-	78,242	-	77,882	-
2570	Deferred income tax liabilities	6(26)	500,743	2	664,485	2	717,399	2
2580	Lease liabilities - non-current	3(1) and 7	1,744,651	5	-	-	-	-
2630	Long-term deferred revenue		19,540	-	-	-	-	-
2640	Accrued pension liabilities - non-current	6(16)	334,957	1	379,753	1	314,867	1
2645	Guarantee deposits received		23,423	-	26,086	-	26,165	-
25XX	Total non-current liabilities		<u>9,452,657</u>	<u>26</u>	<u>9,248,566</u>	<u>25</u>	<u>8,330,724</u>	<u>22</u>
2XXX	Total liabilities		<u>18,095,698</u>	<u>48</u>	<u>17,282,174</u>	<u>46</u>	<u>18,229,382</u>	<u>48</u>
Equity attributable to owners of parent								
Share capital								
3110	Share capital - common stock	6(17)	15,791,453	42	15,791,453	43	15,791,453	42
3200	Capital surplus	6(18)	230,261	1	230,261	1	230,047	1
Retained earnings								
3310	Legal reserve	6(19)	1,739,515	5	1,596,669	4	1,596,669	4
3320	Special reserve		1,378,569	4	860,682	2	860,682	2
3350	Unappropriated retained earnings		554,987	2	1,428,456	4	1,263,187	3
3400	Other equity interest		(1,855,529)	(5)	(1,378,569)	(4)	(1,404,453)	(3)
31XX	Equity attributable to owners of the parent		<u>17,839,256</u>	<u>49</u>	<u>18,528,952</u>	<u>50</u>	<u>18,337,585</u>	<u>49</u>
36XX	Non-controlling interest		<u>1,287,776</u>	<u>3</u>	<u>1,401,707</u>	<u>4</u>	<u>1,252,138</u>	<u>3</u>
3XXX	Total equity		<u>19,127,032</u>	<u>52</u>	<u>19,930,659</u>	<u>54</u>	<u>19,589,723</u>	<u>52</u>
Contingent liabilities and commitments								
3X2X	Total liabilities and equity	9	<u>\$ 37,222,730</u>	<u>100</u>	<u>\$ 37,212,833</u>	<u>100</u>	<u>\$ 37,819,105</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

TON YI INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 and 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share)
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2019		2018		2019		2018	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(20) and 7	\$ 8,775,518	100	\$ 9,222,481	100	\$ 24,972,532	100	\$ 26,836,775	100
5000 Operating costs	6(3)(8)(9)(10)(16)(24)(25), 7 and 9	(7,908,198)	(90)	(8,434,633)	(91)	(22,366,640)	(89)	(24,130,249)	(90)
5900 Net operating margin		867,320	10	787,848	9	2,605,892	11	2,706,526	10
Operating expenses	6(9)(10)(16)(24)(25), 7, 9 and 12								
6100 Selling expenses		(277,386)	(3)	(286,172)	(3)	(858,576)	(4)	(902,186)	(4)
6200 General and administrative expenses		(281,868)	(3)	(255,683)	(3)	(847,297)	(3)	(856,688)	(3)
6450 Expected credit gains (losses)		(39,498)	(1)	(1,651)	-	(29,397)	-	(4,178)	-
6000 Total operating expenses		(598,752)	(7)	(543,506)	(6)	(1,735,270)	(7)	(1,763,052)	(7)
6900 Operating profit		268,568	3	244,342	3	870,622	4	943,474	3
Non-operating income and expenses									
7010 Other income	6(7)(8)(21)	42,338	-	22,450	-	176,264	1	698,547	3
7020 Other gains and losses	6(22) and 12	(174,230)	(2)	(70,268)	(1)	(161,939)	(1)	546,519	2
7050 Finance costs	6(5)(6)(15)(23) and 7	(75,826)	(1)	(83,777)	(1)	(245,308)	(1)	(270,523)	(1)
7000 Total non-operating income and expenses		(207,718)	(3)	(131,595)	(2)	(230,983)	(1)	974,543	4
7900 Profit before income tax		60,850	-	112,747	1	639,639	3	1,918,017	7
7950 Income tax expense	6(26)	(26,364)	-	(49,299)	-	(191,387)	(1)	(583,337)	(2)
8200 Profit for the period		\$ 34,486	-	\$ 63,448	1	\$ 448,252	2	\$ 1,334,680	5

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TON YI INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 and 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share)
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2019		2018		2019		2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
Other comprehensive income										
Components of other comprehensive income that will not be reclassified to profit or loss										
8316	Unrealized (loss) gain on valuation of investments in equity instruments measured at fair value through other comprehensive income	6(4)								
			(\$ 20,642)	-	\$ 31,141	-	(\$ 28,664)	-	(\$ 3,280)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)							8,466	-
			-	-	-	-	-	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss										
8361	Exchange translation differences arising on translation of foreign operations		(703,883)	(8)	(590,107)	(6)	(481,017)	(2)	(572,037)	(2)
8399	Income tax relating to the components of other comprehensive income	6(26)							188	-
			-	-	-	-	-	-	-	-
8300	Other comprehensive loss for the period		(\$ 724,525)	(8)	(\$ 558,966)	(6)	(\$ 509,681)	(2)	(\$ 566,663)	(2)
8500	Total comprehensive income (loss) for the period		(\$ 690,039)	(8)	(\$ 495,518)	(5)	(\$ 61,429)	-	\$ 768,017	3
Profit (loss) attributable to:										
8610	Owners of the parent		\$ 81,188	1	\$ 84,203	1	\$ 529,462	2	\$ 1,258,566	5
8620	Non-controlling interest		(46,702)	(1)	(20,755)	-	(81,210)	-	76,114	-
			\$ 34,486	-	\$ 63,448	1	\$ 448,252	2	\$ 1,334,680	5
Comprehensive income (loss) attributable to:										
8710	Owners of the parent		(\$ 592,712)	(7)	(\$ 438,148)	(4)	\$ 52,502	-	\$ 723,260	3
8720	Non-controlling interest		(97,327)	(1)	(57,370)	(1)	(113,931)	-	44,757	-
			(\$ 690,039)	(8)	(\$ 495,518)	(5)	(\$ 61,429)	-	\$ 768,017	3
Earnings per share										
9750	Basic	6(27)	\$ 0.05		\$ 0.05		\$ 0.34		\$ 0.80	
9850	Diluted		\$ 0.05		\$ 0.05		\$ 0.33		\$ 0.79	

The accompanying notes are an integral part of these consolidated financial statements.

TON YI INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

Equity attributable to owners of the parent												
	Notes	Retained Earnings					Other Equity Interest			Total	Non-controlling interest	Total equity
		Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on valuation of financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets			
For the nine-month period ended September 30, 2018												
Balance at January 1, 2018		\$ 15,791,453	\$ 230,047	\$ 1,536,659	\$ 1,075,145	\$ 659,405	(\$ 660,495)	\$ -	(\$ 200,186)	\$ 18,432,028	\$ 965,453	\$ 19,397,481
Effect of retrospective application		-	-	-	-	(28,130)	-	(200,186)	200,186	(28,130)	-	(28,130)
Balance at January 1 after adjustments		15,791,453	230,047	1,536,659	1,075,145	631,275	(660,495)	(200,186)	-	18,403,898	965,453	19,369,351
Profit for the period		-	-	-	-	1,258,566	-	-	-	1,258,566	76,114	1,334,680
Other comprehensive income (loss) for the period	6(4)	-	-	-	-	8,466	(540,492)	(3,280)	-	(535,306)	(31,357)	(566,663)
Total comprehensive income (loss)		-	-	-	-	1,267,032	(540,492)	(3,280)	-	723,260	44,757	768,017
Distribution of 2017 net income												
Legal reserve		-	-	60,010	-	(60,010)	-	-	-	-	-	-
Cash dividends	6(19)	-	-	-	-	(789,573)	-	-	-	(789,573)	-	(789,573)
Reversal of special reserve	6(19)	-	-	-	(214,463)	214,463	-	-	-	-	-	-
Change in non-controlling interests		-	-	-	-	-	-	-	-	-	241,928	241,928
Balance at September 30, 2018		\$ 15,791,453	\$ 230,047	\$ 1,596,669	\$ 860,682	\$ 1,263,187	(\$ 1,200,987)	(\$ 203,466)	\$ -	\$ 18,337,585	\$ 1,252,138	\$ 19,589,723
For the nine-month period ended September 30, 2019												
Balance at January 1, 2019		\$ 15,791,453	\$ 230,261	\$ 1,596,669	\$ 860,682	\$ 1,428,456	(\$ 1,121,851)	(\$ 256,718)	\$ -	\$ 18,528,952	\$ 1,401,707	\$ 19,930,659
Profit for the period		-	-	-	-	529,462	-	-	-	529,462	(81,210)	448,252
Other comprehensive loss for the period	6(4)	-	-	-	-	-	(448,296)	(28,664)	-	(476,960)	(32,721)	(509,681)
Total comprehensive income (loss)		-	-	-	-	529,462	(448,296)	(28,664)	-	52,502	(113,931)	(61,429)
Distribution of 2018 net income												
Legal reserve		-	-	142,846	-	(142,846)	-	-	-	-	-	-
Special reserve	6(19)	-	-	-	517,887	(517,887)	-	-	-	-	-	-
Cash dividends	6(19)	-	-	-	-	(742,198)	-	-	-	(742,198)	-	(742,198)
Balance at September 30, 2019		\$ 15,791,453	\$ 230,261	\$ 1,739,515	\$ 1,378,569	\$ 554,987	(\$ 1,570,147)	(\$ 285,382)	\$ -	\$ 17,839,256	\$ 1,287,776	\$ 19,127,032

The accompanying notes are an integral part of these consolidated financial statements.

TON YI INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	For the nine-month periods ended September 30,	
		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 639,639	\$ 1,918,017
Adjustments			
Adjustments to reconcile profit (loss)			
Gain on financial assets at fair value through profit or loss	6(22)	(1,207)	(1,588)
Expected credit losses	12	29,397	4,178
(Reversal of allowance) provision for inventory market price decline	6(3)	(1,614)	66,662
Depreciation on property, plant and equipment	6(5)(6)(8)	2,058,209	1,912,018
Loss (gain) on disposal of property, plant and equipment	6(22)	106,080	(563,806)
Gain arising from lease modifications	6(22)	(8,638)	-
Gain on disposal of investment property	6(22)	-	(1,150)
Gain on disposal of intangible assets		-	(1)
Amortization	6(9)(24)	7,164	7,270
Amortization of long-term prepaid rent	6(10)	-	10,460
Gain on disposal of long-term prepaid rent	6(21)	-	(612,888)
Interest income	6(21)	(23,288)	(13,646)
Dividend income	6(21)	(3,019)	(2,908)
Interest expense	6(23)	245,308	270,523
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		1,207	471,533
Notes receivable		378,569	298,558
Accounts receivable		16,003	(219,064)
Accounts receivable - related parties		(207,224)	(711,248)
Other receivables		38,498	(68,598)
Inventories		(332,640)	(419,362)
Prepayments		(314,204)	(22,978)
Changes in operating liabilities			
Contract liabilities - current		(36,361)	24,999
Notes payable		(12,267)	(8,608)
Accounts payable		198,876	210,933
Accounts payable - related parties		(30,172)	(19,304)
Other payables		(418,823)	210,568
Other payables - related parties		80,633	49,486
Current refund liabilities		(230)	7,458
Long-term deferred revenue		19,540	-
Accrued pension liabilities - non-current		(44,796)	(45,514)
Cash inflow generated from operations		2,384,640	2,752,000
Dividends received		3,019	2,908
Interest received		23,288	13,646
Income tax refund		-	17,255
Interest paid		(244,580)	(296,450)
Income tax paid		(495,564)	(181,547)
Net cash flows from operating activities		<u>1,670,803</u>	<u>2,307,812</u>

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TON YI INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	For the nine-month periods ended September 30,	
		2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in other current assets - other financial assets		\$ 182,568	(\$ 765,689)
Cash paid for acquisition of property, plant and equipment	6(28)	(1,074,088)	(125,367)
Interest paid for acquisition of property, plant and equipment	6(5)(23)	(250)	-
Acquisition of right-of-use assets		(68,840)	-
Proceeds from disposal of property, plant and equipment	6(28)	81,301	715,332
Proceeds from disposal of investment property		-	5,998
Proceeds from disposal of intangible assets		-	17
Increase in prepayments for equipment		(86,854)	(25,925)
Interest paid for prepayments for equipment	6(5)(23)	(180)	(129)
(Increase) decrease in guarantee deposits paid		(30)	53,526
Proceeds from disposal of long-term prepaid rent	6(28)	41,819	570,172
Increase in long-term prepaid rent		-	(75,457)
Decrease in other non-current assets		1,184	6,158
Net cash flows (used in) from investing activities		(923,370)	358,636
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(29)	738,171	2,446,113
Increase in notes and bills payable	6(29)	600,000	400,000
Increase (decrease) in other current liabilities - other financial liabilities	6(29)	877	(244)
Payments of lease liabilities	6(29)	(182,714)	-
Decrease in corporate bonds payable	6(29)	-	(651,779)
Increase in long-term borrowings	6(29)	950,000	1,274,491
Decrease in long-term borrowings	6(29)	(3,048,841)	(4,003,497)
(Decrease) increase in guarantee deposits received	6(29)	(2,663)	16,773
Cash dividends paid		(742,198)	(789,573)
Change in non-controlling interests		-	241,928
Net cash flows used in financing activities		(1,687,368)	(1,065,788)
Effect of foreign exchange rate changes on cash and cash equivalents		(142,433)	(184,896)
Net (decrease) increase in cash and cash equivalents		(1,082,368)	1,415,764
Cash and cash equivalents at beginning of period	6(1)	2,265,386	906,332
Cash and cash equivalents at end of period	6(1)	\$ 1,183,018	\$ 2,322,096

The accompanying notes are an integral part of these consolidated financial statements.

TON YI INDUSTRIAL CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANIZATION

(1) Ton Yi Industrial Corp. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on April 14, 1969. The Company is primarily engaged in the manufacture, processing and sales of various cans of steel and tin plate. For the subsidiaries’ scope of business, please refer to Note 4(3) for details.

(2) The common shares of the Company have been listed on the Taiwan Stock Exchange since January 1991.

(3) Uni-President Enterprises Corp. holds 45.55% equity interest in the Company and is the ultimate parent company.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on November 5, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments as endorsed by the FSC effective from 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	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
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Company and its subsidiaries’ (collectively referred herein as the “Group”) financial performance and financial position based on the Group’s assessment.

A. IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use assets' and 'lease liabilities' by \$2,657,730 and \$2,143,708, respectively, and decreased 'prepayments', 'long-term prepaid rents' and 'other non-current assets' by \$17,637, \$494,267 and \$2,118, respectively, with respect to the lease contracts of lessees on January 1, 2019.

C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

- a. Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
- b. The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- c. The exclusion of initial direct costs for the measurement of 'right-of-use asset'.
- d. The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate ranging from 1.95% to 7.5%.

E. The Group recognized lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognized as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ 908,750
Less: Low-value assets	(948)
Contracts reassessed as service agreements	(18,932)
Add: Adjustments as a result of a different treatment of extension and termination options	<u>1,719,957</u>
Total lease contracts amount recognized as lease liabilities by applying IFRS 16 on January 1, 2019	<u>\$ 2,608,827</u>
Incremental borrowing interest rate at the date of initial application	<u>1.95%~7.5%</u>
Lease liabilities recognized as at January 1, 2019 by applying IFRS 16	<u>\$ 2,143,708</u>

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

<u>New Standards, Interpretations and Amendments</u>	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020

The above standards and interpretations have no significant impact to the Group's financial condition and performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and IAS 34, ‘Interim Financial Reporting’ as endorsed by the FSC.

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

- a. Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- b. Financial assets at fair value through other comprehensive income.
- c. Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- a. All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- b. Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- c. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- d. Transactions with non-controlling interest that do not result in loss of control are accounted for as equity transaction- that is, as transactions with the owners in their capacity as owners. The

difference between non-controlling interest adjustments and consideration paid or received is recorded in equity.

