

Nan Pao Resins Chemical Co., Ltd.
and Subsidiaries

Consolidated Financial Statements and Independent Auditors'
Report
For the Years Ended December 31, 2019 and 2018

Address: No. 12, Nanhaipu, Nanhai Li, Xigang Dist., Tainan City
Tel: (06)795-2801

TABLE OF CONTENTS

	<u>Item</u>	<u>Page</u>	<u>Financial Statements Note Number</u>
1.	Cover	1	-
2.	Table of Contents	2	-
3.	Declaration on Consolidated Financial Statements of Affiliated Companies	3	
4.	Independent Auditors' Report	4-7	-
5.	Consolidated Financial Statements	8	-
6.	Consolidated Comprehensive Balance Sheet	9-10	-
7.	Consolidated Statement of Changes in Equity	11	-
8.	Consolidated Cash Flow Statement	12-13	-
9.	Notes on Consolidated Financial Statements		
	(1) Company History	14	1
	(2) Date and Procedure of Financial Statement Ratification	14	2
	(3) Applicability of New Announcements, Amendmen Standards and Interpretations	14-20	3
	(4) Description of Material Accounting Policies	20-31	4
	(5) Significant Accounting Assumptions and Judgments, and Major Sources of Estimation Uncertainty	31	5
	(6) Remarks on Material Accounts	31-66.87	6-33
	(7) Related Party Transactions	66-67	34
	(8) Pledged Assets	67-68	35
	(9) Material Contingent Liabilities and Unrecognized Contractual Commitments	68-69	36
	(10) Material Disaster Loss	-	-
	(11) Subsequent Material Events	69	37
	(12) Other	69-71	38
	(13) Additional Disclosures		
	1. Information on Material Transactions	71-72, 74-79,84-86	39
	2. Information on Investees	71-72, 80-81	39
	3. Information on Mainland China Investments	71-72, 82-83	39
	(14) Segment Information	72-73	40

Declaration on Consolidated Financial Statements of Affiliated Companies

For Fiscal Year 2019 (January 1 - December 31 2019), the affiliated companies of this Company that shall be included in the consolidated financial statements of affiliated companies are the same as those included in the consolidated financial statements of parent company and subsidiaries prescribed by the International Financial Reporting Standards No. 10 in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises. In addition, relevant information has already been disclosed in previous consolidated financial statements of parent company and subsidiaries. Hence, the consolidated financial statements of affiliated companies are not prepared separately.

As hereby declared:

Company Name: Nan Pao Resins Chemical Co., Ltd.

Chairman: Wu Cheng-Hsien

March 26, 2020

Independent Auditors' Report

To Nan Pao Resins Chemical Co., Ltd.:

Audit Opinion

We have audited the consolidated balance sheet of Nan Pao Resins Chemical Co., Ltd. and its subsidiaries (Nan Pao Resins Group) as of December 31, 2018 and 2019, the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the Notes to consolidated financial statements (including a summary on significant accounting policies).

In our opinion and based on our and other independent auditors reports (see Other), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Nan Pao Resins Group as of December 31, 2018 and 2019, and the consolidated financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China with the effective dates.

Basis for Opinion

The CPA performed the auditing work in 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Jin-Guan-Zheng-Shen-Zi No. 1090360805 issued by the Financial Supervisory Commission on February 25, 2020, and the Generally Accepted Auditing Standards; the CPA performed the auditing work in 2018 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Generally Accepted Auditing Standards. Our responsibilities required under said standards will be detailed in the paragraph about the external auditor's responsibility on auditing consolidated financial statements. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant Code of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. With the results of our auditing and other independent auditors reports, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinions.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the consolidated financial statements of Nan Pao Resins Group for the year ended December 31, 2019 are stated as follows:

Key Audit Matters: Authenticity of Revenue Recognition

The main sources of revenue for Nan Pao Resins Group come from the sale of adhesives, paint, and building material. The sales amount of products of certain specifications has changed significantly in 2019. The CPA recognized the presumptive income as a significant risk based on its materiality to the Consolidated Financial Report and the regulations regarding the recognition of significant risks in the Statements of Auditing Standards. Therefore, the aforementioned product was included as a key audit item for the authenticity of income.

The key audit procedures conducted in regard to the aforementioned matter are as follows:

1. Understand and sample test the effectiveness of internal control designs related to revenue recognition
2. Select appropriate samples from sales revenue receipts, inspect sales invoices, commercial invoices, export declarations signed off by external personnel using revenue recognition criteria to verify the authenticity of the income, and confirm the names for receipt and for trade items.

For accounting policies and income segmentation on income recognition, please refer to Note 4 (15) and 40

Other Matters

Among the subsidiaries included in the consolidated financial report of Nan Pao Resins Group, the financial reports of some subsidiaries were not audited by the CPA and were audited by other CPAs. Accordingly, for our findings on the aforementioned consolidated financial statements, the dollar amount and information related to the subsidiaries in the statements were based on audit reports from other CPAs. These companies had total assets of NT\$2,722,534 thousand and NT\$1,677,057 thousand as of December 31, 2019 and 2018, respectively, accounting for 15% and 10% of total consolidated assets. Net operating income was NT\$2,210,744 thousand and NT\$2,191,566 thousand, respectively, accounting for 13% and 14% of the consolidated net operating income, respectively.

Nan Pao Resins Chemical Co., Ltd. has already prepared individual financial statements for the year 2018 and 2019 on which we have issued unqualified opinion with other matter paragraph as references.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair representation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management intends to liquidate the Company or terminate the business, or no practicable measure other than liquidation or termination of the business can be taken.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards (GAAS) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If it can be reasonably expected that misstatements in individual amounts or aggregates could

influence the economic decisions of users taken on the basis of these consolidated financial statements, then the misstatements are deemed to be material.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also implement the following tasks:

1. Identify and assess the risks of material misstatements of the consolidated financial statements, whether due to fraud or error, design and implement appropriate countermeasures to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Since irregularities can involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control, the risks of failing to detect material misstatements resulting from fraud is higher than for one resulting from errors.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's internal control.
3. Evaluate the appropriateness of accounting policies adopted by management as well as reasonableness of its accounting estimates and related disclosures.
4. Conclude on the appropriateness of the management's use of the going concern basis of accounting, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our audit report. However, future events or circumstances may cause the Company to lose its capacity to function as a going concern.
5. Evaluate the overall presentation, structure, and contents of consolidated financial statements (including the disclosures), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and implementation of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, and significant audit findings (including significant internal control deficiencies identified during our audit).

We have also provided a declaration to the governing bodies stating that the personnel of our affiliated firm has followed the item of independence in the CPA code of professional ethics. We have also communicated with the governing bodies on all relationships that may possibly be deemed to impair our independence as well as other matters (including relevant protective measures).

From the matters communicated with the governing body, we determined the key audit matters that were of most significance within the audit of the Company's Consolidated Financial Statements for the year ended in December 31, 2019. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CPA Liao, Hung-Ju

CPA Kung, Chun-Chi

Approval No. from Financial Supervisory
Commission R.O.C. (Taiwan)
No. 0990031652 in FSC

Approval No. from the Securities and Futures
Commission
No. 0920123784 in TWSE

March 26, 2020

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries
Consolidated Financial Statements
December 31, 2018 and 2019

Unit: NT\$1,000

Code	Asset	December 31, 2019		December 31, 2018		Code	Liabilities and Shareholders' Equity	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%			Amount	%	Amount	%
	Current Assets						Current Liabilities				
1100	Cash and Cash Equivalents (Note 4 and 6)	\$ 3,742,604	20	\$ 3,679,348	21	2100	Short-Term Loans (Note 21 and 35)	\$ 1,371,276	8	\$ 1,295,694	7
1136	Financial Assets at Amortized Cost - Current (Note 4, 8, 9 and 35)	749,615	4	196,068	1	2130	Contract Liabilities - Current (Note 4 and 26)	18,874	-	41,499	-
1150	Notes Receivable (Note 4 and 10)	280,023	2	293,405	2	2150	Notes Payable (Note 22)	12,788	-	35,908	-
1170	Accounts Receivable (Note 4 and 10)	3,158,395	17	3,112,385	18	2170	Accounts Payable (Note 22 and 34)	1,936,397	11	1,923,206	11
1180	Accounts Receivable - Affiliate (Note 4, 10 and 34)	371,342	2	357,724	2	2280	Lease Liabilities - Current (Note 4 and 15)	52,029	-	-	-
1200	Other Receivables (Note 4 and 10)	189,685	1	201,967	1	2200	Other Payables (Note 34)	812,503	4	788,396	5
1220	Current Income Tax Assets (Note 28)	3,705	-	13,197	-	2230	Current Income Tax Liabilities (Note 28)	182,583	1	169,036	1
130X	Inventory (Note 4 and 11)	2,241,307	12	2,347,224	13	2320	Long-term Debt Maturing within one year (Note 21 and 35)	353,765	2	265,273	2
1412	Prepaid Rent (Note 19)	-	-	15,335	-	2399	Other Current Liabilities (Note 23, 26 and 34)	167,877	1	185,889	1
1479	Other Current Assets (Note 20)	373,296	2	453,097	3	21XX	Total Current Liabilities	4,908,092	27	4,704,901	27
11XX	Total Current Assets	11,109,972	60	10,669,750	61		Non-Current Liabilities				
	Non-Current Assets					2580	Lease Liabilities - Non-Current (Note 4 and 15)	447,552	3	-	-
1517	Financial Assets Measured at FVTOCI - Non-Current (Note 4 and 7)	976,745	5	1,210,580	7	2540	Long-Term Debt (Note 21 and 35)	1,524,150	8	1,392,070	8
1535	Financial Assets at Amortized Cost - Non-Current (Note 4, 8, 9 and 35)	71,785	-	53,194	-	2570	Deferred Income Tax Liabilities (Note 4 and 28)	790,157	4	705,380	4
1550	Investments Accounted for Using Equity Method (Note 4 and 13)	322,657	2	292,180	2	2640	Net Defined Benefit Liabilities - Non-Current (Note 4 and 24)	115,019	1	149,410	1
1600	Property, Plant & Equipment (Note 4, 14 and 35)	4,096,892	22	3,959,992	23	2670	Other Non-Current Liabilities (Note 23)	56,734	-	56,622	-
1755	Right-of-use asset (Note 4, 15 and 35)	1,160,508	6	-	-	25XX	Total Non-Current Liabilities	2,933,612	16	2,303,482	13
1760	Investment Property (Note 4 and 16)	17,760	-	17,760	-	2XXX	Total Liabilities	7,841,704	43	7,008,383	40
1805	Goodwill (Note 4, 17 and 30)	113,483	1	86,766	1		Equity Attributable to Company Shareholders (Note 25)				
1821	Other Intangible Assets (Note 4 and 18)	80,354	1	43,874	-	3110	Share Capital				
1840	Deferred Income Tax Assets (Note 4 and 28)	288,146	2	251,359	1	3200	Ordinary Shares	1,205,707	7	1,205,707	7
1985	Prepaid Rent - Non-Current (Note 19)	-	-	662,223	4	3310	Capital Reserve	2,103,848	11	2,108,235	12
1990	Other Non-Current Assets (Note 20)	159,949	1	115,775	1	3320	Retained Earnings				
15XX	Total Non-Current Assets	7,288,279	40	6,693,703	39	3310	Statutory Surplus Reserve	1,056,002	6	988,725	6
						3320	Special Surplus Reserve	313,321	1	313,321	2
						3350	Undistributed Earnings	4,740,757	26	4,207,525	24
						3300	Total Retained Earnings	6,110,080	33	5,509,571	32
						3400	Other Equity	321,105	2	804,110	5
						31XX	Total Owner's Equity	9,740,740	53	9,627,623	56
						36XX	Non-Controlling Interests	815,807	4	727,447	4
						3XXX	Total Equity	10,556,547	57	10,355,070	60
1XXX	Total Assets	\$ 18,398,251	100	\$ 17,363,453	100		Total Liabilities and Equity	\$ 18,398,251	100	\$ 17,363,453	100

The attached Notes are part of the consolidated financial statements.