- e. When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investors	Name of subsidiaries	Business activities	Percentage owned by the Company (%)			Note
			September 30, 2019	December 31, 2018	September 30, 2018	
Ton Yi Industrial Corp.	Cayman Ton Yi Industrial Holdings Ltd.	General trading and investments	100.00	100.00	100.00	—
Ton Yi Industrial Corp.	Tovecan Corp.	Manufacturing and sale of cans	51.00	51.00	51.00	(Note 1)
Cayman Ton Yi Industrial Holdings Ltd.	Cayman Ton Yi Holdings Ltd.	General investment	100.00	100.00	100.00	—
Cayman Ton Yi Industrial Holdings Ltd.	Cayman Fujian Ton Yi Holding Ltd.	General investment	100.00	100.00	100.00	—
Cayman Ton Yi Industrial Holdings Ltd.	Cayman Jiangsu Ton Yi Holding Ltd.	General investment	100.00	100.00	100.00	—
Cayman Ton Yi Industrial Holdings Ltd.	Wuxi Ton Yi Industrial Packing Co., Ltd.	Manufacturing and sale of cans	100.00	100.00	100.00	(Note 1)
Cayman Ton Yi Industrial Holdings Ltd.	Chengdu Ton Yi Industrial Packing Co., Ltd.	Manufacturing and sale of cans	100.00	100.00	100.00	(Note 1)
Cayman Ton Yi Industrial Holdings Ltd.	Changsha Ton Yi Industrial Co., Ltd.	Manufacturing and sale of cans	100.00	100.00	100.00	(Note 1)
Cayman Ton Yi Holdings Ltd.	Cayman Ton Yi (China) Holdings Ltd.	General investment	100.00	100.00	100.00	—
Cayman Fujian Ton Yi Holding Ltd.	Fujian Ton Yi Tinplate Co., Ltd.	Manufacturing and sale of tinplate	86.80	86.80	86.80	—
Cayman Jiangsu Ton Yi Holding Ltd.	Jiangsu Ton Yi Tinplate Co., Ltd.	Manufacturing and sale of tinplate	82.86	82.86	82.86	—
Wuxi Ton Yi Industrial Packing Co., Ltd.	Wuxi Ton Yi Daiwa Industrial Co., Ltd.	Manufacturing and sale of cans	66.50	66.50	66.50	(Note 1)
Cayman Ton Yi (China) Holdings Ltd.	Ton Yi (China) Investment Co., Ltd.	General investment	100.00	100.00	100.00	—
Ton Yi (China) Investment Co., Ltd.	Taizhou Ton Yi Industrial Co., Ltd.	Manufacturing and sale of PET packages	100.00	100.00	100.00	—
Ton Yi (China) Investment Co., Ltd.	Zhangzhou Ton Yi Industrial Co., Ltd.	Manufacturing and sale of PET packages	100.00	100.00	100.00	—
Ton Yi (China) Investment Co., Ltd.	Kunshan Ton Yi Industrial Co., Ltd.	Manufacturing and sale of PET packages	100.00	100.00	100.00	—

Name of investors	Name of subsidiaries	Business activities	Percentage owned by the Company (%)			Note
			September 30, 2019	December 31, 2018	September 30, 2018	
Ton Yi (China) Investment Co., Ltd.	Beijing Ton Yi Industrial Co., Ltd.	Manufacturing and sale of PET packages	100.00	100.00	100.00	(Note 1)
Ton Yi (China) Investment Co., Ltd.	Huizhou Ton Yi Industrial Co., Ltd.	Manufacturing and sale of PET packages	100.00	100.00	100.00	(Note 1)
Ton Yi (China) Investment Co., Ltd.	Chengdu Ton Yi Industrial Co., Ltd.	Manufacturing and sale of PET packages	100.00	100.00	100.00	(Note 1)
Ton Yi (China) Investment Co., Ltd.	Sichuan Ton Yi Industrial Co., Ltd.	Manufacturing and sale of PET packages	100.00	100.00	100.00	(Note 1)
Ton Yi (China) Investment Co., Ltd.	Zhanjiang Ton Yi Industrial Co., Ltd.	Manufacturing and sale of PET packages	100.00	100.00	100.00	(Note 1)
Ton Yi (China) Investment Co., Ltd.	Tian Jin Ton Yi Industrial Co., Ltd.	Manufacturing and sale of PET packages	100.00	100.00	100.00	(Note 1) (Note 2)

(Note 1) The financial statements of certain subsidiaries included in the consolidated financial statements as of September 30, 2019 and 2018 were not reviewed by independent accountants. The total assets of these subsidiaries were \$10,280,292 and \$8,938,866, constituting 27.62% and 23.64% of the Group's consolidated total assets, and total liabilities were \$2,561,095 and \$2,721,578, constituting 14.15% and 14.93% of the Group's consolidated total liabilities as of September 30, 2019 and 2018, respectively; and the total comprehensive income was \$115,025 and (\$30,643), constituting (16.67%) and 6.18% of the Group's consolidated total comprehensive income for the three-month periods then ended, respectively, and \$335,352 and \$378,373, constituting (545.92%) and 49.27% of the Group's consolidated total comprehensive income for the nine-month periods then ended, respectively.

(Note 2) It was established in July, 2018.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and presentation currency.

A. Foreign currency transactions and balances

- a. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are

recognized in profit or loss in the period in which they arise.

- b. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- c. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- d. All foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

- a. The financial performance and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - (c) All resulting exchange differences are recognized in other comprehensive income.
- b. When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - a. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - b. Assets held mainly for trading purposes;
 - c. Assets that are expected to be realized within twelve months from the balance sheet date;

- d. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - a. Liabilities that are expected to be paid off within the normal operating cycle;
 - b. Liabilities arising mainly from trading activities;
 - c. Liabilities that are to be paid off within twelve months from the balance sheet date;
 - d. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

- A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- B. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost to completion and applicable variable selling expenses. When the

cost of inventory is lower than net realizable value, a write down is provided and recognized in operating costs. If the circumstances that caused the write-down cease to exist, such that all or part of the write down is no longer needed, it should be reversed to that extent and recognized as deduction of operating costs.

(10) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - a. The objective of the Group's business model is achieved both by collecting contractual cashflows and selling financial assets; and
 - b. The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(11) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

- A. The contractual rights to receive cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows from the financial asset have been transferred, and

the Group has not retained control of the financial asset.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment apply the cost model. Except for land, other property, plant and equipment are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it is depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the consumption patterns of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

<u>Asset Name</u>	<u>Useful Lives</u>
Buildings	2 ~ 55 years
Machinery and equipment	2 ~ 30 years
Transportation equipment	3 ~ 20 years
Office equipment	2 ~ 10 years
Other equipment	2 ~ 40 years

(14) Leasing arrangements (lessor) — operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(15) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities (Effective 2019)

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

- a. Fixed payments, less any lease incentives receivable; and
- b. Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
 - a. The amount of the initial measurement of lease liability;
 - b. Any lease payments made at or before the commencement date; and
 - c. Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(16) Leased assets/ operating leases (lessee) (Prior to 2019)

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 20 years.

(18) Intangible assets

A. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

B. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 10 years.

(19) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if

the impairment had not been recognized.

- B. The recoverable amounts of goodwill shall be evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(20) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(21) Notes and accounts payable

- A. Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.
- B. For short-term accounts payable which are not interest bearing, as the effect of discounting is insignificant, they are measured subsequently at the original invoice amount.

(22) Financial liabilities instruments

Ordinary corporate bonds issued by the Group are initially recognized at fair value, net of transaction costs incurred. Ordinary corporate bonds are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortized in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

(23) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged, cancelled or expired.

(24) Offsetting financial instruments

Financial assets and liabilities are offset and reported at net amount on the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(25) Provision

Provision (decommissioning liabilities) is recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of economic resources

will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provision is measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense.

(26) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and should be recognized as expenses in that period when the employees render service.

B. Pensions

a. Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

b. Defined benefit plans

(a) Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior period. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

(b) Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

(c) Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those

amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(27) Income tax

- A. The tax expense comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which case the tax is recognized in other comprehensive income or equity.
- B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- F. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or

loss is recognized in profit or loss.

(28) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(29) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares and share premium on the effective date of new shares issuance.

(30) Revenue recognition

Sales of goods

- a. The Group manufactures and sells tinplate, cans, and PET package products. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler'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 wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- b. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated sales discounts and volume discounts. The products are often sold with volume discounts based on estimated sales of each year. Accumulated experience is used to estimate and provide for the sales discounts and volume discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognized for expected sales discounts and volume discounts payable to customers in relation to sales made until the end of the reporting period.

(31) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the period in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

(32) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

- a. As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Because of the change in market demand and the sales strategy, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on the balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.
- b. As of September 30, 2019, the carrying amount of inventories was \$4,238,983.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Cash:			
Cash on hand and petty cash	\$ 510	\$ 856	\$ 1,072
Checking accounts and demand deposits	<u>615,440</u>	<u>1,771,297</u>	<u>1,421,860</u>
	<u>615,950</u>	<u>1,772,153</u>	<u>1,422,932</u>
Cash equivalents:			
Time deposits	<u>567,068</u>	<u>493,233</u>	<u>899,164</u>
	<u>\$ 1,183,018</u>	<u>\$ 2,265,386</u>	<u>\$ 2,322,096</u>

- A. The Group transacts with a variety of financial institutions all with high credit rankings to diversify credit risk, so it expects that the probability of counterparty default is remote.
- B. For cash and cash equivalents pledged to others as collateral, please refer to Note 8.

(2) Notes receivable and accounts receivable, net

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Notes receivable	\$ 551,603	\$ 930,172	\$ 644,685
Less: Allowance for doubtful accounts	(1,492)	(1,492)	(1,200)
	<u>\$ 550,111</u>	<u>\$ 928,680</u>	<u>\$ 643,485</u>
	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Accounts receivable	\$ 2,195,286	\$ 2,211,289	\$ 2,040,877
Less: Allowance for doubtful accounts	(94,904)	(68,277)	(60,844)
	<u>\$ 2,100,382</u>	<u>\$ 2,143,012</u>	<u>\$ 1,980,033</u>

A. The aging analysis of the Group's notes and accounts receivable is as follows:

	<u>September 30, 2019</u>		<u>December 31, 2018</u>		<u>September 30, 2018</u>	
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>
1 to 30 days	\$ 166,441	\$ 1,321,039	\$ 387,038	\$ 1,635,419	\$ 120,307	\$ 1,319,709
31 to 60 days	131,513	433,217	185,382	377,236	84,784	450,499
61 to 90 days	74,664	252,880	178,893	135,950	150,650	121,386
91 to 180 days	174,556	143,223	178,859	19,170	288,944	105,757
Over 180 days	4,429	44,927	-	43,514	-	43,526
	<u>\$ 551,603</u>	<u>\$ 2,195,286</u>	<u>\$ 930,172</u>	<u>\$ 2,211,289</u>	<u>\$ 644,685</u>	<u>\$ 2,040,877</u>

The above ageing analysis was based on invoice date.

B. As of September 30, 2019, December 31, 2018, and September 30, 2018 accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2018, the balance of receivables from contracts with customers amounted to \$3,641,194.

C. Details of the Group's notes receivable pledged to others as collateral are provided in Note 8.

D. Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the notes receivable and accounts receivable held by the Group was the book value.

E. Information relating to credit risk is provided in Note 12(2), "Financial instruments."

(3) Inventories

			September 30, 2019		
	Cost	Allowance for price decline of inventories		Carrying amount	
Raw materials	\$ 1,809,858	(\$ 23,109)	\$	1,786,749	
Raw materials in transit	13,113	-		13,113	
Supplies	337,352	(12,841)		324,511	
Work in process	775,805	(15,870)		759,935	
Finished goods	<u>1,407,645</u>	<u>(52,970)</u>		<u>1,354,675</u>	
	<u>\$ 4,343,773</u>	<u>(\$ 104,790)</u>	<u>\$</u>	<u>4,238,983</u>	
			December 31, 2018		
	Cost	Allowance for price decline of inventories		Carrying amount	
Raw materials	\$ 1,547,165	(\$ 38,230)	\$	1,508,935	
Raw materials in transit	18,121	(90)		18,031	
Supplies	431,777	(652)		431,125	
Supplies in transit	24,147	-		24,147	
Work in process	803,440	(23,559)		779,881	
Finished goods	<u>1,186,483</u>	<u>(45,073)</u>		<u>1,141,410</u>	
	<u>\$ 4,011,133</u>	<u>(\$ 107,604)</u>	<u>\$</u>	<u>3,903,529</u>	
			September 30, 2018		
	Cost	Allowance for price decline of inventories		Carrying amount	
Raw materials	\$ 1,584,897	(\$ 55,707)	\$	1,529,190	
Raw materials in transit	238,283	(16,012)		222,271	
Supplies	376,220	(1,975)		374,245	
Supplies in transit	37,811	-		37,811	
Work in process	860,092	(27,058)		833,034	
Finished goods	<u>1,131,470</u>	<u>(36,373)</u>		<u>1,095,097</u>	
	<u>\$ 4,228,773</u>	<u>(\$ 137,125)</u>	<u>\$</u>	<u>4,091,648</u>	

The cost of inventories recognized as expense for the period:

	<u>For the three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Cost of goods sold	\$ 7,975,903	\$ 8,440,908
Loss on decline in market value	5,857	42,103
Loss on disposal of inventory	221	66,833
Revenue from sale of scraps	(71,393)	(107,991)
Indemnities	(2,390)	(7,220)
	<u>\$ 7,908,198</u>	<u>\$ 8,434,633</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Cost of goods sold	\$ 22,603,186	\$ 24,307,068
(Gain on reversal of) loss on decline in market value (Note)	(1,614)	66,662
Loss on disposal of inventory	775	68,232
Revenue from sale of scraps	(220,414)	(298,828)
Indemnities	(15,293)	(12,885)
	<u>\$ 22,366,640</u>	<u>\$ 24,130,249</u>

(Note) For the nine-month period ended September 30, 2019, the Group reversed a previous inventory write-down as a result of the subsequent sale of inventories which were previously provided with allowance.

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Listed stocks	\$ 378,917	\$ 378,917	\$ 378,918
Valuation adjustment	(285,382)	(256,718)	(203,467)
	<u>\$ 93,535</u>	<u>\$ 122,199</u>	<u>\$ 175,451</u>

- A. The Group has elected to classify listed stocks that are considered as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$93,535, \$122,199 and \$175,451 as at September 30, 2019, December 31, 2018 and September 30, 2018, respectively.
- B. Amount recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income for the three-month and nine-month periods ended September 30, 2019 and 2018 was (\$20,642), \$31,141, (\$28,664) and (\$3,280), respectively.
- C. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.
- D. Information relating to credit risk is provided in Note 12(2), "Financial instruments."

(5) Property, plant and equipment

	Land		Buildings		Machinery		Transportation equipment		Office equipment		Others		Construction in progress and equipment to be inspected	Total
	Owner-occupied	Owner-occupied	Owner-occupied	Lease	Owner-occupied	Owner-occupied	Lease	Owner-occupied	Lease	Owner-occupied	Lease			
<u>At January 1, 2019</u>														
Cost	\$ 615,892	\$ 9,812,991	\$ 45,520,318	\$ 825,223	\$ 275,045	\$ 187,729	\$ 2,087	\$ 5,609,361	\$ 229	\$ 80,981	\$ 62,929,856			
Accumulated depreciation	-	(4,956,212)	(29,379,243)	(694,398)	(246,858)	(162,498)	(780)	(4,127,028)	(193)	-	(39,567,210)			
Accumulated impairment	-	-	(44,654)	(31,257)	-	-	-	-	-	-	(75,911)			
	<u>\$ 615,892</u>	<u>\$ 4,856,779</u>	<u>\$ 16,096,421</u>	<u>\$ 99,568</u>	<u>\$ 28,187</u>	<u>\$ 25,231</u>	<u>\$ 1,307</u>	<u>\$ 1,482,333</u>	<u>\$ 36</u>	<u>\$ 80,981</u>	<u>\$ 23,286,735</u>			
<u>For the nine-month period ended September 30, 2019</u>														
Opening net book amount	\$ 615,892	\$ 4,856,779	\$ 16,096,421	\$ 99,568	\$ 28,187	\$ 25,231	\$ 1,307	\$ 1,482,333	\$ 36	\$ 80,981	\$ 23,286,735			
Additions - Cost	-	6,148	739,762	-	5,209	473	-	61,429	-	436,057	1,249,078			
Transfers - Cost	-	427	268,493	-	875	-	-	6,644	-	10,600	287,039	(Note)		
Depreciation	-	(185,150)	(1,344,372)	(11,149)	(7,635)	(13,841)	(278)	(284,294)	(13)	-	(1,846,732)			
Disposal - Cost	-	-	(409,138)	-	(9,396)	(245)	-	(56,701)	-	-	(475,480)			
Disposal - Accumulated depreciation	-	-	291,897	-	8,001	216	-	54,529	-	-	354,643			
Net exchange differences	-	(82,672)	(222,667)	(3,604)	(59)	1,130	(25)	(9,103)	(1)	(1,835)	(318,836)			
Closing net book value	<u>\$ 615,892</u>	<u>\$ 4,595,532</u>	<u>\$ 15,420,396</u>	<u>\$ 84,815</u>	<u>\$ 25,182</u>	<u>\$ 12,964</u>	<u>\$ 1,004</u>	<u>\$ 1,254,837</u>	<u>\$ 22</u>	<u>\$ 525,803</u>	<u>\$ 22,536,447</u>			
<u>At September 30, 2019</u>														
Cost	\$ 615,892	\$ 9,689,819	\$ 45,630,876	\$ 800,221	\$ 270,778	\$ 184,950	\$ 2,029	\$ 5,552,241	\$ 222	\$ 525,803	\$ 63,272,831			
Accumulated depreciation	-	(5,094,287)	(30,167,057)	(685,011)	(245,596)	(171,986)	(1,025)	(4,297,404)	(200)	-	(40,662,566)			
Accumulated impairment	-	-	(43,423)	(30,395)	-	-	-	-	-	-	(73,818)			
	<u>\$ 615,892</u>	<u>\$ 4,595,532</u>	<u>\$ 15,420,396</u>	<u>\$ 84,815</u>	<u>\$ 25,182</u>	<u>\$ 12,964</u>	<u>\$ 1,004</u>	<u>\$ 1,254,837</u>	<u>\$ 22</u>	<u>\$ 525,803</u>	<u>\$ 22,536,447</u>			

(Note) Including transfer from prepayment for equipment.