(Please refer to Audit Report of Deloitte & Touche on March 26, 2020)

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries
Consolidated Comprehensive Balance Sheet
For the Years Ended December 31, 2018 and 2019

Unit: NT\$1,000

(except earnings per share, which is denoted in NT\$)

Code		2019		2018	
		Amount	%	Amount	%
4000	Operating Revenue (Note 4, 26 and 34)	\$ 17,113,546	100	\$ 16,022,220	100
5000	Operating Cost (Note 11, 27 and 34)	<u>12,396,017</u>	<u>72</u>	<u>12,214,806</u>	<u>76</u>
5900	Gross Profit	<u>4,717,529</u>	<u>28</u>	<u>3,807,414</u>	<u>24</u>
	Operating Expenses (Note 10, 24 and 27)				
6100	Selling Expenses	1,703,986	10	1,677,805	10
6200	General and Administrative Expenses	866,071	5	780,891	5
6300	Research and Development Expenses	446,001	3	419,850	3
6450	Estimated Credit Impairment Loss	<u>19,442</u>	<u>-</u>	<u>27,858</u>	<u>-</u>
6000	Total Operating Expenses	<u>3,035,500</u>	<u>18</u>	<u>2,906,404</u>	<u>18</u>
6900	Net Operating Profit	<u>1,682,029</u>	<u>10</u>	<u>901,010</u>	<u>6</u>
	Non-Operating Income and Expenses (Note 13, 27 and 34)				
7010	Other Income	152,457	1	156,813	1
7020	Other Gain and Loss	(6,057)	-	18,454	-
7050	Financing Cost	(69,224)	-	(61,694)	-
7060	Share of Profit or Loss of Associates Accounted for Using Equity Method	<u>33,477</u>	<u>-</u>	<u>21,229</u>	<u>-</u>
7000	Total Non-Operating Income and Expenses	<u>110,653</u>	<u>1</u>	<u>134,802</u>	<u>1</u>
7900	Pre-Tax Profit	1,792,682	11	1,035,812	7
7950	Income Tax Expenses (Note 4 and 28)	<u>477,458</u>	<u>3</u>	<u>319,182</u>	<u>2</u>
8200	Net Profit of the Year	<u>1,315,224</u>	<u>8</u>	<u>716,630</u>	<u>5</u>

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Code		2019		2018	
		Amount	%	Amount	%
	Other Comprehensive Gain or Loss (Note 24, 25 and 28)				
8310	Items that will not be reclassified to profit or loss:				
8311	Remeasurement of Defined Benefit Plans	\$ 4,944	-	\$ 11,598	-
8316	Unrealized Valuation Loss (gain) on Investments in an Equity Instrument Measured at FVTOCI	(315,887)	(2)	(349,496)	(2)
8349	Income Tax Related to Items that will not be Reclassified	(950)	-	(4,204)	-
		(311,893)	(2)	(342,102)	(2)
8360	Items that may be Reclassified to Profit or Loss:				
8361	Exchange differences on translation of foreign financial statements	(211,444)	(1)	78,242	-
8399	Income Tax Related to Items that may be Reclassified	41,115	-	(4,026)	-
		(170,329)	(1)	74,216	-
8300	Total Other Comprehensive Income for the Year (net of tax)	(482,222)	(3)	(267,886)	(2)
8500	Total comprehensive income for the year	\$ 833,002	5	\$ 448,744	3
	Profit Attributable to:				
8610	Owners	\$ 1,228,200	7	\$ 672,775	4
8620	Non-Controlling Interests	87,024	1	43,855	-
8600		\$ 1,315,224	8	\$ 716,630	4
	Total Comprehensive Income Attributable to:				
8710	Owners	\$ 750,385	4	\$ 400,327	3
8720	Non-Controlling Interests	82,617	1	48,417	-
8700		\$ 833,002	5	\$ 448,744	3
	Earnings per Share (Note 29)				
9710	Base	\$ 10.19		\$ 6.15	
9810	Diluted	10.16		6.12	

The attached Notes are part of the consolidated financial statements.
(Please refer to Audit Report of Deloitte & Touche on March 26, 2020)

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries
Consolidated Statement of Changes in Equity
For the Years Ended December 31, 2019 and 2018

Unit: NT\$1,000
(except earnings per share and share issuance price, which are denoted in NT\$)