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
<u>At January 1, 2018</u>								
Cost	\$ 615,892	\$ 10,330,221	\$ 46,916,903	\$ 277,606	\$ 205,479	\$ 5,622,481	\$ 44,683	\$ 64,013,265
Accumulated depreciation	—	(4,967,343)	(28,642,579)	(246,752)	(152,088)	(3,795,738)	—	(37,804,500)
	<u>\$ 615,892</u>	<u>\$ 5,362,878</u>	<u>\$ 18,274,324</u>	<u>\$ 30,854</u>	<u>\$ 53,391</u>	<u>\$ 1,826,743</u>	<u>\$ 44,683</u>	<u>\$ 26,208,765</u>
<u>For the nine-month period ended September 30, 2018</u>								
Opening net book amount	\$ 615,892	\$ 5,362,878	\$ 18,274,324	\$ 30,854	\$ 53,391	\$ 1,826,743	\$ 44,683	\$ 26,208,765
Additions - Cost	—	3,150	26,918	4,116	985	56,455	26,924	118,548
Transfers - Cost	—	—	36,709	4,416	30	14,557	(27,062)	28,650 (Note)
Transfers - Accumulated depreciation	—	—	—	—	10	(10)	—	—
Depreciation	—	(202,628)	(1,363,225)	(8,422)	(20,505)	(312,226)	—	(1,907,006)
Disposal - Cost	—	(416,641)	(178,810)	(10,325)	(9,378)	(33,168)	—	(648,322)
Disposal - Accumulated depreciation	—	232,261	124,560	10,085	9,160	29,287	—	405,353
Net exchange differences	—	(97,254)	(277,727)	(212)	(861)	(18,316)	(90)	(394,460)
Closing net book value	<u>\$ 615,892</u>	<u>\$ 4,881,766</u>	<u>\$ 16,642,749</u>	<u>\$ 30,512</u>	<u>\$ 32,832</u>	<u>\$ 1,563,322</u>	<u>\$ 44,455</u>	<u>\$ 23,811,528</u>
<u>At September 30, 2018</u>								
Cost	\$ 615,892	\$ 9,768,285	\$ 46,255,213	\$ 274,470	\$ 191,436	\$ 5,588,480	\$ 44,455	\$ 62,738,231
Accumulated depreciation	—	(4,886,519)	(29,612,464)	(243,958)	(158,604)	(4,025,158)	—	(38,926,703)
	<u>\$ 615,892</u>	<u>\$ 4,881,766</u>	<u>\$ 16,642,749</u>	<u>\$ 30,512</u>	<u>\$ 32,832</u>	<u>\$ 1,563,322</u>	<u>\$ 44,455</u>	<u>\$ 23,811,528</u>

(Note) Including transfer from prepayment for equipment.

- A. Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	<u>For the three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Amount capitalized	<u>\$ 211</u>	<u>\$ 22</u>
Interest rate	<u>1.30%</u>	<u>1.30%</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Amount capitalized	<u>\$ 430</u>	<u>\$ 129</u>
Interest rate	<u>1.30%</u>	<u>1.30%</u>

- B. The Group did not pledge property, plant and equipment as collateral as at September 30, 2019, December 31, 2018 and September 30, 2018.

- C. Information relating to impairment of property, plant and equipment is provided in Note 6(11).

(6) Leasing arrangements – lessee (Effective 2019)

- A. The Group leases various assets including land, buildings and multifunction printers. Rental contracts are typically made for periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

- B. Low-value assets comprise multifunction printers.

- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>At September 30, 2019</u>	<u>For the three-month period ended September 30, 2019</u>	<u>For the nine-month period ended September 30, 2019</u>
	<u>Carrying amount</u>	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 979,813	\$ 11,026	\$ 39,686
Buildings	1,518,529	50,880	166,310
Others	3,359	325	542
	<u>\$ 2,501,701</u>	<u>\$ 62,231</u>	<u>\$ 206,538</u>

- D. For the nine-month period ended September 30, 2019, the addition to right-of-use assets was \$102,841.

E. The information on income and expense accounts relating to lease contracts is as follows:

	<u>For the three-month period ended September 30, 2019</u>	<u>For the nine-month period ended September 30, 2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 19,339	\$ 60,472
Expense on leases of low-value assets	<u>51</u>	<u>153</u>
	<u>\$ 19,390</u>	<u>\$ 60,625</u>

F. For the nine-month period ended September 30, 2019, the Group's total cash outflow for leases was \$243,339.

(7) Leasing arrangements – lessor

- A. The Group leases various assets including buildings and machineries. Rental contracts are typically made for periods of 2 and 15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes.
- B. For the three-month periods and nine-month periods ended September 30, 2019 and 2018, the Group recognized rent income in the amount of \$10,711, \$6,367, \$33,317 and \$19,372, respectively, based on the operating lease agreement, which does not include variable lease payments.
- C. The maturity analysis of the undiscounted lease payments in the finance lease is as follows:

	<u>September 30, 2019</u>
Within 1 year	\$ 36,558
Between 1 to 2 years	31,700
Between 2 to 3 years	12,487
Between 3 to 4 years	12,487
Between 4 to 5 years	12,487
Over 5 years	<u>55,152</u>
	<u>\$ 160,871</u>

(8) Investment property - net

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2019</u>			
Cost	\$ 3,785	\$ 144,450	\$ 148,235
Accumulated depreciation	-	(30,753)	(30,753)
Accumulated impairment	(2,719)	-	(2,719)
	<u>\$ 1,066</u>	<u>\$ 113,697</u>	<u>\$ 114,763</u>
<u>For the nine-month period ended September 30, 2019</u>			
Opening net book value	\$ 1,066	\$ 113,697	\$ 114,763
Depreciation	-	(4,939)	(4,939)
Net currency exchange difference	-	(2,936)	(2,936)
Closing net book value	<u>\$ 1,066</u>	<u>\$ 105,822</u>	<u>\$ 106,888</u>
<u>At September 30, 2019</u>			
Cost	\$ 3,785	\$ 140,468	\$ 144,253
Accumulated depreciation	-	(34,646)	(34,646)
Accumulated impairment	(2,719)	-	(2,719)
	<u>\$ 1,066</u>	<u>\$ 105,822</u>	<u>\$ 106,888</u>

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>January 1, 2018</u>			
Cost	\$ 26,892	\$ 147,953	\$ 174,845
Accumulated depreciation	-	(24,840)	(24,840)
Accumulated impairment	(20,978)	-	(20,978)
	<u>\$ 5,914</u>	<u>\$ 123,113</u>	<u>\$ 129,027</u>

For the nine-month period ended
September 30, 2018

Opening net book value	\$ 5,914	\$ 123,113	\$ 129,027
Depreciation	-	(5,012)	(5,012)
Disposal - Cost	(23,107)	-	(23,107)
Disposal - Accumulated impairment	18,259	-	18,259
Net currency exchange difference	-	(3,331)	(3,331)
Closing net book value	<u>\$ 1,066</u>	<u>\$ 114,770</u>	<u>\$ 115,836</u>

September 30, 2018

Cost	\$ 3,785	\$ 143,759	\$ 147,544
Accumulated depreciation	-	(28,989)	(28,989)
Accumulated impairment	(2,719)	-	(2,719)
	<u>\$ 1,066</u>	<u>\$ 114,770</u>	<u>\$ 115,836</u>

A. Rental income from investment property and direct operating expenses arising from the investment property are shown below:

	<u>For the three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Rental income from investment property	<u>\$ 4,029</u>	<u>\$ 4,516</u>
Direct operating expenses from the investment property that generated income in the period	<u>\$ 2,416</u>	<u>\$ 2,501</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Rental income from investment property	<u>\$ 13,203</u>	<u>\$ 13,834</u>
Direct operating expenses from the investment property that generated income in the period	<u>\$ 7,497</u>	<u>\$ 7,662</u>

B. The fair values of the investment property held by the Group as at September 30, 2019, December 31, 2018 and September 30, 2018 were \$102,626, \$156,056 and \$158,310, respectively. Land is valued according to Current Land Value announced by the Department of

Land Administration. Buildings are valued based on discounted recoverable amounts of future rent income.

C. The Company purchased an agricultural purpose land in the amount of \$23,107 but registered it in the name of a natural person. Pending the change of the land registration, the land is mortgaged to the Company. The decision on the purpose of the land has not yet been decided; thus, this was recognized as investment property. The land was disposed in January, 2018.

D. As of September 30, 2019, December 31, 2018 and September 30, 2018, no investment property held by the Group was pledged to others.

E. Information relating to accumulated impairment is provided in Note 6(11).

(9) Intangible assets

	<u>Goodwill</u>	<u>Computer Software</u>	<u>Total</u>
<u>At January 1, 2019</u>			
Cost	\$ 342,773	\$ 102,615	\$ 445,388
Accumulated amortization	-	(56,593)	(56,593)
Net exchange differences	(22,208)	(4,257)	(26,465)
	<u>\$ 320,565</u>	<u>\$ 41,765</u>	<u>\$ 362,330</u>
 <u>For the nine-month period ended September 30, 2019</u>			
Net value at January 1	\$ 320,565	\$ 41,765	\$ 362,330
Amortization	-	(7,164)	(7,164)
Net exchange differences	3,392	(864)	2,528
Net value at September 30	<u>\$ 323,957</u>	<u>\$ 33,737</u>	<u>\$ 357,694</u>
 <u>At September 30, 2019</u>			
Cost	\$ 342,773	\$ 102,615	\$ 445,388
Accumulated amortization	-	(63,757)	(63,757)
Net exchange differences	(18,816)	(5,121)	(23,937)
	<u>\$ 323,957</u>	<u>\$ 33,737</u>	<u>\$ 357,694</u>

	<u>Goodwill</u>	<u>Computer Software</u>	<u>Total</u>
<u>At January 1, 2018</u>			
Cost	\$ 342,773	\$ 102,640	\$ 445,413
Accumulated amortization	-	(46,976)	(46,976)
Net exchange differences	(32,175)	(3,211)	(35,386)
	<u>\$ 310,598</u>	<u>\$ 52,453</u>	<u>\$ 363,051</u>

<u>For the nine-month period ended September 30, 2018</u>			
Net value at January 1	\$ 310,598	\$ 52,453	\$ 363,051
Amortization	-	(7,270)	(7,270)
Disposal-Cost	-	(25)	(25)
-Accumulated amortization	-	9	9
Net exchange differences	7,984	(1,256)	6,728
Net value at September 30	<u>\$ 318,582</u>	<u>\$ 43,911</u>	<u>\$ 362,493</u>

<u>At September 30, 2018</u>			
Cost	\$ 342,773	\$ 102,615	\$ 445,388
Accumulated amortization	-	(54,237)	(54,237)
Net exchange differences	(24,191)	(4,467)	(28,658)
	<u>\$ 318,582</u>	<u>\$ 43,911</u>	<u>\$ 362,493</u>

A. No borrowing costs were capitalized as part of intangible assets during the nine-month periods ended September 30, 2019 and 2018.

B. Details of amortization on intangible assets are as follows:

	<u>For the three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Operating costs	\$ 339	\$ 400
Selling expenses	275	279
Administrative expenses	<u>1,730</u>	<u>1,694</u>
	<u>\$ 2,344</u>	<u>\$ 2,373</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Operating costs	\$ 1,152	\$ 1,225
Selling expenses	841	854
Administrative expenses	<u>5,171</u>	<u>5,191</u>
	<u>\$ 7,164</u>	<u>\$ 7,270</u>

C. The Group applied value in use method when calculating recoverable amount of goodwill and determined the recoverable amount to be greater than the carrying amount; thus, no impairment was identified. Goodwill distributed to cash generating unit according to operating segment is shown below:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Tinplate factory located in China	<u>\$ 323,957</u>	<u>\$ 320,565</u>	<u>\$ 318,582</u>

(10) Long-term prepaid rent

	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Land use right	<u>\$ 494,267</u>	<u>\$ 495,673</u>

The Group entered into a land lease agreement with Taiwan Sugar Corporation and local authority of People's Republic of China for use of property located in Yong-Kang District, Tainan and various properties in China, respectively. Lease periods are for 50 years. The Group recognized \$3,488 and \$10,460 of rental expense (under operating cost and operating expense) for the three-month and nine-month periods ended September 30, 2018.

(11) Impairment of non-financial assets

A. In 2018, Tinplate factory located in China of the Group was requisitioned by the government that resulted in an impairment in the Group's property, plant and equipment. The Group wrote down the carrying amount of the asset based on the recoverable amount and recognized an impairment loss of \$77,490 accordingly. The recoverable amount is the property's fair value less costs of disposal. Fair value was evaluated by cost method and classified as a level 3 fair value. The part was measured based on value in use, which was calculated at a discount rate of 4.18%.

B. As of September 30, 2019, December 31, 2018 and September 30, 2018, the balances for accumulated impairment of property, plant and equipment were \$76,537, \$78,630 and \$2,719,

respectively.

(12) Short-term borrowings

<u>Nature</u>	<u>September 30, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured bank borrowings	\$ 4,314,545	0.6%~4.13%	None
Secured bank borrowings	136,207	2.65%~3.35%	Notes receivable
	<u>\$ 4,450,752</u>		
<u>Nature</u>	<u>December 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured bank borrowings	\$ 3,712,581	0.82%~4.35%	None
<u>Nature</u>	<u>September 30, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured bank borrowings	\$ 4,063,629	0.53%~4.35%	None

A. For more information about interest expenses recognized by the Group for the three-month and nine-month periods ended September 30, 2019 and 2018, please refer to Note 6(23), 'Finance costs'.

B. For information on the terms and conditions of all the loan contracts the Group entered into with financial institutions, please refer to Note 9, "Significant contingent liabilities and unrecognized contract commitments".

(13) Short-term notes and bills payable

	<u>September 30, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Commercial paper payable	\$ 1,000,000	0.94%~0.97%	None
Less: Unamortized discount	(371)		
	<u>\$ 999,629</u>		
	<u>December 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Commercial paper payable	\$ 400,000	0.95%~0.96%	None
Less: Unamortized discount	(73)		
	<u>\$ 399,927</u>		
	<u>September 30, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Commercial paper payable	\$ 1,100,000	0.89%~0.96%	None
Less: Unamortized discount	(577)		
	<u>\$ 1,099,423</u>		

A. The above commercial papers were issued and secured by Taiwan Finance Corporation for short-term financing.

B. For more information about interest expenses recognized by the Group for the three-month periods and nine-month periods ended September 30, 2019 and 2018, please refer to Note 6(23), 'Finance costs'.

(14) Long-term borrowings

<u>Nature</u>	<u>Range of maturity dates</u>	<u>Range of interest rates</u>	<u>Collateral</u>	<u>September 30, 2019</u>
Unsecured bank borrowings	2019. 12. 18~ 2022. 9. 22	1. 04%~4. 75%	None	\$ 6, 858, 557
Less: Current portion of long-term liabilities				(<u>108, 557</u>)
				<u>\$ 6, 750, 000</u>

<u>Nature</u>	<u>Range of maturity dates</u>	<u>Range of interest rates</u>	<u>Collateral</u>	<u>December 31, 2018</u>
Unsecured bank borrowings	2019. 2. 15~ 2021. 12. 19	1. 04%~4. 75%	None	\$ 8, 950, 829
Less: Current portion of long-term liabilities				(<u>850, 829</u>)
				<u>\$ 8, 100, 000</u>

<u>Nature</u>	<u>Range of maturity dates</u>	<u>Range of interest rates</u>	<u>Collateral</u>	<u>September 30, 2018</u>
Unsecured bank borrowings	2018. 10. 3~ 2021. 9. 27	1. 04%~4. 75%	None	\$ 8, 588, 127
Less: Current portion of long-term liabilities				(<u>1, 393, 716</u>)
				<u>\$ 7, 194, 411</u>

A. For information on the terms and conditions of all the loan contracts the Group entered into with financial institutions, please refer to Note 9, "Significant contingent liabilities and unrecognized contract commitments".

B. For more information about interest expenses recognized by the Group for the three-month and nine-month periods ended September 30, 2019 and 2018, please refer to Note 6(23), 'Finance costs'.

(15) Provision - non-current

<u>Decommissioning liabilities</u>	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
At January 1	\$ 78, 242	\$ 76, 802
Unwinding of discount	<u>1, 101</u>	<u>1, 080</u>
At September 30	<u>\$ 79, 343</u>	<u>\$ 77, 882</u>

According to the policy published, applicable agreement or the law and regulation, the Group has obligations to restore certain property, plant and equipment located in Yong-Kang District, Tainan City in the future. A provision is recognized for the present value of costs to be incurred for dismantling, removing the asset and restoring the site. It is expected that the provision will be settled within 50 years from the beginning of contract.

(16) Pensions

- A. The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 14% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.
- a. The pension costs under the defined benefit pension plan of the Company (listed under "Operating cost" and "Operating expense") for the three-month and nine-month periods ended September 30, 2019 and 2018 were \$5,419, \$5,724, \$16,529 and \$17,172, respectively.
 - b. Total contributions expected to be paid under the defined benefit pension plan of the Company within one year from September 30, 2019 amount to \$72,399.
- B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The Group's subsidiaries have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations. The pension costs under the defined contribution pension plans of the Group (listed under "Operating cost" and "Operating expense") for the three-month periods and nine-month periods ended September 30, 2019 and 2018 were \$39,572, \$45,343, \$131,967 and \$135,502, respectively.

(17) Share capital - Common stock

- A. Movements in the number of the Company's ordinary shares outstanding are as follows (in thousands of shares):

	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Beginning and ending balance	<u>1,579,145</u>	<u>1,579,145</u>

B. As of September 30, 2019, the Company's authorized capital was \$17,847,009, and the paid-in capital was \$15,791,453, consisting of 1,579,145 thousand shares of ordinary stock with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(18) Capital surplus

Pursuant to the R.O.C. Company Act, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to offset accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit after the legal reserve is used.

	<u>For the nine-month period ended September 30, 2019</u>				
	<u>Share</u>	<u>Treasury</u>	<u>Donated</u>	<u>Others</u>	<u>Total</u>
	<u>premium</u>	<u>share</u>	<u>assets</u>		
		<u>transactions</u>			
Beginning and ending balance	<u>\$ 58,271</u>	<u>\$ 169,088</u>	<u>\$ 819</u>	<u>\$ 2,083</u>	<u>\$ 230,261</u>
	<u>For the nine-month period ended September 30, 2018</u>				
	<u>Share</u>	<u>Treasury</u>	<u>Donated</u>	<u>Others</u>	<u>Total</u>
	<u>premium</u>	<u>share</u>	<u>assets</u>		
		<u>transactions</u>			
Beginning and ending balance	<u>\$ 58,271</u>	<u>\$ 169,088</u>	<u>\$ 819</u>	<u>\$ 1,869</u>	<u>\$ 230,047</u>

(19) Retained earnings

A. The legal reserve shall be exclusively used to offset accumulated deficit, to issue new stocks or distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted provided that the balance of such reserve exceeds 25% of the Company's paid-in capital.

B. According to the Articles of Incorporation of the Company, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve and special reserve shall be set aside or reversed in accordance with related regulations. The remaining amount plus the accumulated unappropriated earnings from prior years is this accumulated distributable earnings. Of the amount to be distributed by the Company, shareholders' dividends shall comprise 50% to 100%

of the accumulated distributable earnings and cash dividends shall not be lower than 30% of the total dividends distributed. The appropriation of earnings shall be proposed by the Board of Directors and resolved by the shareholders.

C. Special reserve

- a. In accordance with the regulations, the Company shall set aside special reserve arising from the debit balances in other equity items at the balance sheet date before distributing earnings. When debit balances in other equity items are reversed subsequently, an equal amount could then be used for distribution. As of September 30, 2019 and 2018, special reserve of \$1,378,569 and \$860,682, respectively, was set aside for the other equity debit balance which in accordance with the Company Act on special reserve. No dividends shall be distributed.
- b. The amounts previously set aside by the Company as special reserve of \$826,453 on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets, those other than land, are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are land.

D. The Company recognized dividends distributed to owners amounting to \$742,198 (\$0.47 (in dollars) per share as cash dividend) and \$789,573 (\$0.50 (in dollars) per share as cash dividend) for the years ended December 31, 2019 and 2018, respectively.

(20) Operating revenue

	<u>For the three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Revenue from contracts with customers	<u>\$ 8,775,518</u>	<u>\$ 9,222,481</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Revenue from contracts with customers	<u>\$ 24,972,532</u>	<u>\$ 26,836,775</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

	<u>For the three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Revenue from products of Tinplate	\$ 4,900,120	\$ 5,453,714
Revenue from products of Plastic pack	3,875,398	3,768,767
	<u>\$ 8,775,518</u>	<u>\$ 9,222,481</u>

	For the nine-month periods ended September 30,	
	2019	2018
Revenue from products of Tinplate	\$ 14,367,159	\$ 15,953,745
Revenue from products of Plastic pack	10,605,373	10,883,030
	<u>\$ 24,972,532</u>	<u>\$ 26,836,775</u>

B. The Group has recognized the following revenue-related contract liabilities:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>	<u>January 1, 2018</u>
Contract liabilities				
- current	<u>\$ 34,845</u>	<u>\$ 71,206</u>	<u>\$ 108,523</u>	<u>\$ 83,524</u>

Revenue recognized that was included in the contract liability balance at the beginning of the nine-month periods ended September 30, 2019 and 2018 were \$55,246 and \$47,122, respectively.

(21) Other income

	For the three-month periods ended September 30,	
	2019	2018
Interest income:		
Bank deposits	\$ 6,259	\$ 7,101
Rental income	10,711	6,367
Dividend income	(15)	14
Government subsidy income	16,107	6,636
Other income (Note)	9,276	2,332
	<u>\$ 42,338</u>	<u>\$ 22,450</u>
	For the nine-month periods ended September 30,	
	2019	2018
Interest income:		
Bank deposits	\$ 23,288	\$ 13,646
Rental income	33,317	19,372
Dividend income	3,019	2,908
Government subsidy income	87,856	24,958
Other income (Note)	28,784	637,663
	<u>\$ 176,264</u>	<u>\$ 698,547</u>

(Note) The gain on disposal of long-term prepaid rent of Jiangsu Ton Yi Tinplate Co., Ltd. and Wuxi Ton Yi Industrial Packing Co., Ltd. for the nine-month period ended September 30, 2018 was \$612,888.

(22) Other gains and losses

	<u>For the three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Gain on financial assets at fair value through profit or loss	\$ 1,331	\$ –
Net losses on disposal of property, plant and equipment	(106,832)	(44,453)
Gains arising from lease modifications	7,889	–
Net currency exchange losses	(34,359)	(18,074)
Miscellaneous expenses	(42,259)	(7,741)
	<u>(\$ 174,230)</u>	<u>(\$ 70,268)</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Gain on financial assets at fair value through profit or loss	\$ 1,207	\$ 1,588
Net (losses) gains on disposal of property, plant and equipment	(106,080)	563,806
Gains arising from lease modifications	8,638	–
Gains on disposals of investment property	–	1,150
Net currency exchange losses	(15,037)	(4,661)
Miscellaneous expenses	(50,667)	(15,364)
	<u>(\$ 161,939)</u>	<u>\$ 546,519</u>

(23) Finance costs

	<u>For the three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Interest expense:		
Bank borrowings	\$ 56,331	\$ 83,410
Provisions – unwinding of discount	367	360
Lease liabilities	19,339	–
Corporate bonds	–	29
	<u>76,037</u>	<u>83,799</u>
Less: Capitalization of qualifying assets	(211)	(22)
	<u>\$ 75,826</u>	<u>\$ 83,777</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Interest expense:		
Bank borrowings	\$ 184,165	\$ 267,361
Provisions – unwinding of discount	1,101	1,080
Lease liabilities	60,472	–
Corporate bonds	–	2,211
	<u>245,738</u>	<u>270,652</u>
Less: Capitalization of qualifying assets	(430)	(129)
	<u>\$ 245,308</u>	<u>\$ 270,523</u>

(24) Expenses by nature

	<u>For the three-month period ended September 30, 2019</u>			<u>For the three-month period ended September 30, 2018</u>		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefits expense	\$ 420,338	\$ 158,151	578,489	\$ 439,680	\$ 162,025	601,705
Depreciation	600,749	70,133	670,882	596,457	24,100	620,557
Amortization	339	2,005	2,344	400	1,973	2,373
	<u>\$ 1,021,426</u>	<u>\$ 230,289</u>	<u>\$ 1,251,715</u>	<u>\$ 1,036,537</u>	<u>\$ 188,098</u>	<u>\$ 1,224,635</u>

	<u>For the nine-month period ended September 30, 2019</u>			<u>For the nine-month period ended September 30, 2018</u>		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefits expense	\$ 1,277,478	\$ 518,369	\$ 1,795,847	\$ 1,327,331	\$ 581,160	\$ 1,908,491
Depreciation	1,858,175	195,095	2,053,270	1,828,444	78,562	1,907,006
Amortization	1,152	6,012	7,164	1,225	6,045	7,270
	<u>\$ 3,136,805</u>	<u>\$ 719,476</u>	<u>\$ 3,856,281</u>	<u>\$ 3,157,000</u>	<u>\$ 665,767</u>	<u>\$ 3,822,767</u>

(25) Employee benefits expense

	<u>For the three-month period ended September 30, 2019</u>			<u>For the three-month period ended September 30, 2018</u>		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 326,665	\$ 119,493	\$ 446,158	\$ 335,351	\$ 123,450	\$ 458,801
Labor and health insurance expense	29,902	9,187	39,089	31,534	9,530	41,064
Pension costs	22,651	11,340	33,991	39,047	12,020	51,067
Other personnel expenses	30,120	18,131	48,251	33,748	17,025	50,773
	<u>\$ 409,338</u>	<u>\$ 158,151</u>	<u>\$ 567,489</u>	<u>\$ 439,680</u>	<u>\$ 162,025</u>	<u>\$ 601,705</u>

	<u>For the nine-month period ended September 30, 2019</u>			<u>For the nine-month period ended September 30, 2018</u>		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 986,165	\$ 388,266	\$ 1,374,431	\$ 1,015,619	\$ 447,175	\$ 1,462,794
Labor and health insurance expense	91,678	32,614	124,292	94,301	30,205	124,506
Pension costs	106,079	42,147	148,226	116,999	35,675	152,674
Other personnel expenses	93,556	55,342	148,898	100,412	68,105	168,517
	<u>\$ 1,277,478</u>	<u>\$ 518,369</u>	<u>\$ 1,795,847</u>	<u>\$ 1,327,331</u>	<u>\$ 581,160</u>	<u>\$ 1,908,491</u>

- A. According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 2% for directors' remuneration.
- B. For the three-month and nine-month periods ended September 30, 2019 and 2018, employees' compensation was accrued at \$3,551, \$5,387, \$25,332 and \$58,893, respectively; while directors' remuneration was accrued at \$1,461, \$1,515, \$9,530 and \$22,654, respectively. The aforementioned amounts were recognized in salary expenses. The expenses recognized were accrued based on the profit of current period distributable and the percentage specified in the Articles of Incorporation of the Company. The amounts of employees' compensation and directors' remuneration were \$73,866 and \$14,869 as resolved by the Board of Directors, respectively. The amounts of employees' compensation was the same with the amounts recognized in the 2018 financial statements. The difference of (\$545) in directors' remuneration, mainly resulting from estimation, had been adjusted in the consolidated profit or loss for the nine-month period ended September 30, 2019. The employees' compensation was distributed in the form of cash.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as approved by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Income tax

a. Components of income tax expense

	For the three-month periods ended September 30,	
	2019	2018
Current income tax:		
Income tax incurred in current period	\$ 56,599	\$ 108,140
Over provision in prior years	(653)	(7,982)
	<u>55,946</u>	<u>100,158</u>
Deferred income tax:		
Origination and reversal of temporary differences	(29,582)	(50,859)
Income tax expense	<u>\$ 26,364</u>	<u>\$ 49,299</u>

	For the nine-month periods ended September 30,	
	2019	2018
Current income tax:		
Income tax incurred in current period	\$ 194,637	\$ 313,198
Under (over) provision in prior years	<u>143,363</u>	<u>(11,100)</u>
	<u>338,000</u>	<u>302,098</u>
Deferred income tax:		
Origination and reversal of temporary differences	(146,613)	289,295
Impact of change in tax rate	<u>—</u>	<u>(8,056)</u>
	<u>(146,613)</u>	<u>281,239</u>
Income tax expense	<u>\$ 191,387</u>	<u>\$ 583,337</u>

- b. The income tax relating to components of other comprehensive income is as follows:

	For the three-month periods ended September 30,	
	2019	2018
Impact of change in tax rate	<u>\$ —</u>	<u>\$ —</u>
	For the nine-month periods ended September 30,	
	2019	2018
Impact of change in tax rate	<u>\$ —</u>	<u>(\$ 8,654)</u>

- B. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority. As of November 5, 2019, there was no administrative lawsuit.
- C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(27) Earnings per share

For the three-month period ended September 30, 2019

	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 81,188	1,579,145	\$ 0.05
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 81,188	1,579,145	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	2,138	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 81,188	1,581,283	\$ 0.05

For the three-month period ended September 30, 2018

	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 84,203	1,579,145	\$ 0.05
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 84,203	1,579,145	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	4,133	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 84,203	1,583,278	\$ 0.05

	<u>For the nine-month period ended September 30, 2019</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings</u>
	<u>after tax</u>	<u>number of ordinary</u>	<u>per share</u>
		<u>shares outstanding</u>	<u>(in dollars)</u>
		<u>(shares in thousands)</u>	
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 529,462	1,579,145	\$ 0.34
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 529,462	1,579,145	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	–	3,830	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 529,462	1,582,975	\$ 0.33

	<u>For the nine-month period ended September 30, 2018</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings</u>
	<u>after tax</u>	<u>number of ordinary</u>	<u>per share</u>
		<u>shares outstanding</u>	<u>(in dollars)</u>
		<u>(shares in thousands)</u>	
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,258,566	1,579,145	\$ 0.80
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,258,566	1,579,145	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	–	5,453	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,258,566	1,584,598	\$ 0.79

(28) Supplemental cash flow information

A. Operating and investing activities with partial cash payments:

(a) Cash paid for acquisition of property, plant and equipment:

	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Acquisition of property, plant and equipment	\$ 1,249,078	\$ 118,548
Add: Opening balance of other payables	36,845	36,622
Less: Ending balance of other payables	(211,585)	(29,803)
Interest capitalization	(250)	—
Cash paid for acquisition of property, plant and equipment	<u>\$ 1,074,088</u>	<u>\$ 125,367</u>

(b) Cash received from disposal of property, plant and equipment:

	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Disposal of property, plant and equipment	\$ 14,757	\$ 806,775
Add: Opening balance of other accounts receivable	66,544	—
Less: Ending balance of other accounts receivable	—	(91,443)
Cash received from disposal of property, plant and equipment	<u>\$ 81,301</u>	<u>\$ 715,332</u>

(c) Cash received from disposal of prepaid long-term rent:

	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Disposal of prepaid long-term rent	\$ —	\$ 633,525
Add: Opening balance of other accounts receivable	41,819	—
Less: Ending balance of other accounts receivable	—	(63,353)
Cash received from disposal of prepaid long-term rent	<u>\$ 41,819</u>	<u>\$ 570,172</u>

B. Investing activities with no cash flow effect:

For the nine-month periods ended September 30,

	2019		2018		
	\$	287,039	\$	28,650	
Reclassification of property, plant and equipment					
(29) <u>Changes in liabilities from financing activities</u>					

	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Long-term borrowings	Others	Liabilities from financing activities-gross
At January 1, 2019	\$ 3,712,581	\$ 399,927	\$ 2,143,708	\$ 8,950,829	\$ 46,266	\$ 15,253,311
Changes in cash flow from financing activities	738,171	600,000	(182,714)	(2,098,841)	(1,786)	(945,170)
Changes in other non-cash items	-	(298)	25,363	-	-	25,065
Impact of changes in foreign exchange rate	-	-	(40,700)	6,569	-	(34,131)
At September 30, 2019	<u>\$ 4,450,752</u>	<u>\$ 999,629</u>	<u>\$ 1,945,657</u>	<u>\$ 6,858,557</u>	<u>\$ 44,480</u>	<u>\$ 14,299,075</u>

	Short-term borrowings	Short-term notes and bills payable	Corporate bonds	Long-term borrowings	Others	Liabilities from financing activities-gross
At January 1, 2018	\$ 1,617,516	\$ 699,816	\$ 650,687	\$ 11,329,639	\$ 28,955	\$ 14,326,613
Changes in cash flow from financing activities	2,446,113	400,000	(651,779)	(2,729,006)	16,529	(518,143)
Changes in other non-cash items	-	(393)	-	-	-	(393)
Impact of changes in foreign exchange rate	-	-	1,092	(12,506)	-	(11,414)
At September 30, 2018	<u>\$ 4,063,629</u>	<u>\$ 1,099,423</u>	<u>\$ -</u>	<u>\$ 8,588,127</u>	<u>\$ 45,484</u>	<u>\$ 13,796,663</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The ultimate parent of the Company is Uni-President Enterprises Corp. The ultimate controlling party of the Company is 45.55%.