Code		Equity Attributable to Owners											
		Retained Earnings					Other Equity			Subtotal	Total	Non-Controlling Interests	Total Equity
		Capital	Capital Reserve	Statutory Surplus Reserve	Special Surplus Reserve	Undistributed Earnings	Exchange Difference on Conversion of Foreign Operations	Financial Assets Measured at FVTOCI Unrealized Gain or Loss					
A1	Balance as of January 1, 2018	\$ 1,086,207	\$ 1,290,212	\$ 900,538	\$ 313,321	\$ 4,158,679	(\$ 291,717)	\$ 1,376,496	\$ 1,084,779	\$ 8,833,736	\$ 658,555	\$ 9,492,291	
	Appropriation of Net Income in 2017 (Note 25)												
B1	Statutory Surplus Reserve	-	-	88,187	-	(88,187)	-	-	-	-	-	-	
B5	Cash Dividend - NT\$5 per share	-	-	-	-	(543,104)	-	-	-	(543,104)	-	(543,104)	
C17	Cost of Share-based Payment	-	358	-	-	-	-	-	-	358	-	358	
D1	Net Profit for 2018	-	-	-	-	672,775	-	-	-	672,775	43,855	716,630	
D3	Other Comprehensive Income after Tax in 2018	-	-	-	-	8,221	68,827	(349,496)	(280,669)	(272,448)	4,562	(267,886)	
D5	Total Comprehensive Income in 2018	-	-	-	-	680,996	68,827	(349,496)	(280,669)	400,327	48,417	448,744	
E1	Capital Increase - November 26, Issued at NT\$76.8 to 79.56 per Share (Note 25)	119,500	817,663	-	-	-	-	-	-	937,163	-	937,163	
M5	Book Value Differences in Acquisition or Disposal of Shares from Subsidiaries (Note 31)	-	2	-	-	(859)	-	-	-	(857)	(811)	(1,668)	
O1	Increase in Non-Controlling Interests	-	-	-	-	-	-	-	-	-	21,286	21,286	
Z1	Balance as of December 31, 2018	1,205,707	2,108,235	988,725	313,321	4,207,525	(222,890)	1,027,000	804,110	9,627,623	727,447	10,355,070	
A3	Impact of Retrospective Application (Note 3)	-	-	-	-	(27,373)	(2,654)	-	(2,654)	(30,027)	-	(30,027)	
A5	Adjusted Balance as of January 1, 2019	1,205,707	2,108,235	988,725	313,321	4,180,152	(225,544)	1,027,000	801,456	9,597,596	727,447	10,325,043	
	Appropriation of Net Income in 2018 (Note 25)												
B1	Statutory Surplus Reserve	-	-	67,277	-	(67,277)	-	-	-	-	-	-	
B5	Cash Dividend - NT\$5 per share	-	-	-	-	(602,854)	-	-	-	(602,854)	-	(602,854)	
D1	Net Profit for 2019	-	-	-	-	1,228,200	-	-	-	1,228,200	87,024	1,315,224	
D3	Other Comprehensive Income after Tax in 2019	-	-	-	-	2,536	(164,464)	(315,887)	(480,351)	(477,815)	(4,407)	(482,222)	
D5	Total Comprehensive Income in 2019	-	-	-	-	1,230,736	(164,464)	(315,887)	(480,351)	750,385	82,617	833,002	
M7	From share of changes in equities of subsidiaries	-	(4,387)	-	-	-	-	-	-	(4,387)	4,387	-	
O1	Increase in Non-Controlling Interests	-	-	-	-	-	-	-	-	-	1,356	1,356	
Z1	Balance as of December 31, 2019	\$ 1,205,707	\$ 2,103,848	\$ 1,056,002	\$ 313,321	\$ 4,740,757	(\$ 390,008)	\$ 711,113	\$ 321,105	\$ 9,740,740	\$ 815,807	\$ 10,556,547	

The attached Notes are part of the consolidated financial statements.
(Please refer to Audit Report of Deloitte & Touche on March 26, 2020)

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries
Consolidated Cash Flow Statement
For the Years Ended December 31, 2019 and 2018

Unit: NT\$1,000

C o d e		2019	2018
	Cash flow from operating activities		
A10000	Net Profit before Tax for the Year	\$ 1,792,682	\$ 1,035,812
A20010	Gains and Losses:		
A20100	Depreciation	371,136	279,946
A20200	Amortization	15,491	28,432
A20400	Estimated Credit Impairment Loss	19,442	27,858
A20900	Financing Costs	69,224	61,694
A21200	Interest Income	(34,382)	(35,318)
A21300	Dividend Income	(55,462)	(98,176)
A21900	Employee Stock Option Costs	-	358
A22300	Associates' Share of Profit (Loss) Accounted for Using Equity Method	(33,477)	(21,229)
A22500	Loss on Disposal of Properties, Plants, and Equipment	380	4,650
A23100	Gain from disposal of investments	(12,446)	-
A23700	Allowance for Inventory Valuation and Obsolescence Loss	12,936	14,677
A23900	Goodwill Impairment Loss	-	3,048
A30000	Net Variable in Operational Assets/Liabilities		
A31130	Notes Receivable	13,382	5,091
A31150	Accounts Receivable	(143,647)	(462,436)
A31160	Accounts Receivable - Stakeholders	(12,716)	11,346
A31180	Other Receivables	17,062	(162,489)
A31200	Inventory	120,805	(112,351)
A31240	Other Current Assets	79,535	(58,056)
A31990	Other Non-Current Assets	644	(2,509)
A32125	Contract Liabilities	(22,625)	18,716
A32130	Notes Payable	(16,787)	(16,819)
A32150	Accounts Payable	53,505	(15,220)
A32180	Other Payables	56,626	7,669
A32230	Other Current Liabilities	(18,115)	98,705
A32240	Net Defined Benefit Liabilities	(30,048)	(18,034)
A32990	Other Non-Current Liabilities	<u>24,729</u>	<u>13,714</u>
A33000	Cash Flow from Operating Activities	2,267,874	609,079
A33100	Interest Income Received	28,949	33,390
A33300	Interest Paid	(67,834)	(60,634)
A33500	Income Tax Paid	(<u>365,000</u>)	(<u>425,915</u>)
AAAA	Net Cash Inflow from Operating Activities	<u>1,863,989</u>	<u>155,920</u>
	Cash Flow from Investment Activities		
B00040	Acquisition of Financial Assets Measured at Amortized Cost	(829,420)	(255,737)
B00010	Purchase of financial assets at fair value through other comprehensive income	(82,367)	-
B00050	Disposal of Financial Assets Measured at Amortized Cost	219,270	330,305

(continued on next page)