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Uni-President (Thailand) Ltd.	Parent company to entity with joint control or significant influence
Shanghai E & P Trading Co., Ltd.	Parent company to entity with joint control or significant influence
Uni-President Enterprises (Shanghai) Drink & Food Co., Ltd.	Parent company to entity with joint control or significant influence
Uni-President Shanghai Managment Consulting Co., Ltd.	Parent company to entity with joint control or significant influence
President (Shanghai) Private Label Marketing & Trading Co., Ltd.	Parent company to entity with joint control or significant influence
TTET Union Corp.	Parent company to entity with joint control or significant influence
Koasa Yamako Corp.	Parent company to entity with joint control or significant influence
Shanxi President Enterprises Co., Ltd.	Parent company to entity with joint control or significant influence
Beijing President Enterprises Drinks Co., Ltd.	Parent company to entity with joint control or significant influence
Baiyin President Enterprises Co., Ltd.	Parent company to entity with joint control or significant influence
Shijiazhuang President Enterprises Co., Ltd.	Parent company to entity with joint control or significant influence
Hefei President Enterprises Co., Ltd.	Parent company to entity with joint control or significant influence
Chengdu President Enterprises Food Co., Ltd.	Parent company to entity with joint control or significant influence

Names of related parties	Relationship with the Group
Jiangsu President Enterprises Co., Ltd.	Parent company to entity with joint control or significant influence
Yichang Ziquan Beverage Industries Co.	Parent company to entity with joint control or significant influence
Kunshan President Enterprises Food Co., Ltd.	Parent company to entity with joint control or significant influence
Kunshan President Kikkoman Biotechnology Co., Ltd.	Parent company to entity with joint control or significant influence
Kunming President Enterprises Food Co., Ltd.	Parent company to entity with joint control or significant influence
Hangzhou President Enterprises Co., Ltd.	Parent company to entity with joint control or significant influence
Wuhan President Enterprises Food Co., Ltd.	Parent company to entity with joint control or significant influence
Wuhan Zijiang President Enterprise Co., Ltd.	Parent company to entity with joint control or significant influence
Henan President Enterprises Co., Ltd.	Parent company to entity with joint control or significant influence
Changbaishan Mountain President Enterprises (Jilin) Mineral Water Co., Ltd.	Parent company to entity with joint control or significant influence
Changsha President Enterprises Co., Ltd.	Parent company to entity with joint control or significant influence
Changchun President Enterprises Co., Ltd.	Parent company to entity with joint control or significant influence
Nanchang President Enterprises Co., Ltd.	Parent company to entity with joint control or significant influence
Nanning President Enterprises Co., Ltd.	Parent company to entity with joint control or significant influence
Chongqing President Enterprises Co., Ltd.	Parent company to entity with joint control or significant influence
Xuzhou President Enterprises Co., Ltd.	Parent company to entity with joint control or significant influence
Guilin Ziquan Beverage Industried Co., Ltd.	Parent company to entity with joint control or significant influence
Taizhou President Enterprises Co., Ltd.	Parent company to entity with joint control or significant influence

Names of related parties	Relationship with the Group
Shaanxi President Enterprises Co., Ltd.	Parent company to entity with joint control or significant influence
Zhangjiagang President Nisshin Food Co., Ltd.	Parent company to entity with joint control or significant influence
Uni-President (Shanghai) Trading Co., Ltd.	Parent company to entity with joint control or significant influence
Uni-Oao Travel Services Corp.	Parent company to entity with joint control or significant influence
President Drugstore Business Corp.	Parent company to entity with joint control or significant influence
President Organics Corp.	Parent company to entity with joint control or significant influence
President Enterprises (China) Investment Co., Ltd.	Parent company to entity with joint control or significant influence
Uni-President Enterprises Corp.	Parent company to entity with joint control or significant influence
President Being Corp.	Parent company to entity with joint control or significant influence
President Tokyo Corp.	Parent company to entity with joint control or significant influence
Uni-President Trading (Kunshan) Co., Ltd.	Parent company to entity with joint control or significant influence
President Transnet Corp.	Parent company to entity with joint control or significant influence
President Information Corp.	Parent company to entity with joint control or significant influence
Mech-President Co., Ltd	Parent company to entity with joint control or significant influence
President Pharmaceutical Corp.	Parent company to entity with joint control or significant influence
President Nisshin Corp.	Parent company to entity with joint control or significant influence
Tong-Sheng (Suzhou) Car Rental Co., Ltd.	Parent company to entity with joint control or significant influence
Tong-Sheng Finance Leasing Co., Ltd.	Parent company to entity with joint control or significant influence

Names of related parties	Relationship with the Group
President Insurance Brokers Co., Ltd.	Parent company to entity with joint control or significant influence
Kai Yu Investment Co., Ltd.	Parent company to entity with joint control or significant influence
Zhanjiang President Enterprises Co., Ltd.	Parent company to entity with joint control or significant influence
Guiyang President Enterprises Co., Ltd.	Parent company to entity with joint control or significant influence
Uni-President Enterprises (Xinjiang) Food Co., Ltd.	Parent company to entity with joint control or significant influence
Fuzhou President Enterprises Co., Ltd.	Parent company to entity with joint control or significant influence
Guangzhou President Enterprises Co., Ltd.	Parent company to entity with joint control or significant influence
Duskin Serve Taiwan Co., Ltd.	Parent company to entity with joint control or significant influence
Zhenzhou President Enterprises Co., Ltd.	Parent company to entity with joint control or significant influence
Jinan President Enterprises Co., Ltd.	Parent company to entity with joint control or significant influence
Shenyang President Enterprises Co., Ltd.	Parent company to entity with joint control or significant influence
Daiwa Can Co., Ltd.	Entity to subsidiary-Wuxi Ton Yi Daiwa Industrial Co., Ltd. with joint control or significant influence

(3) Significant related party transactions

A. Sales

	<u>For the three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Sales of goods:		
Parent company to entities with joint control or significant influence		
Guangzhou President Enterprises Co., Ltd.	\$ 750,409	\$ 847,821
Others	<u>3,144,888</u>	<u>2,977,402</u>
	<u>\$ 3,895,297</u>	<u>\$ 3,825,223</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Sales of goods:		
Parent company to entities with joint control or significant influence		
Guangzhou President Enterprises Co., Ltd.	\$ 2,401,136	\$ 2,718,921
Others	<u>8,303,972</u>	<u>8,380,688</u>
	<u>\$ 10,705,108</u>	<u>\$ 11,099,609</u>

The Group's collection terms and methods for related party are wire transfer within 28~60 days of monthly statements and wire transfer within 7~45 days after receiving the receipt. The collection terms are similar to that of a third party. The Group only sells to the subsidiaries; thus there is no comparable price for sales made at arm's length.

B. Purchases of goods

	<u>For the three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Purchases of goods		
Parent company to entities with joint control or significant influence	\$ <u>363,064</u>	\$ <u>232,055</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Purchases of goods		
Parent company to entities with joint control or significant influence	\$ 948,624	\$ 751,344
Daiwa Can Co., Ltd.	<u>3,232</u>	<u>-</u>
	\$ <u>951,856</u>	\$ <u>751,344</u>

Purchase price from related party is similar to that of a third party. Except for some transactions in letters of credit, the payment terms are similar to those of third parties, which are payments within 28~45 days of monthly statement, 10~30 days of invoice receipt, wire transfer within 7~88 days after receiving the receipt and 15 days upon receipt of goods.

C. Property transactions:

(a) Acquisition of property, plant and equipment:

	<u>For the three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Daiwa Can Co., Ltd.	\$ <u>77,349</u>	\$ <u>-</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Daiwa Can Co., Ltd.	\$ <u>524,949</u>	\$ <u>-</u>

(b) Disposal of financial assets:

			<u>For the nine-month period ended September 30, 2018</u>		
	<u>Accounts</u>	<u>No. of shares (in thousands)</u>	<u>Objects</u>	<u>Proceeds</u>	<u>Gain/(Loss)</u>
Kai Yu	Financial assets at fair value		Unlisted		
Investment through profit or loss-non-current		44,100	stocks	\$ 470,454	\$ -
Co., Ltd.	Financial assets at fair value		Unlisted		
through profit or loss-non-current		108	stocks	<u>1,079</u>	<u>-</u>
				<u>\$ 471,533</u>	<u>\$ -</u>

The Board of Directors adopted the resolution to sell the shareholding in unlisted companies (shown as ‘Financial assets at fair value through profit or loss-non-current’) to Kai-Yu Investment Corp. in March, 2018. The selling price was based on the expert’s report.

There was no such situation for the three-month periods ended September 30, 2019 and 2018 and nine-month period ended September 30, 2019.

D. Rental expense (recorded under Operating cost and Operating expense) (Prior to 2019)

	<u>Leased subject</u>	<u>Determination of rent</u>	<u>Payment method</u>	<u>For the three-month period ended September 30, 2018</u>	<u>For the nine-month period ended September 30, 2018</u>
Parent company to entities with joint control or significant influence					
Taizhou President Enterprises Co., Ltd.	Plant and office	Negotiation	(Note 1)	\$ 20,418	\$ 62,544
Zhanjiang President Enterprises Co., Ltd.	Plant and office	Negotiation	(Note 1)	13,867	42,479
Chengdu President Enterprises Food Co., Ltd.	Plant and office	Negotiation	(Note 1)	10,937	33,503
Beijing President Enterprises Drinks Co., Ltd.	Plant and office	Negotiation	(Note 1)	8,995	27,379
Kunshan President Enterprises Food Co., Ltd.	Plant and office	Negotiation	(Note 1)	8,327	25,505
Others	Transportation equipment, etc.	Negotiation	(Note 2)	<u>5,843</u>	<u>17,862</u>
				<u>\$ 68,387</u>	<u>\$ 209,272</u>

(Note 1) Prepayment for three months.

(Note 2) Payments within 15~45 days of invoice receipt.

E. Outstanding balance of receivables from related parties

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Receivables from related party:			
Parent company to entities with joint control or significant influence			
Guangzhou President Enterprises Co., Ltd.	\$ 294,262	\$ 338,531	\$ 406,661
Others	<u>1,161,515</u>	<u>910,022</u>	<u>1,180,725</u>
	<u>\$ 1,455,777</u>	<u>\$ 1,248,553</u>	<u>\$ 1,587,386</u>

Receivables from related party arise primarily from sales of goods. These receivables have not been pledged and do not incur interest.

F. Prepayments

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Parent company to entities with joint control or significant influence	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,991</u>

G. Prepayments for equipment

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Daiwa Can Co., Ltd.	<u>\$ -</u>	<u>\$ 204,314</u>	<u>\$ -</u>

H. Refundable deposit

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Parent company to entities with joint control or significant influence			
Taizhou President Enterprises Co., Ltd.	\$ 6,329	\$ 7,076	\$ 7,043
Zhanjiang President Enterprises Co., Ltd.	4,677	4,809	4,786
Kunshan President Enterprises Food Co., Ltd.	4,224	4,344	4,323
Chengdu President Enterprises Food Co., Ltd.	3,282	3,802	3,785
Beijing President Enterprises Drinks Co., Ltd.	<u>2,871</u>	<u>2,952</u>	<u>2,938</u>
	<u>\$ 21,383</u>	<u>\$ 22,983</u>	<u>\$ 22,875</u>

I. Outstanding balance of payables to related parties

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Payables to related party:			
Parent company to entities with joint control or significant influence	<u>\$ 252,393</u>	<u>\$ 201,922</u>	<u>\$ 197,285</u>

Payables to related party arise from purchases of goods and collections and payments on behalf of others. These payables do not incur interest.

J. Contract liabilities – current

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Parent company to entities with joint control or significant influence			
Guangzhou President Enterprises Co., Ltd.	\$ –	\$ 32,107	\$ 38,307
Others	–	2,680	2,933
	<u>\$ –</u>	<u>\$ 34,787</u>	<u>\$ 41,240</u>

K. Lease liabilities and interest expense (Effective 2019)

	<u>Leased subject</u>	<u>Determination of rent</u>	<u>Payment method</u>	<u>September 30, 2019 Leased liabilities</u>
Parent company to entities with joint control or significant influence				
Taizhou President Enterprises Co., Ltd.	Plant and office	Negotiation	(Note 1)	\$ 460,783
Zhanjiang President Enterprises Co., Ltd.	Plant and office	Negotiation	(Note 1)	409,659
Kunshan President Enterprises Food Co., Ltd.	Plant and office	Negotiation	(Note 1)	265,554
Beijing President Enterprises Drinks Co., Ltd.	Plant and office	Negotiation	(Note 1)	205,294
Chengdu President Enterprises Food Co., Ltd.	Plant and office	Negotiation	(Note 1)	167,735
President Tokyo Corp.	Other assets	Negotiation	(Note 2)	<u>3,418</u>
				<u>\$ 1,512,443</u>

	<u>Leased subject</u>	<u>Determination of rent</u>	<u>Payment method</u>	For the three-month	For the nine-month
				period ended	period ended
				<u>September 30, 2019</u>	<u>September 30, 2019</u>
				<u>Interest expense</u>	<u>Interest expense</u>
Parent company to entities with joint control or significant influence					
Taizhou President Enterprises Co., Ltd.	Plant and office	Negotiation	(Note 1)	\$ 5,262	\$ 16,533
Zhanjiang President Enterprises Co., Ltd.	Plant and office	Negotiation	(Note 1)	4,503	14,074
Kunshan President Enterprises Food Co., Ltd.	Plant and office	Negotiation	(Note 1)	3,027	9,492
Beijing President Enterprises Drinks Co., Ltd.	Plant and office	Negotiation	(Note 1)	2,256	7,103
Chengdu President Enterprises Food Co., Ltd.	Plant and office	Negotiation	(Note 1)	1,946	6,213
President Tokyo Corp.	Other assets	Negotiation	(Note 2)	78	134
				<u>\$ 17,072</u>	<u>\$ 53,549</u>

(Note 1) Prepayment for three months.

(Note 2) Pay for monthly.

(4) Key management compensation

	<u>For the three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	<u>\$ 6,137</u>	<u>\$ 6,050</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	<u>\$ 19,656</u>	<u>\$ 18,013</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value			Purpose
	September 30, 2019	December 31, 2018	September 30, 2018	
Bank deposits (Note)	\$ 515,308	\$ 694,031	\$ 767,945	Restricted performance bond
Notes receivable	136,207	-	-	Short-term borrowings security
	<u>\$ 651,515</u>	<u>\$ 694,031</u>	<u>\$ 767,945</u>	

(Note) Recorded under "Other current financial assets."