(continued from previous page)

<u>C o d e</u>		<u>2019</u>	<u>2018</u>
B00300	Proceeds from Capital Reduction of Investments Accounted for under financial assets at fair value through other comprehensive income	\$ 315	\$ -
B02200	Acquisition of net cash outflow from a business	(48,195)	-
B02700	Purchase of Properties, Plants, and Equipment	(609,602)	(812,970)
B02800	Disposition of PPE	33,703	15,904
B03700	Increase in Refundable Deposits	(24,942)	-
B03800	Decrease in Refundable Deposits	49,110	-
B04500	Purchased Intangible Assets	(26,653)	(12,266)
B05350	Acquisition of right-of-use asset	(80,978)	-
B07300	Increase in Prepaid Rent	-	(59,186)
B07600	Dividends Received	58,462	105,676
B09900	Disposition of right-of-use asset	<u>5,843</u>	<u>-</u>
BBBB	Net Cash Flow from Investing Activities (out)	(<u>1,335,454</u>)	(<u>688,274</u>)
	Cash Flow from Financing Activities		
C00100	Increase in Short-Term Loans	4,561,349	4,660,487
C00200	Decrease in Short-Term Loans	(4,465,366)	(4,652,123)
C00500	Increase in Short-Term Notes and Bills Payable	-	259,509
C00600	Decrease in Short-Term Notes and Bills Payable	-	(379,432)
C01600	Long-Term Loans Borrowed	2,963,409	3,226,780
C01700	Long-Term Loans Repaid	(2,740,543)	(3,222,707)
C03000	Increase in Guarantee Deposits	2,901	1,928
C03100	Decreases in Guarantee Deposits	(1,041)	(996)
C04020	Repayment of the principal portion of lease liabilities	(46,233)	-
C04500	Cash Dividends	(619,816)	(543,508)
C04600	Capital Cash Increase	-	937,163
C05400	Acquisition of Subsidiary Shares	-	(1,668)
C05800	Changes in Non-Controlling Equity	<u>18,318</u>	<u>21,690</u>
CCCC	Net Cash Flow from Financing Activities(out)	(<u>327,022</u>)	<u>307,123</u>
DDDD	Impacts of Exchange Rate Fluctuation on Cash and Cash Equivalents	(<u>138,257</u>)	<u>37,992</u>
EEEE	Net Increase (Decrease) in Cash and Cash Equivalents	63,256	(187,239)
E00100	Cash and Cash Equivalents at Beginning of Year	<u>3,679,348</u>	<u>3,866,587</u>
E00200	Cash and Cash Equivalents at End of Year	<u>\$ 3,742,604</u>	<u>\$ 3,679,348</u>

The attached Notes are part of the consolidated financial statements.
(Please refer to Audit Report of Deloitte & Touche on March 26, 2020)

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

Consolidated Financial Report

January 1 to December 31, 2019 and 2018

(Reviewed only, not audited in accordance with generally accepted auditing standards)

(In NT\$ '000, unless otherwise specified)

(1) Company History

Nan Pao Resins Chemical Co., Ltd. (hereinafter called "Nan Pao" or "the Company") was founded in October 1963, and our main business concerns the manufacturing, wholesale, and retail of synthetic resins, synthetic plastics, adhesives, resin coatings, dyes, and pigments.

The Company was permitted to undertake public share issuance in May 2017, and in July of the same year, the Company's shares can be traded and sold as an emerging stock at the Taipei Exchange (GreTai Securities Market). The Company went public at the Taiwan Stock Exchange in November 2018.

The Consolidated Financial Report will be shown in New Taiwan Dollars (NT\$), the Company's functional currency.

(2) Date and procedures of the passage of the Financial Report

The Consolidated Financial Statements were released on March 26, 2020, after being approved by the Board of Directors.

(3) Applicability of New Announcements and Standards and Interpretations of Amendments

- i. The first application of the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), the International Financial Reporting Interpretations Committee (IFRIC), and the Standard Interpretations Committee (SIC) (hereinafter called "IFRSs") endorsed by the Financial Supervisory Commission (hereinafter called "FSC").

With the exception of the following, the applicability of the aforementioned revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and announced by the FSC should not result in major changes to the accounting policies of the Company:

IFRS 16 "Leases"

IFRS 16 regulates the recognition of lease agreements, as well as lessor and lessee accounting. The standard supersedes IAS 17 "Leases" and IFRIC 4 "Determining Whether an Arrangement Contains a Lease". See Note 4 for the relevant accounting policies.

Definition of "Leases"

The Company will choose whether to conform to (or include) the lease based on IFRS 16 for the contract signed or changed after January 1, 2019. Contracts currently considered to be leasing contracts according to IAS 17 and IFRIC 4 will not be re-evaluated and will be processed in accordance with the transitional provisions of IFRS 16.

The Company is the lessee.

Except for the low-value target asset leases and short-term leases, the leases are recognized on a straight-line basis, and other leases will recognize the right-of-use assets and lease liabilities on the Consolidated Balance Sheet. The Consolidated Statements of Comprehensive Income will state clearly and separately the depreciation expense of the right-of-use assets and the interest expenses accrued on the lease liabilities. The interest should be calculated using the effective rate method. On the Consolidated Statements of Cash Flows, cash payments for the principle of lease liabilities will be classified under financing activities, whereas cash payments for interest of lease liabilities will be classified under operating activities. Prior to the application of IFRS 16, expenses for contracts classified as operating leases were recognized through a straight-line basis, and leases prepaid for obtaining the right-of-use for land were recognized as prepaid rent. Cash flow from operating leases is shown in operating activities on the Consolidated Statement of Cash Flow. Contracts classified as financing leases were recognized as rental assets and rent payable on the Consolidated Balance Sheet.

The Company adjust the cumulative impact of the retroactive application of IFRS 16 to the assets \ liabilities and retained earnings on January 1, 2019, without recompiling the comparative information.

Previously agreements processed as operating rental contracts under IAS 17 will be discounted by the remaining lease payments at the increase borrowing rate of the lessee on January 1, 2019. Certain right-of-use assets will be measured as lease liabilities on that day (and the amount of the prepaid or rent payable previously recognized will be adjusted). A portion of the right-of-use asset is discounted at the aforementioned interest rate and measured as if IFRS 16 had been applied at the commencement date of the lease. For the following practical expedients(2), the recognized right-of-use assets will be subject to IAS 36 assessment impairment.

The Company is expected to adopt the following practical expedients:

- 1 A single discount rate is used to measure the lease liability for a lease combination with reasonably similar characteristics.
- 2 The lease contract liabilities recognized at the end of 2018 will be adjusted for the right-of-use assets as of January 1, 2019, and will not be assessed for impairment according to IAS 36.
- 3 Leases that are closed before December 31, 2019, will be treated on a short-term lease basis.
- 4 The original direct cost is not included in the measurement of the right-of-use assets on January 1, 2019.
- 5 When measuring the lease liabilities, after sight will be used for decisions on the lease term.

For the leases classified as finance leases under IAS 17, the carrying amount of the lease assets and lease liabilities on December 31, 2018, will be used as the carrying amount of the right-of-use assets and lease liabilities on January 1, 2019.

The weighted average lessee's incremental borrowing rate used by the Company to calculate lease liabilities recognized on January 1, 2019 is 4.17%. The reconciliation between the lease liabilities recognized and the future minimum lease payments of non-cancellable operating lease on December 31, 2018 is presented as follows:

Total amount of future minimum lease payments under non-cancellable operating leases on December 31, 2018	\$ 539,095
Less: Short-term leases to which exemption is applicable	(36,836)
Less: Leases of low-value assets to which exemption is applicable	(2,001)
Undiscounted total amount total on January 1, 2019	<u>\$ 500,258</u>
Present value discounted at the incremental borrowing rate of interest on January 1, 2019	\$ 482,289
Add: Obligation under finance leases on December 31, 2018	26,247
Lease liabilities on January 1, 2019	<u>\$ 508,536</u>

The Company is the lessor.

No adjustments will be made to the lessor's leases during the transition and IFRS 16 will be applied from January 1, 2019.

Adjustments to assets, liabilities and equity on January 1, 2019 due to first-time adoption of IFRS 16 were listed as follows:

	January 1, 2019 Amount before restatement	Adjustment due to first- time adoption	January 1, 2019 Amount after restatement
Prepaid leases - current	\$ 15,335	(\$ 15,335)	\$ -
Prepaid leases - non-current	662,223	(662,223)	-
Property, plant and equipment	8,198	(8,198)	-
Right-of-use assets	-	1,137,621	1,137,621
Other current assets	266	(266)	-

	January 1, 2019 Amount before restatement	Adjustment due to first- time adoption	January 1, 2019 Amount after restatement
Deferred tax assets	251,359	663	252,022
Effect on assets		<u>\$ 452,262</u>	
Lease liabilities - current	\$ -	\$ 54,341	\$ 54,341
Other current liabilities	\$ 24,406	(\$ 24,406)	\$ -
Lease liabilities - non- current	-	454,195	454,195
Other non-current liabilities	1,841	(<u>1,841</u>)	-
Effect on liabilities		<u>\$ 482,289</u>	
Retained earnings	\$ 4,207,525	(\$ 27,373)	\$4,180,152
Other equity	804,110	(<u>2,654</u>)	801,456
Effect on equity(Note)		<u>(\$ 30,027)</u>	

Note: RLA Polymers Pty Ltd. is deemed to have applied the effects of IFRS16 on the commencement date of the lease.

ii. FSC-endorsed IFRSs that are applicable from 2020 onwards

New announcements/revisions/standards and interpretations of amendments	Effective Date of Publication by IASB
Amendments to IFRS 3, "Business Combinations"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7, "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8, "Definition of Materiality"	January 1, 2020 (Note 3)

Note 1: The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

Note 2: Accounts in the fiscal years starting after January 1, 2020 shall be applicable to this amendment.

Note 3: The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

1. Amendments to IFRS 3, "Business Combinations"

The amendments clarified that to be considered a business, activities and assets acquired from business combination must include, at a minimum, an input and a substantive process that handles input that together significantly contribute to the ability to create outputs. The definitions of outputs will focus on goods and services provided to customers by removing the payment

method that helps reduce costs in the definition of output. It also removes the requirement for the acquirer to assess whether market participants have the ability to replace the missing input and processes to continue to provide output.

In addition, the amendments added a concentration test that permits a simplified assessment of whether an acquired set of activities and assets is a business. Corporates may elect whether or not to apply the test.

2. Amendment to IAS 1 and IAS 8 "Definition of Material"

The definitions of materiality were not changed in the amendment which only provided explanations that are easier to understand. Amended the definition of materiality and provided additional explanation that non-material information may cause obscuring of material information. In addition, IAS 1 previously used "possible influence on users" as the criteria for materiality. The amendment changed the criteria to "reasonably be expected to influence decisions of users".

Apart from the aforementioned effects, After the passage of the Consolidated Financial Report, the Company will continue to assess the impact of the revision of other standards and interpretations on the financial condition and performance. The related impact will be disclosed on the completion of the assessment.

iii. IFRSs announced by IASB but not yet approved by the FSC nor in effect

New announcements/revisions/standards and interpretations of amendments	Effective Date of Publication by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be Determined
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendment to IAS 1 to "classify liabilities as current or non-current"	January 1, 2022

Note : Unless otherwise stated, the aforementioned New Publication/Amendment/ Standards and Interpretations of Amendments are effective from the fiscal year after their respective dates.