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

- A. As of September 30, 2019, December 31, 2018 and September 30, 2018, the balances for contracts that the Group entered into but not yet incurred are \$393,849, \$1,027,867 and \$661,565, respectively.
- B. As of September 30, 2019, December 31, 2018 and September 30, 2018, the unused letters of credit amounted to \$497,331, \$735,481 and \$688,443, respectively.
- C. Lending agreements of the Group are summarized below:
- The Company has entered into a lending agreement with CTBC Bank in 2018. In accordance with the agreement, the Company has to maintain the following financial ratios and terms: the consolidated debt-to-equity ratio of less than 180%, interest coverage ratio of over 200%, and the consolidated tangible shareholders' equity of not less than \$15,000,000 at the annual assessment. Under the terms of the loan agreement, if any of the financial covenants were not met, the Company has to improve the conditions. Otherwise, the bank has the right to cancel or reduce the credit line, shorten credit period, or principal and interest deemed as due.
 - The Company has signed a loan agreement with KGI Bank in 2018. In accordance with the agreement, the Company has to maintain the following financial ratios and terms: the Company has to maintain a consolidated debt-to-equity ratio of less than 180%, interest coverage ratio at over 200%, and consolidated tangible shareholders' equity of not less than \$15,000,000 at the annual assessment. If any of the financial covenants were not met, the Company has to improve within four months. Otherwise, the bank has the right to demand the Company to pay off the loan balance immediately.
 - The Company has entered into a lending agreement with CTBC Bank in 2019. In accordance with the agreement, the Company has to maintain the following financial ratios and terms: the consolidated debt-to-equity ratio of less than 180%, interest coverage ratio of over 200%, and the consolidated tangible shareholders' equity of not less than \$15,000,000 at the annual assessment.

Under the terms of the loan agreement, if any of the financial covenants were not met, the Company has to improve the conditions. Otherwise, the bank has the right to cancel or reduce the credit line, shorten credit period, or principal and interest deemed as due.

- (d) The Company has entered into a lending agreement with MUFG Bank in 2017. In accordance with the agreement, the Company has to maintain the following financial ratios and terms: the Company has to maintain a consolidated debt-to-equity ratio of less than 180%, interest coverage ratio at over 200%, and consolidated tangible shareholders' equity of not less than \$15,000,000 at the annual assessment. Should the Company fail to meet the above covenants, the bank has the right to demand the Company to pay off the loan balance immediately.
- (e) Zhangzhou Ton Yi Industrial Co., Ltd. (the 'Zhangzhou Ton Yi'), a subsidiary of the Group, has signed a loan agreement with BNP Paribas in 2016. In accordance with the agreement, Zhangzhou Ton Yi has to maintain the following financial ratios and terms: the tangible shareholders' equity of not less than CNY\$195,000,000 at the annual assessment, and the total debt-to-total equity ratio of less than 160%. Should Zhangzhou Ton Yi fail to meet the above covenants, the banks have the right to demand Zhangzhou Ton Yi to pay off the loan balance immediately.
- (f) Huizhou Ton Yi Industrial Co., Ltd. (the 'Huizhou Ton Yi'), a subsidiary of the Group, has signed a loan agreement with Mizuho Bank in 2016. The Company has to maintain a consolidated debt-to-equity ratio of less than 180%, interest coverage ratio of over 200%, and consolidated tangible shareholders' equity of not less than \$15,000,000 at the annual assessment. Should the Company fail to meet the above covenants, the banks have the right to demand Huizhou Ton Yi to pay off the loan balance immediately.
- (g) Chengdu Ton Yi Industrial Co., Ltd. (the 'Chengdu Ton Yi'), a subsidiary of the Group, has signed a loan agreement with Bangkok Bank in 2016. In accordance with the agreement, Chengdu Ton Yi has to maintain the following financial ratios and terms: the debt-to-equity ratio of less than 250%. Should Chengdu Ton Yi fail to meet the above covenants, the banks have the right to demand Chengdu Ton Yi to pay off the loan balance immediately.
- (h) Chengdu Ton Yi, a subsidiary of the Group, has signed a loan agreement with United Overseas Bank in 2016 and 2015. In accordance with the agreement, Chengdu Ton Yi has to maintain the following financial ratios and terms: the ratio of the total borrowings to net tangible assets shall not exceed 225% at all times. Should Chengdu Ton Yi fail to meet the above covenants, the banks have the right to demand Chengdu Ton Yi to pay off the loan balance immediately.

As of September 30, 2019, December 31, 2018, and September 30, 2018, the Group has not violated the above covenants.

- D. The Group leases various land, offices, warehouses and equipment under operating lease agreements. For the three-month and nine-month periods ended September 30, 2018, rental expense recorded

under Operating cost and Operating expense amounted to \$78,732 and \$243,458, respectively. The future aggregate minimum lease payments under operating leases are as follows:

	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Within 1 year	\$ 248,238	\$ 83,871
Between 1 and 5 years	296,356	121,838
Over 5 years	<u>364,156</u>	<u>369,640</u>
	<u>\$ 908,750</u>	<u>\$ 575,349</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, maintain an optimal capital structure to both reduce the cost of capital and to meet the monetary needs of improving productivity. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

Details of financial instruments by category of the Group are described in Notes 6.

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group seeks to minimize potential adverse effects on the Group's financial performance. The Group hedges foreign exchange risk by using Forward foreign exchange contracts.

(b) Risk management is carried out by a central treasury department (Group Finance Department) under policies approved by the board of directors. Group Finance Department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

a. Market risk

(a) Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, EUR and China Yuan (the 'CNY'). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- ii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group's foreign operations are considered strategic investments; thus, no hedging for the purpose is conducted.
- iii. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; certain subsidiaries' functional currency: USD, CNY and VND.) The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	September 30, 2019		
	Foreign Currency		
	Amount		
(Foreign currency: functional currency)	(in thousands)	Exchange Rate	Book Value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 17,159	31.04	\$ 532,615
USD : CNY	1,784	7.15	55,375
EUR : NTD	2,229	33.95	75,675
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	18,028	31.04	559,589
EUR : CNY	768	33.95	26,074
JPY : CNY	103,090	0.2878	29,669
	December 31, 2018		
	Foreign Currency		
	Amount		
(Foreign currency: functional currency)	(in thousands)	Exchange Rate	Book Value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 16,890	30.72	\$ 518,776
USD : CNY	8,749	6.88	268,726
EUR : NTD	1,725	35.2	60,720
JPY : NTD	111,089	0.2782	30,905
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	16,501	30.72	506,828

	September 30, 2018		
	Foreign Currency		
	Amount		
(Foreign currency: functional currency)	<u>(in thousands)</u>	<u>Exchange Rate</u>	<u>Book Value</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 15,888	30.53	\$ 484,981
USD : CNY	11,968	6.87	365,323
EUR : NTD	822	35.50	29,165
JPY : NTD	98,120	0.2692	26,414
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	39,275	30.53	1,198,869
JPY : NTD	82,451	0.2692	22,196

- iv. As of September 30, 2019 and 2018, if the exchange rate of the Group's functional currency to foreign currencies had appreciated/depreciated by 1%, with all other factors remaining constant, the post-tax profit for the nine-month periods ended September 30, 2019 and 2018 would have increased/decreased by \$387 and (\$2,521), respectively.
- v. The total exchange loss, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and nine-month periods ended September 30, 2019 and 2018 amounted to \$34,359, \$18,074, \$15,037 and \$4,661, respectively.
- (b) Price risk
- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the nine-month periods ended September 30, 2019 and 2018 would have increased/decreased by \$935 and \$1,755, respectively.
- (c) Cash flow and fair value interest rate risk
- i. The Group's main interest rate risk arises from short-term and long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. Group policy is to maintain its borrowings at fixed rate using interest rate swaps to achieve this when

necessary. For the nine-month periods ended September 30, 2019 and 2018, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars, US dollars, JPY dollars, and CNY dollars.

ii. If the borrowing interest rate had increased/decreased by 1% or with all other variables held constant, profit, net of tax for the nine-month periods ended September 30, 2019 and 2018 would have decreased /increased by \$1,473 and \$2,157, respectively. The main factor is that changes in interest expense result from floating-rate borrowings.

b. Credit risk

- (a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income.
- (b) The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- (c) In line with credit risk management procedure, when the contract payments are past due over certain number days, the default has occurred.
- (d) The Group adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - i. If the contract payments were past due over certain number of days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - ii. If any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low. If the credit rating grade of an investment target degrades two scales, there has been a significant increase in credit risk on that instrument since initial recognition.
- (e) The Group classifies customer's accounts receivable in accordance with product types. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis, and used the forecast ability concern to adjust

historical and timely information to assess the default possibility of accounts receivable. The Group applying the simplified approach to provide loss allowance for accounts receivable is as follows:

	For the nine-month period ended September 30, 2019	
	Notes receivable	Accounts receivable
At January 1	\$ 1,492	\$ 68,277
Expected credit losses	-	29,397
Effect of foreign exchange rate changes	-	(2,770)
At September 30	<u>\$ 1,492</u>	<u>\$ 94,904</u>

	For the nine-month period ended September 30, 2018	
	Notes receivable	Accounts receivable
At January 1_IAS 39	\$ 1,200	\$ 58,191
Adjustments under new standards	-	-
At January 1_IFRS 9	1,200	58,191
Expected credit losses	-	4,178
Effect of foreign exchange rate changes	-	(1,525)
At September 30_IFRS 9	<u>\$ 1,200</u>	<u>\$ 60,844</u>

c. Liquidity risk

- (a) Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group Finance Department. Group Finance Department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.
- (b) Surplus cash held by the operating entities over and above the balance required for working capital management are transferred to the Group Finance Department. Group Finance Department invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above mentioned forecasts.
- (c) The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the

contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

September 30, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	\$ 4,469,868	\$ -	\$ -	\$ -
Short-term notes and bills payable	1,000,000	-	-	-
Notes payable	2,978	-	-	-
Accounts payable (including related party)	1,338,282	-	-	-
Other payables (including related party)	1,409,201	-	-	-
Lease liabilities	253,711	269,439	793,227	925,141
Other financial liabilities - current	21,057	-	-	-
Long-term borrowings	188,895	2,222,880	4,635,507	-
Guarantee deposits received	-	5,837	217	17,369
December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	\$ 3,732,411	\$ -	\$ -	\$ -
Short-term notes and bills payable	400,000	-	-	-
Notes payable	15,245	-	-	-
Accounts payable (including related party)	1,169,578	-	-	-
Other payables (including related party)	1,572,726	-	-	-
Other financial liabilities - current	20,180	-	-	-
Long-term borrowings	977,893	5,070,006	3,126,873	-
Guarantee deposits received	-	8,000	223	17,863

September 30, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	\$ 4,085,800	\$ -	\$ -	\$ -
Short-term notes and bills payable	1,100,000	-	-	-
Notes payable	15,051	-	-	-
Accounts payable (including related party)	1,550,450	-	-	-
Other payables (including related party)	1,538,702	-	-	-
Other financial liabilities - current	19,319	-	-	-
Long-term borrowings	1,528,263	6,006,227	1,262,582	-
Guarantee deposits received	-	7,989	400	17,776

(d) The Group does not expect the maturity date to end early nor the actual cash flow to be materially different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in foreign exchange contracts is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

B. The carrying amounts of the Group's financial assets and financial liabilities not measured at fair value including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, other current financial assets, guarantee deposits paid, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable (including related parties), other payables (including related parties), lease liabilities - current, other current financial liabilities, long-term borrowings (including long-term liabilities - current portion), lease

liabilities - non-current and guarantee deposits received are approximate to their fair values.

- C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at September 30, 2019, December 31, 2018 and September 30, 2018 is as follows:

<u>September 30, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	<u>\$ 93,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,535</u>

<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	<u>\$ 122,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,199</u>

<u>September 30, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	<u>\$ 175,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,451</u>

- D. The methods and assumptions the Group used to measure fair value are as follows:
- The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>
Market quoted price	Closing price
 - The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
- E. For the nine-month periods ended September 30, 2019 and 2018, there was no transfer into or out between Level 1 and Level 2.
- F. For the nine-month periods ended September 30, 2019 and 2018, there was no transfer into or out from Level 3.

13. SUPPLEMENTARY DISCLOSURES

According to the current regulatory requirements, the Group is only required to disclose the information for the nine-month period ended September 30, 2019.

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.
- I. Trading in derivative financial instruments undertaken during the reporting periods:
 - a. Trading in derivative instruments undertaken during the reporting periods: There was no trading in derivative on September 30, 2019, and recorded net income \$1,207 by trading in derivative during the nine-month period ended September 30, 2019.
 - b. Subsidiary does not have this transaction.
- J. Significant inter-company transactions during the reporting period: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 8.

14. SEGMENT INFORMATION

(1) General information

The management of the Group has identified the operating segments based on information provided to the Group's chief operating decision-maker in order to make strategic decisions. The Group's organization, basis of identification and measurement of segment information had no significant changes in this period.

(2) Measurement of segment information

The chief operating decision-maker evaluates the performance of operating segments based on segment pre-tax income.

(3) Information about segment profit or loss and assets

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	For the nine-month period ended September 30, 2019				
	Taiwan	Tinplate Manufacturing (in Mainland China)	PET Package Manufacturing (in Mainland China)	Others	Total
Revenue from external customers	\$ 9,108,638	\$ 4,038,595	\$ 10,600,299	\$ 1,225,000	\$ 24,972,532
Revenue from internal customers	3,687,756	380,960	–	9,915	4,078,631
Segment revenue	<u>\$ 12,796,394</u>	<u>\$ 4,419,555</u>	<u>\$ 10,600,299</u>	<u>\$ 1,234,915</u>	<u>\$ 29,051,163</u>
Segment income	<u>\$ 557,966</u>	<u>(\$ 506,655)</u>	<u>\$ 978,461</u>	<u>\$ 482,301</u>	<u>\$ 1,512,073</u>
Segment assets	<u>\$ 30,414,063</u>	<u>\$ 8,072,618</u>	<u>\$ 13,231,920</u>	<u>\$ 19,264,019</u>	<u>\$ 70,982,620</u>
	For the nine-month period ended September 30, 2018				
	Taiwan	Tinplate Manufacturing (in Mainland China)	PET Package Manufacturing (in Mainland China)	Others	Total
Revenue from external customers	\$ 9,590,893	\$ 4,986,040	\$ 10,880,950	\$ 1,378,892	\$ 26,836,775
Revenue from internal customers	4,224,179	424,603	–	48,345	4,697,127
Segment revenue	<u>\$ 13,815,072</u>	<u>\$ 5,410,643</u>	<u>\$ 10,880,950</u>	<u>\$ 1,427,237</u>	<u>\$ 31,533,902</u>
Segment income	<u>\$ 1,297,205</u>	<u>\$ 569,213</u>	<u>\$ 887,023</u>	<u>\$ 1,404,271</u>	<u>\$ 4,157,712</u>
Segment assets	<u>\$ 30,968,048</u>	<u>\$ 8,580,398</u>	<u>\$ 12,786,785</u>	<u>\$ 18,274,485</u>	<u>\$ 70,609,716</u>

(4) Reconciliation for segment income (loss) and assets

A. Sales between segments were carried out at arm's length. Basis of measurement remained consistent with revenue in the statements of comprehensive income and revenue from external parties reported to the chief operating decision-maker. A reconciliation of segment profit or loss before tax and the profit or loss before tax from continuing operations is shown below:

	<u>For the nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Reportable segments profit and loss	\$ 1,029,772	\$ 2,753,441
Other segments profit and loss	482,301	1,404,271
Elimination of intersegment transactions	(872,434)	(2,239,695)
Net income before income tax from continuing operations	<u>\$ 639,639</u>	<u>\$ 1,918,017</u>

B. The amount of total assets provided to the Chief Operating Decision-Maker adopts the same basis of measurement as assets in the Group's financial statements. The reconciliations between reportable segments' assets and total assets are as follows:

	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Assets of reportable segments	\$ 51,718,601	\$ 52,335,231
Assets of other operating segments	19,264,019	18,274,485
Elimination of intersegment transactions	(33,759,890)	(32,790,611)
Total assets	<u>\$ 37,222,730</u>	<u>\$ 37,819,105</u>