Amendment to IAS 1 to "classify liabilities as current or non-current"

The amendment was made to clarify that when liabilities are classified as non-current, the merged company's right for deferred repayment of at least 12 months after the reporting period at the end of the reporting period must be evaluated. If the merged company has the right at the end of the reporting period, the liability is classified as non-current regardless of whether the merged company plans to exercise the right. The

amendment also clarified that if the merged company is required to comply with certain conditions before it gains the right to defer the liabilities, the merged company must have followed the specified conditions at the end of the reporting period, even if the lender tested the merged company for compliance with these conditions at a later date.

The amendment specifies that to achieve the purpose of debt classification, the aforementioned full repayment refers to the transfer of cash, other economic resources or equity instruments of the merged company to the transaction counterparty to eliminate of the liabilities. Terms of a liability that could, at the option of the counterparty, result in full repayment by the transfer of equity instruments of the merged company. In addition, if the option is recognized separately in equity in accordance with the provisions of IAS 32 "Financial Instruments: Presentation", the provisions described above shall not affect the classification of liabilities.

Besides the effects mentioned and up until the publishing date of the consolidated financial statements, the combined Company is continuing to assess the amendment effects from other standards and interpretations on financial status and performance. Relevant effects shall be disclosed when assessment is completed.

(4) Description of Material Accounting Policies

i. Statement of Compliance

The consolidated financial statements are prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs endorsed and announced by the FSC.

ii. Basis of Preparation

In addition to assessment of financial instruments based on their fair value and the present value of defined benefit obligations minus net defined benefit liabilities recognized at fair value, the Consolidated Financial Report is prepared on a historical basis.

Fair value measurement is divided into three levels based on observability and materiality of the related input:

1. Level 1 Input Value: The offer price (unadjusted) of similar assets or liabilities available in the market on day of assessment.
2. Level 2 Input Value: refers to market inputs other than Level 1 inputs as directly observable (i.e., the price) or indirectly observable (i.e., deduced from the price) assets or liabilities.
3. Level 3 Input Value: refers to unobservable inputs of assets or liabilities.

iii. Classification of Current and Non-Current Assets and Liabilities

Current Assets include:

1. Assets held primarily for the purpose of trading;

2. Assets expected to be realized within 12 months of the balance sheet date; and
3. Cash and Cash Equivalent (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities with settlement in the 12 months after the balance sheet date;
3. Liabilities for which settlement date cannot be extended unconditionally to more than 12 months after the balance sheet date.

Other types of assets or liabilities are classified as non-current assets.

iv. Basis of the Merger

The Consolidated Financial Statement includes the Company and entities it controls (subsidiaries). The Consolidated Income Statement has been included in operating loss and profit for acquisition or disposal of subsidiaries from the date of acquisition or up until the date of disposal. The financial statements of subsidiaries have been adjusted to align its accounting policies with those of the Company. All transactions, account balances, income, and expenses between the entities have been written off. The comprehensive income of a subsidiary belongs to the owners of the Company as also its non-controlling interests, even if the latter becomes a deficit balance.

When a change affecting the ownership of the subsidiary does not cause the Company to lose control of the subsidiary, it will be treated as equity transactions. The carrying amount of the Company and its non-controlling interests have been adjusted to reflect the relative changes in the equity of the subsidiary. The difference between the adjusted non-controlling interest amount and its paid or received fair value consideration will be considered as equity belonging to the owners of the Company.

For details on subsidiaries, shareholding ratio, and business items, please refer to Note 12 and table 7 and 8.

v. Business Combination

The acquisition method is applied to business combinations. Acquisition costs are listed in the period of its incurrence and service.

Goodwill is measured by adding the fair value of consideration transferred and fair value of the acquirer's previously owned acquiree equity on acquisition date minus the net value of identifiable assets and assumed liabilities on acquisition date.

Acquirees have current ownership interests and non-controlling interests based on ratios for net assets during settlement. It is measured by the fair value of each consolidated transaction. Other non-controlling interests are measured at fair value.

Besides the effects mentioned and up until the publishing date of the consolidated financial statements, the combined Company is continuing to assess the amendment effects from other standards and interpretations on financial status and performance.

Relevant effects shall be disclosed when assessment is completed. If the change in the fair value of the contingent consideration is an adjustment of the measurement period, it is a retrospective adjustment of the acquisition cost and a relative adjustment of the goodwill. Measurement period adjustments are adjustments that arise from additional

information obtained during the “measurement period” (which cannot exceed one year from the acquisition date) are about facts and circumstances that existed on the acquisition date.

vi. Foreign Currency

In preparing each individual financial statement, transactions denominated in a currency other than the entity’s functional currency (i.e. foreign currency) are converted into the entity’s functional currency using the exchange rate on the date of transaction.

Monetary items denominated in foreign currencies are converted using the closing rates on the balance sheet date. Differences in delivery or conversion of monetary items are recognized in profit or loss in its period of occurrence.

Non-monetary items denominated in foreign currencies measured at fair value are converted using exchange rate on date of fair value determination. The differences are recognized under profit and loss of the period. For changes in fair value recognized in other comprehensive income, the differences arising from the exchange are recognized in other comprehensive income.

Non-monetary items denominated in foreign currencies and measured at historical cost are converted using exchange rates on date of transaction, and are not re-converted.

When preparing Consolidated Financial Statements, assets and liabilities of overseas entities (including currency of the country or subsidiaries with different currency and associates) are converted into New Taiwan Dollars with the exchange rates on each balance sheet date. Income and expense items are converted at the average exchange rate for the period. The exchange differences are recognized in other comprehensive income, and are attributed to the owners of the Company and non-controlling interests respectively.