Ton Yi Industrial Corp. and subsidiaries

Loans to others

Nine-month period ended September 30, 2019

Table 1

Expressed in thousands of NTD

NO.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the nine-month period ended September 30, 2019	Balance at September 30, 2019	Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
1	Kunshan Ton Yi Industrial Co., Ltd.	Ton Yi (China) Investment Co., Ltd.	Other receivables	Y	\$ 130,269	\$ 130,269	\$ -	3.00	2	\$ -	Operational use	\$ -	-	\$ -	\$ 1,071,556	\$ 1,071,556	Note 2
1	Kunshan Ton Yi Industrial Co., Ltd.	Chengdu Ton Yi Industrial Co., Ltd.	Other receivables	Y	130,269	130,269	121,584	4.00	2	-	Operational use	-	-	-	1,071,556	1,071,556	Note 2
1	Kunshan Ton Yi Industrial Co., Ltd.	Wuxi Tonyi Daiwa Industrial Co., Ltd.	Other receivables	Y	173,692	173,692	173,692	4.35	2	-	Operational use	-	-	-	214,311	428,622	Note 2
2	Chengdu Ton Yi Industrial Packing Co., Ltd.	Chengdu Ton Yi Industrial Co., Ltd.	Other receivables	Y	260,537	86,846	86,846	4.00	2	-	Operational use	-	-	-	347,360	347,360	Note 2
2	Chengdu Ton Yi Industrial Packing Co., Ltd.	Huizhou Ton Yi Industrial Co., Ltd.	Other receivables	Y	99,873	-	-	4.00	2	-	Operational use	-	-	-	347,360	347,360	Note 2
2	Chengdu Ton Yi Industrial Packing Co., Ltd.	Fujian Ton Yi Tinplate Co., Ltd.	Other receivables	Y	65,134	65,134	65,134	3.50	2	-	Operational use	-	-	-	69,472	138,944	Note 2
3	Taizhou Ton Yi Industrial Co., Ltd.	Ton Yi (China) Investment Co., Ltd.	Other receivables	Y	130,269	130,269	72,731	3.00	2	-	Operational use	-	-	-	1,904,715	1,904,715	Note 2
3	Taizhou Ton Yi Industrial Co., Ltd.	Zhangzhou Ton Yi Industrial Co., Ltd.	Other receivables	Y	347,383	347,383	347,383	4.00	2	-	Operational use	-	-	-	1,904,715	1,904,715	Note 2
3	Taizhou Ton Yi Industrial Co., Ltd.	Huizhou Ton Yi Industrial Co., Ltd.	Other receivables	Y	108,557	108,557	108,557	4.00	2	-	Operational use	-	-	-	1,904,715	1,904,715	Note 2
3	Taizhou Ton Yi Industrial Co., Ltd.	Wuxi Tonyi Daiwa Industrial Co., Ltd.	Other receivables	Y	130,269	130,269	130,269	4.35	2	-	Operational use	-	-	-	380,943	761,886	Note 2

NO.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the nine-month period ended		Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
					September 30, 2019	September 30, 2019							Item	Value			
4	Sichuan Ton Yi Industrial Co., Ltd.	Ton Yi (China) Investment Co., Ltd.	Other receivables	Y	\$ 130,269	\$ 130,269	\$ -	3.00	2	\$ -	Operational use	\$ -	-	\$ -	\$ 840,700	\$ 840,700	Note 2
4	Sichuan Ton Yi Industrial Co., Ltd.	Chengdu Ton Yi Industrial Co., Ltd.	Other receivables	Y	390,806	260,537	238,826	4.00	2	-	Operational use	-	-	-	840,700	840,700	Note 2
5	Zhanjiang Ton Yi Industrial Co., Ltd.	Zhangzhou Ton Yi Industrial Co., Ltd.	Other receivables	Y	130,269	65,134	65,134	4.00	2	-	Operational use	-	-	-	710,348	710,348	Note 2
5	Zhanjiang Ton Yi Industrial Co., Ltd.	Huizhou Ton Yi Industrial Co., Ltd.	Other receivables	Y	86,846	43,423	43,423	4.00	2	-	Operational use	-	-	-	710,348	710,348	Note 2
5	Zhanjiang Ton Yi Industrial Co., Ltd.	Ton Yi (China) Investment Co., Ltd.	Other receivables	Y	130,269	130,269	12,679	3.00	2	-	Operational use	-	-	-	710,348	710,348	Note 2
6	Ton Yi (China) Investment Co., Ltd.	Zhangzhou Ton Yi Industrial Co., Ltd.	Other receivables	Y	130,269	130,269	21,711	4.00	2	-	Operational use	-	-	-	9,324,881	9,324,881	Note 2
6	Ton Yi (China) Investment Co., Ltd.	Taizhou Ton Yi Industrial Co., Ltd.	Other receivables	Y	130,269	130,269	-	-	2	-	Operational use	-	-	-	9,324,881	9,324,881	Note 2
6	Ton Yi (China) Investment Co., Ltd.	Chengdu Ton Yi Industrial Co., Ltd.	Other receivables	Y	130,269	130,269	39,732	4.00	2	-	Operational use	-	-	-	9,324,881	9,324,881	Note 2
6	Ton Yi (China) Investment Co., Ltd.	Kunshan Ton Yi Industrial Co., Ltd.	Other receivables	Y	130,269	130,269	-	4.00	2	-	Operational use	-	-	-	9,324,881	9,324,881	Note 2
6	Ton Yi (China) Investment Co., Ltd.	Beijing Ton Yi Industrial Co., Ltd.	Other receivables	Y	130,269	130,269	-	4.00	2	-	Operational use	-	-	-	9,324,881	9,324,881	Note 2
6	Ton Yi (China) Investment Co., Ltd.	Huizhou Ton Yi Industrial Co., Ltd.	Other receivables	Y	130,269	130,269	121,584	4.00	2	-	Operational use	-	-	-	9,324,881	9,324,881	Note 2
6	Ton Yi (China) Investment Co., Ltd.	Zhanjiang Ton Yi Industrial Co., Ltd.	Other receivables	Y	130,269	130,269	-	4.00	2	-	Operational use	-	-	-	9,324,881	9,324,881	Note 2
6	Ton Yi (China) Investment Co., Ltd.	Sichuan Ton Yi Industrial Co., Ltd.	Other receivables	Y	130,269	130,269	47,765	4.00	2	-	Operational use	-	-	-	9,324,881	9,324,881	Note 2

NO.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance	Balance at	Actual amount	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
					during the nine-month period ended								September 30, 2019	Item			
7	Zhangzhou Ton Yi Industrial Co., Ltd.	Ton Yi (China) Investment Co., Ltd.	Other receivables	Y	\$ 130,269	\$ 130,269	\$ -	—	2	\$ -	Operational use	\$ -	—	\$ -	\$ 1,487,630	\$ 1,487,630	Note 2
8	Chengdu Ton Yi Industrial Co., Ltd.	Ton Yi (China) Investment Co., Ltd.	Other receivables	Y	130,269	130,269	-	—	2	-	Operational use	-	—	-	738,509	738,509	Note 2
9	Beijing Ton Yi Industrial Co., Ltd.	Ton Yi (China) Investment Co., Ltd.	Other receivables	Y	130,269	130,269	-	3.00	2	-	Operational use	-	—	-	786,045	786,045	Note 2
9	Beijing Ton Yi Industrial Co., Ltd.	Huizhou Ton Yi Industrial Co., Ltd.	Other receivables	Y	86,846	86,846	86,846	4.00	2	-	Operational use	-	—	-	786,045	786,045	Note 2
10	Huizhou Ton Yi Industrial Co., Ltd.	Ton Yi (China) Investment Co., Ltd.	Other receivables	Y	130,269	130,269	-	—	2	-	Operational use	-	—	-	860,709	860,709	Note 2
11	Changsha Ton Yi Industrial Co., Ltd.	Huizhou Ton Yi Industrial Co., Ltd.	Other receivables	Y	52,107	52,107	52,107	4.00	2	-	Operational use	-	—	-	213,615	213,615	Note 2
12	Jiangsu Ton Yi Tinplate Co., Ltd.	Wuxi Tonyi Daiwa Industrial Co., Ltd.	Other receivables	Y	65,134	65,134	-	—	2	-	Operational use	-	—	-	458,233	916,466	Note 2

(Note 1) Nature of loans to others is filled as follows:

- (1) For trading partner.
- (2) For short-term financing.

(Note 2) The maximum loan amount is 40% of its net assets.

- (1) Trading partner: The maximum amount for individual trading partner shall not exceed the higher of total purchase or sale transactions during the reporting period or the most recent year.
- (2) Short-term financing: The maximum amount for short-term financing is 20% of the Company's net assets; If the Company loans to foreign subsidiaries, which the Company holds 100% ownership directly or indirectly, the maximum amount for the subsidiary is 100% of the Company's net assets.

(Note 3) Foreign currency was translated into New Taiwan Dollars with exchange rate as of September 30, 2019 as follows: CNY:NTD 1 : 4.342291.

Ton Yi Industrial Corp. and subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

September 30, 2019

Table 2

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account (Note)	As of September 30, 2019				Footnote
				Number of shares (in thousands)	Book value	Ownership (%)	Fair value	
Ton-Yi Industrial Corp.	Stocks:							
	JFE Holdings Inc.	—	1	250	\$ 93,535	0.04%	\$ 93,535	—

(Note) The code number explanation is as follows:

1. Non-current financial assets at fair value through other comprehensive income.

Ton Yi Industrial Corp. and subsidiaries

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Nine-month period ended September 30, 2019

Table 3

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Description and reasons for difference in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
Ton Yi Industrial Corp.	Fujian Ton Yi Tinplate Co., Ltd.	An investee company of Cayman Fujian Ton Yi Holdings Ltd. accounted for under the equity method	(Sales)	\$ 3,167,533)	(25)	50 days after shipping,T/T	\$ -	-	\$ 644,508	42	-
Ton Yi Industrial Corp.	Jiangsu Ton Yi Tinplate Co., Ltd.	An investee company of Cayman Jiangsu Ton Yi Holdings Ltd. accounted for under the equity method	(Sales)	(406,970)	(3)	50 days after shipping,T/T	-	-	-	-	-
Ton Yi Industrial Corp.	TTET Union Corp.	An investee company of parent company (Uni-President Enterprises Corp.) which has joint control or significant influence	(Sales)	(252,911)	(2)	Within 30 days of statements settled a month,T/T	-	-	29,442	2	-
Wuxi Ton Yi Industrial Packing Co., Ltd.	Jiangsu Ton Yi Tinplate Co., Ltd.	An investee company of Cayman Jiangsu Ton Yi Holdings Ltd. accounted for under the equity method	Purchases	234,303	23	67 days after invoice date, T/T	-	-	(112,802)	(37)	-
Wuxi Ton Yi Industrial Packing Co., Ltd.	Chengdu Ton Yi Industrial Packing Co., Ltd.	An investee company of Cayman Ton Yi Industrial Holdings Ltd. accounted for under the equity method	(Sales)	(245,605)	(23)	Within 30 days of statements settled a month,T/T	-	-	38,410	20	-
Wuxi Ton Yi Industrial Packing Co., Ltd.	Changsha Ton Yi Industrial Co., Ltd.	An investee company of Cayman Ton Yi Industrial Holdings Ltd. accounted for under the equity method	(Sales)	(228,231)	(21)	Within 30 days of statements settled a month,T/T	-	-	41,122	22	-
Wuxi Ton Yi Industrial Packing Co., Ltd.	Fujian Ton Yi Tinplate Co., Ltd.	An investee company of Cayman Fujian Ton Yi Holdings Ltd. accounted for under the equity method	Purchases	146,658	14	67 days after invoice date, T/T	-	-	(61,023)	(20)	-
Chengdu Ton Yi Industrial Packing Co., Ltd.	Wuxi Ton Yi Industrial Packing Co., Ltd.	An investee company of Cayman Ton Yi Industrial Holdings Ltd. accounted for under the equity method	Purchases	245,605	100	Within 30 days of statements settled a month,T/T	-	-	(38,410)	(98)	-

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Description and reasons for difference in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
Changsha Ton Yi Industrial Co., Ltd.	Wuxi Ton Yi Industrial Packing Co., Ltd.	An investee company of Cayman Ton Yi Industrial Holdings Ltd. accounted for under the equity method	Purchases	\$ 228,231	100	Within 30 days of statements settled a month, T/T	\$ -	—	(\$ 41,122)	(100)	—
Fujian Ton Yi Tinsplate Co., Ltd.	Ton Yi Industrial Corp.	The Company	Purchases	3,167,533	92	50 days after shipping, T/T	-	—	(644,508)	(94)	—
Fujian Ton Yi Tinsplate Co., Ltd.	Jiangsu Ton Yi Tinsplate Co., Ltd.	An investee company of Cayman Jiangsu Ton Yi Holdings Ltd. accounted for under the equity method	(Sales)	(1,136,272)	(33)	67 days after invoice date, T/T	-	—	299,114	26	—
Fujian Ton Yi Tinsplate Co., Ltd.	Wuxi Ton Yi Industrial Packing Co., Ltd.	An investee company of Cayman Ton Yi Industrial Holdings Ltd. accounted for under the equity method	(Sales)	(146,658)	(4)	67 days after invoice date, T/T	-	—	61,023	5	—
Jiangsu Ton Yi Tinsplate Co., Ltd.	Ton Yi Industrial Corp.	The Company	Purchases	406,970	26	50 days after shipping, T/T	-	—	-	—	—
Jiangsu Ton Yi Tinsplate Co., Ltd.	Wuxi Ton Yi Industrial Packing Co., Ltd.	An investee company of Cayman Ton Yi Industrial Holdings Ltd. accounted for under the equity method	(Sales)	(234,303)	(11)	67 days after invoice date, T/T	-	—	112,802	12	—
Jiangsu Ton Yi Tinsplate Co., Ltd.	Fujian Ton Yi Tinsplate Co., Ltd.	An investee company of Cayman Fujian Ton Yi Holdings Ltd. accounted for under the equity method	Purchases	1,136,272	72	67 days after invoice date, T/T	-	—	(299,114)	(100)	—
Zhangzhou Ton Yi Industrial Co., Ltd.	Guangzhou President Enterprises Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) which has joint control or significant influence	(Sales)	(1,070,839)	(83)	25 days after invoice date, T/T	-	—	141,517	76	—
Taizhou Ton Yi Industrial Co., Ltd.	Taizhou President Enterprises Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) which has joint control or significant influence	(Sales)	(1,436,366)	(70)	25 days after invoice date, T/T	-	—	191,420	77	—
Taizhou Ton Yi Industrial Co., Ltd.	Kunshan Ton Yi Industrial Co., Ltd.	An investee company of Ton Yi (China) Investment Co., Ltd. accounted for under the equity method	(Sales)	(125,044)	(6)	15 days after invoice date, T/T	-	—	2,314	1	—

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Description and reasons for difference in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Taizhou Ton Yi Industrial Co., Ltd.	Guangzhou President Enterprises Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) which has joint control or significant influence	(Sales)	\$ 122,076)	(6)	50% prepayment, leftover 25 days after invoice date, T/T	\$ -	—	\$ 13,550	5	—
Taizhou Ton Yi Industrial Co., Ltd.	Shanghai E & P Trading Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) which has joint control or significant influence	Purchases	116,106	10	15 days after invoice date, T/T	-	—	(11,808)	(9)	—
Chengdu Ton Yi Industrial Co., Ltd.	Chengdu President Enterprises Food Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) which has joint control or significant influence	(Sales)	(478,712)	(51)	25 days after invoice date, T/T	-	—	69,857	47	—
Chengdu Ton Yi Industrial Co., Ltd.	Guangzhou President Enterprises Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) which has joint control or significant influence	(Sales)	(180,518)	(19)	25 days after invoice date, T/T	-	—	20,768	14	—
Huizhou Ton Yi Industrial Co., Ltd.	Guangzhou President Enterprises Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) which has joint control or significant influence	(Sales)	(741,821)	(98)	25 days after invoice date, T/T	-	—	93,472	100	—
Kunshan Ton Yi Industrial Co., Ltd.	Uni-President Trading (Kunshan) Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) which has joint control or significant influence	(Sales)	(1,716,350)	(95)	25 days after invoice date, T/T	-	—	216,719	98	—
Kunshan Ton Yi Industrial Co., Ltd.	Shanghai E & P Trading Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) which has joint control or significant influence	Purchases	161,845	14	15 days after invoice date, T/T	-	—	(13,893)	(8)	—
Kunshan Ton Yi Industrial Co., Ltd.	Taizhou Ton Yi Industrial Co., Ltd.	An investee company of Ton Yi (China) Investment Co., Ltd. accounted for under the equity method	Purchases	125,044	11	15 days after invoice date, T/T	-	—	(2,314)	(1)	—
Beijing Ton Yi Industrial Co., Ltd.	Beijing President Enterprises Drinks Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) which has joint control or significant influence	(Sales)	(1,700,672)	(94)	25 days after invoice date, T/T	-	—	209,495	94	—
Beijing Ton Yi Industrial Co., Ltd.	Shanghai E & P Trading Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) which has joint control or significant influence	Purchases	165,374	14	7 days after invoice date, T/T	-	—	(11,653)	(7)	—

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Description and reasons for difference in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Sichuan Ton Yi Industrial Co., Ltd.	Chengdu President Enterprises Food Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) which has joint control or significant influence	(Sales)	\$ 1,390,913)	(93)	25 days after invoice date, T/T	\$ -	—	\$ 210,874	90	—
Sichuan Ton Yi Industrial Co., Ltd.	Shanghai E & P Trading Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) which has joint control or significant influence	Purchases	110,824	11	33 days after invoice date, T/T	-	—	(14,649)	(8)	
Zhanjiang Ton Yi Industrial Co., Ltd.	Zhanjiang President Enterprises Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) which has joint control or significant influence	(Sales)	(586,994)	(69)	25 days after invoice date, T/T	-	—	71,637	84	—
Zhanjiang Ton Yi Industrial Co., Ltd.	Guangzhou President Enterprises Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) which has joint control or significant influence	(Sales)	(239,086)	(28)	30-45 days after receiving invoice, T/T	-	—	13,394	16	—

(Note 1) The above terms are in accordance with the Company's policy on credit management, please refer to Note 7 Related Party Transactions for details.

(Note 2) Foreign currency was translated into New Taiwan Dollars using the following exchange rates: Ending balances of receivables and payables were translated using the exchange rate as at September 30, 2019

(USD:NTD 1:31.04 ; CNY:NTD 1:4.342291); Amounts of transactions were translated using the weighted-average exchange rate for the nine-month period ended September 30, 2019

(USD:NTD 1:31.061766 ; CNY:NTD 1:4.523646).

Ton Yi Industrial Corp. and subsidiaries

Receivables from related parties reaching NTS100 million or 20% of paid-in capital or more

Nine-month period ended September 30, 2019

Table 4

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2019		Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			Items	Amount		Amount	Action taken		
Ton Yi Industrial Corp.	Fujian Ton Yi Tinplate Co., Ltd.	An investee company of Cayman Fujian Ton Yi Holdings Ltd. accounted for under the equity method	Accounts receivable	\$ 644,508	6.86	\$ -	-	\$ 373,685	\$ -
Jiangsu Ton Yi Tinplate Co., Ltd.	Wuxi Ton Yi Industrial Packing Co., Ltd.	An investee company of Cayman Ton Yi Industrial Holdings Ltd. accounted for under the equity method	Accounts receivable	112,802	3.65	-	-	-	-
Fujian Ton Yi Tinplate Co., Ltd.	Jiangsu Ton Yi Tinplate Co., Ltd.	An investee company of Cayman Jiangsu Ton Yi Holdings Ltd. accounted for under the equity method	Accounts receivable	299,114	8.81	-	-	132,540	-
Ton Yi (China) Investment Co., Ltd.	Huizhou Ton Yi Industrial Co., Ltd.	An investee company of Ton Yi (China) Investment Co., Ltd. accounted for under the equity method	Other receivables	121,980	-	-	-	396	-
Zhangzhou Ton Yi Industrial Co., Ltd.	Guangzhou President Enterprises Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) which has joint control or significant influence	Accounts receivable	141,517	9.78	-	-	98,369	-
Taizhou Ton Yi Industrial Co., Ltd.	Taizhou President Enterprises Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) which has joint control or significant influence	Accounts receivable	191,420	12.53	-	-	101,386	-
Taizhou Ton Yi Industrial Co., Ltd.	Zhangzhou Ton Yi Industrial Co., Ltd.	An investee company of Ton Yi (China) Investment Co., Ltd. accounted for under the equity method	Other receivables	347,615	-	-	-	-	-
Taizhou Ton Yi Industrial Co., Ltd.	Huizhou Ton Yi Industrial Co., Ltd.	An investee company of Ton Yi (China) Investment Co., Ltd. accounted for under the equity method	Other receivables	108,654	-	-	-	-	-
Taizhou Ton Yi Industrial Co., Ltd.	Wuxi Tonyi Daiwa Industrial Co., Ltd.	An investee company of Wuxi Ton Yi Industrial Packing Co., Ltd. accounted for under the equity method	Other receivables	130,703	-	-	-	1	-
Kunshan Ton Yi Industrial Co., Ltd.	Uni-President Trading (Kunshan) Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) which has joint control or significant influence	Accounts receivable	216,719	10.30	-	-	135,572	-
Kunshan Ton Yi Industrial Co., Ltd.	Chengdu Ton Yi Industrial Co., Ltd.	An investee company of Ton Yi (China) Investment Co., Ltd. accounted for under the equity method	Other receivables	121,733	-	-	-	-	-
Kunshan Ton Yi Industrial Co., Ltd.	Wuxi Tonyi Daiwa Industrial Co., Ltd.	An investee company of Wuxi Ton Yi Industrial Packing Co., Ltd. accounted for under the equity method	Other receivables	176,336	-	-	-	-	-
Beijing Ton Yi Industrial Co., Ltd.	Beijing President Enterprises Drinks Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) which has joint control or significant influence	Accounts receivable	209,495	13.29	-	-	134,757	-
Sichuan Ton Yi Industrial Co., Ltd.	Chengdu President Enterprises Food Co., Ltd.	An investee company of parent company (Uni-President Enterprises Corp.) which has joint control or significant influence	Accounts receivable	210,874	8.98	-	-	121,717	-

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2019			Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			Items	Amount	Turnover rate	Amount	Action taken		
Sichuan Ton Yi Industrial Co., Ltd.	Chengdu Ton Yi Industrial Co., Ltd.	An investee company of Ton Yi (China) Investment Co., Ltd. accounted for under the equity method	Other receivables	\$ 239,143	-	\$ -	-	\$ -	-

(Note) Foreign currencies were translated into New Taiwan Dollars using the following exchanges: Ending balances of receivable and payable and subsequent collections were translated using the exchange rate as at September 30, 2019 (CYN:NTD 1:4.342291 ; USD:NTD 1:31.04).

Ton Yi Industrial Corp. and subsidiaries
Significant inter-company transactions during the reporting period
Nine-month period ended September 30, 2019

Table 5

Expressed in thousands of NTD

Number (Note 2)	Company name	Counterparty	Relationship (Note 3)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 4)
0	Ton Yi Industrial Corp.	Fujian Ton Yi Tinplate Co., Ltd.	1	Sales	\$ 3,167,533	50 days after shipping, T/T	13%
			1	Accounts receivable	644,508	—	2%
1	Wuxi Ton Yi Industrial Packing Co., Ltd.	Chengdu Ton Yi Industrial Packing Co., Ltd.	1	Sales	406,970	50 days after shipping, T/T	2%
			3	Sales	245,605	Within 30 days of statements settled a month, T/T	1%
2	Fujian Ton Yi Tinplate Co., Ltd.	Jiangsu Ton Yi Tinplate Co., Ltd.	3	Sales	1,136,272	67 days after invoice date, T/T	5%
			3	Accounts receivable	299,114	—	1%
3	Jiangsu Ton Yi Tinplate Co., Ltd.	Wuxi Ton Yi Industrial Packing Co., Ltd.	3	Sales	146,658	67 days after invoice date, T/T	1%
			3	Sales	234,303	67 days after invoice date, T/T	1%
4	Ton Yi (China) Investment Co., Ltd.	Huizhou Ton Yi Industrial Co., Ltd.	3	Accounts receivable	112,802	—	—
5	Taizhou Ton Yi Industrial Co., Ltd.	Kunshan Ton Yi Industrial Co., Ltd.	3	Other receivables	121,980	—	—
			3	Sales	125,044	15 days after invoice date, T/T	1%
			3	Other receivables	347,615	—	1%
			3	Other receivables	108,654	—	—
6	Kunshan Ton Yi Industrial Co., Ltd.	Wuxi Tonyi Daiwa Industrial Co., Ltd.	3	Other receivables	130,703	—	—
			3	Other receivables	121,733	—	—
			3	Other receivables	176,337	—	—
7	Sichuan Ton Yi Industrial Co., Ltd.	Chengdu Ton Yi Industrial Co., Ltd.	3	Other receivables	239,143	—	1%

(Note 1) Only transactions amounting to more than \$100 million are disclosed. Transactions between parent company and subsidiaries were disclosed on the previous sections, no duplicated information is disclosed in this section.

(Note 2) The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

(Note 3) Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

(Note 4) Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

(Note 5) Foreign currency was translated into New Taiwan Dollars using the following exchanges: Ending balances of receivable and payable were translated using the exchange rate as at September 30, 2019 (CNY:NTD 1:4.342291); Amounts of transactions were translated using the weighted-average exchange rate for the nine-month period ended September 30, 2019 (CNY:NTD 1:4.523646).

Ton Yi Industrial Corp. and subsidiaries

Information on investees

For the nine-month period ended September 30, 2019

Table 6

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2019			Net profit (loss) of the investee for the nine-month period ended September 30, 2019	Investment income (loss) recognized by the Company for the nine-month period ended September 30, 2019	Footnote
				Balance as at September 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Ton Yi Industrial Corp.	Cayman Ton Yi Industrial Holdings Ltd.	Cayman	General investment	\$ 13,399,488	\$ 13,399,488	43,470,820	100.00	\$ 16,049,745	\$ 438,048	\$ 438,048	Subsidiary
Ton Yi Industrial Corp.	Tovecan Corp.	Vietnam	Manufacturing and sale of cans	43,740	43,740	-	51.00	61,307	(7,028)	(3,584)	Subsidiary
Cayman Ton Yi Industrial Holdings Ltd.	Cayman Ton Yi Holdings Ltd.	Cayman	General investment	7,139,200	7,139,200	230,000,000	100.00	9,324,855	748,534	-	Subsidiary (Note 1)
Cayman Ton Yi Industrial Holdings Ltd.	Cayman Fujian Ton Yi Holdings Ltd.	Cayman	General investment	1,988,487	1,988,487	8,727	100.00	2,969,888	(174,416)	-	Subsidiary (Note 1)
Cayman Ton Yi Industrial Holdings Ltd.	Cayman Jiangsu Ton Yi Holdings Ltd.	Cayman	General investment	1,114,423	1,114,423	5,000	100.00	2,140,861	(186,490)	-	Subsidiary (Note 1)
Cayman Ton Yi Holdings Ltd.	Cayman Ton Yi (China) Holdings Ltd.	Cayman	General investment	7,139,200	7,139,200	230,000,000	100.00	9,324,855	748,534	-	Subsidiary (Note 1)

(Note 1) Not required to disclose income (loss) recognized by the Company.

(Note 2) Foreign currency was translated into New Taiwan Dollars using the following exchanges: Ending balances of receivable and payable were translated using the exchange rate as at September 30, 2019 (USD:NTD 1:31.04); Amounts of transactions were translated using the weighted-average exchange rate for the nine-month period ended September 30, 2019 (USD:NTD 1:31.061766).

Ton Yi Industrial Corp. and subsidiaries
Information on investments in Mainland China
Nine-month period ended September 30, 2019

Table 7

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2019	Net income of investee for the nine-month period ended September 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the nine-month period ended September 30, 2019	Book value of investments in Mainland China as of September 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Wuxi Ton Yi Industrial Packing Co., Ltd.	Manufacturing and sale of cans	\$ 838,080	Note 1	\$ 217,280	\$ -	\$ -	\$ 217,280	\$ 39,058	100.00	\$ 40,874	\$ 1,053,089	\$ -	Note 7
Chengdu Ton Yi Industrial Packing Co., Ltd.	Manufacturing and sale of cans	232,800	Note 1	232,800	-	-	232,800	4,123	100.00	4,123	351,317	-	Note 7
Changsha Ton Yi Industrial Co., Ltd.	Manufacturing and sale of cans	217,280	Note 1	-	-	-	-	7,162	100.00	7,162	220,489	-	Note 7
Fujian Ton Yi Tinplate Co., Ltd.	Manufacturing and sale of tinplate	2,684,960	Note 2	1,655,891	-	-	1,655,891	(200,930)	86.80	(176,289)	2,900,906	-	Note 8
Jiangsu Ton Yi Tinplate Co., Ltd.	Manufacturing and sale of tinplate	1,241,600	Note 3	861,360	-	-	861,360	(225,072)	82.86	(186,355)	2,008,203	-	Note 8
Ton Yi (China) Investment Co., Ltd.	General investment	7,139,200	Note 4	931,200	-	-	931,200	748,533	100.00	748,533	9,324,855	-	Note 8
Zhangzhou Ton Yi Industrial Co., Ltd.	Manufacturing and sale of PET packages	931,200	Note 5	931,200	-	-	931,200	90,322	100.00	90,322	1,487,630	-	Note 8
Taizhou Ton Yi Industrial Co., Ltd.	Manufacturing and sale of PET packages	931,200	Note 5	931,200	-	-	931,200	251,318	100.00	251,318	1,904,715	-	Note 8
Chengdu Ton Yi Industrial Co., Ltd.	Manufacturing and sale of PET packages	931,200	Note 5	356,960	-	-	356,960	97,461	100.00	97,461	832,063	-	Note 7
Huizhou Ton Yi Industrial Co., Ltd.	Manufacturing and sale of PET packages	931,200	Note 5	186,240	-	-	186,240	34,462	100.00	34,462	893,789	-	Note 7
Kunshan Ton Yi Industrial Co., Ltd.	Manufacturing and sale of PET packages	931,200	Note 5	-	-	-	-	94,829	100.00	94,829	1,071,556	-	Note 8
Beijing Ton Yi Industrial Co., Ltd.	Manufacturing and sale of PET packages	931,200	Note 5	-	-	-	-	67,903	100.00	67,903	851,226	-	Note 7
Sichuan Ton Yi Industrial Co., Ltd.	Manufacturing and sale of PET packages	931,200	Note 5	-	-	-	-	67,989	100.00	67,989	905,963	-	Note 7
Zhanjiang Ton Yi Industrial Co., Ltd.	Manufacturing and sale of PET packages	620,800	Note 5	-	-	-	-	40,792	100.00	40,792	749,505	-	Note 7
Tianjin Ton Yi Industrial Co., Ltd.	Manufacturing and sale of PET packages	496,640	Note 5	-	-	-	(3,899)	100.00	(3,899)	(3,899)	474,991	-	Note 7
Wuxi Tonyi Daiwa Industrial Co., Ltd.	Manufacturing and sale of cans	1,241,600	Note 6	-	-	-	(37,823)	66.50	(25,152)	(25,152)	759,630	-	Note 7

<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2019</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 9)</u>
Ton Yi Industrial Corp.	\$ 6,304,131	\$ 12,617,363	\$ 11,476,219

(Note 1) Through investing in an existing company in the third area (Cayman Ton Yi Industrial Holdings Ltd.), which then invested in the investee in Mainland China.

(Note 2) Through investing in an existing company in the third area (Cayman Fujian Ton Yi Holdings Ltd.), which then invested in the investee in Mainland China.

(Note 3) Through investing in an existing company in the third area (Cayman Jiangsu Ton Yi Holdings Ltd.), which then invested in the investee in Mainland China.

(Note 4) Through investing in an existing company in the third area (Cayman Ton Yi (China) Holdings Limited), which then invested in the investee in Mainland China.

(Note 5) Through investing in an existing company in the Mainland China (Ton Yi (China) Investment Co., Ltd.) , which then invested in the investee in Mainland China.

(Note 6) Through investing in an existing company in the Mainland China (Wuxi Ton Yi Industrial Packing Co., Ltd.) , which then invested in the investee in Mainland China.

(Note 7) The Company recognized income (loss) based on unreviewed financial statements.

(Note 8) The Company recognized income (loss) based on reviewed financial statements.

(Note 9) The ceiling amount is 60% of consolidated net assets.

(Note 10) Foreign currencies were translated into New Taiwan Dollars using the following exchanges: Ending balances of receivable and payable were translated using the exchange rate as at September 30, 2019 (CNY:NTD 1:4.342291, USD:NTD 1:31.04);

Amounts of transactions were translated using the weighted-average exchange rate for the nine-month period ended September 30, 2019 (CNY:NTD 1:4.523646, USD:NTD 1:30.061766).

Ton Yi Industrial Corp. and subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Nine-month period ended September 30, 2019

Table 8

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at September 30, 2019	%	Balance at September 30, 2019	Purpose	Maximum balance during the nine-month period ended September 30, 2019	Balance at September 30, 2019	Interest rate	Interest during the nine-month period ended September 30, 2019	Others
Fujian Ton Yi Tinplate Co., Ltd.	\$ 3,167,533	25	\$ -	-	\$ 644,508	42	\$ -	-	\$ -	\$ -	-	\$ -	-
Jiangsu Ton Yi Tinplate Co., Ltd.	406,970	3	-	-	-	-	-	-	-	-	-	-	-