If the Company dispose all interests of overseas entities, the cumulative exchange differences will be reclassified under gain or loss.

vii. Inventories

Inventories include raw materials, merchandise, work in progress, finished goods and semi-finished products and inventory in transit. Inventories are measured by taking the lower value between cost and net realizable value. When comparing the two, individual items are used as the basis except for same-category inventory. The NRV is the estimated selling price under normal circumstances less estimated costs for completion and estimated costs necessary to make the sale. Cost of inventory is calculated using the weighted-average method.

viii. Investment in the Associates

Affiliate enterprises (referred to as "associate" in IFRS 10) are companies in which the Company has major influence in but they are neither its subsidiaries nor joint ventures.

The Company follows the equity method for investment in associates.

Under the equity method, investments are initially recognized at cost. The carrying amount of such investments after acquisition date changes in accordance with the Company’s share of associates' gain or loss and other comprehensive income, as well as profit allocation. In addition, equity changes in associates are recognized based on shareholding ratio.

Acquisition cost is listed as goodwill when it exceeds the net fair value of the

associates' identifiable assets and liabilities on date of acquisition. The goodwill includes the investment's carrying amount and shall not be amortized. The net fair value of the Company's identifiable assets and liabilities from the associates' on date of acquisition, if it exceeds acquisition cost, is listed under profit and loss for the period.

When the Company assesses impairment, the investment's entire carrying amount (including goodwill) is treated as a single asset and is compared to recoverable and carrying amount as impairment testing. Recognized impairment loss is not allocated to any component of the investment carrying amount, including goodwill. Any reversal of impairment loss is recognized within the increasing scope of the investment's recoverable amount.

The Company will no longer apply the equity method when its associates' investment ceases. The retained equity is measured at fair value. The difference in carrying value between the fair value, disposal proceeds, and investment carrying value on date of cessation is recognized under profit and loss. For any amount related to associates recognized in other comprehensive income, the accounting basis is the same as that followed by the Company for direct disposal of related assets or liabilities.

Gain or loss arising from reverse, downstream and cross-stream transactions between the Company and associates are only recognized in the Consolidated Financial Statements if it does not regard the scope of the Company's equity in the associate.

ix. Property, Plant, and Equipment

Property, plant and equipment (including assets held under financial leases) are recognized at cost, and subsequently calculated at cost less accumulated depreciation and accumulated impairment loss.

PP&E in construction is recognized at cost less accumulated impairment loss. The cost includes professional service expenses and borrowing costs eligible for capitalization. When these assets are completed and ready for use, they are classified as property, plant or equipment, and listed for depreciation.

Each material section of property, plant and equipment is depreciated using the straight-line method over its useful life. The Company reviews estimated useful life, residual value, and depreciation methods at least at the end of each year, and extend the effects of changes from accounting estimates.

Upon derecognition of property, plant and equipment, the difference between net disposal proceeds and the asset's carrying value is recognized as gain or loss.

x. Investment Property

Investment property is land whose future use is not yet determined.

Investment property is measured initially at cost (including transaction costs), and subsequently at cost less accumulated impairment loss.

Property, plant and equipment are listed under investment property with carrying amount at end of use.

Upon derecognition of investment property, the difference between net disposal proceeds and the asset's carrying value is recognized under gain or loss.

xi. Goodwill

Goodwill acquired through business combination uses the amount on the day of acquisition as its cost, and is subsequently measured at cost less accumulated impairment loss.

For the purpose of impairment testing, goodwill is allocated to each cash-generating unit or group (“CGU”) that is expected to benefit from the synergies of business combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually (also when the unit shows signs of impairment) by comparing the carrying amount with goodwill and recoverable amount. If the goodwill of cash-generating unit is acquired through the year's business combination, the unit is tested for impairment before the end of the same year. If the recoverable amount of cash-generating unit to which goodwill is allocated is less than its carrying value, then impairment loss is the carrying value and the carrying value of other assets is reduced based on its ratio. Any impairment loss is recognized directly as profit and loss. Loss in impairment of goodwill cannot be reversed subsequently.

xii. Intangible assets

1. Separate Acquisition

The intangible assets acquired separately are measured at cost, and subsequently at cost less accumulated amortization and impairment loss. Intangible assets are amortized on a straight-line basis over their useful life. They are reviewed at least once at the end of the fiscal year to assess its useful life, residual value, amortization methods, and to extend the effects of changes in accounting estimates.

2. Acquired in a Business Combination

Intangible assets acquired through business combinations are recognized at fair value on the date of acquisition and separately from goodwill. They are subsequently measured in the same way as separately-acquired intangible assets.

3. Derecognition

When derecognizing intangible assets, the difference between net disposal proceeds and asset's carrying value is recognized under profit and loss of the period.

xiii. Impairment of Tangible and Intangible Assets (other than goodwill)

The Company assesses on each balance sheet date for possible impairment of tangible and intangible assets (other than goodwill). If there is any sign of impairment, the asset's recoverable amount is estimated. If the recoverable amount for an individual asset cannot be determined, the Company will estimate the recoverable amount from its cash-generating unit.

The recoverable amount is defined as the higher value between "fair value less costs to sell" and "value in use." If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying value, the carrying value of the asset or cash-generating unit is reduced to its recoverable amount with impairment loss recognized in gain and loss.

When impairment loss is reversed subsequently, carrying value of the asset or cash-generating unit is increased to the recoverable amount after amendment, provided the carrying value is less than the one recognized in impairment loss from previous years (less amortization or depreciation). Reversed impairment loss is recognized under gain or loss.

xiv. Financial Instruments

Financial assets and liabilities are recognized in the consolidated balance sheet when they become part of the instrument contract clauses in the Company.

While recognizing financial assets and liabilities, if their fair value is not evaluated based on gain or loss, they will be measured using fair value plus transaction costs directly attributable to the acquisition or issuance of the financial asset or liability. Transaction costs directly attributable to the acquisition or issuance of financial assets or liabilities at fair value through profit or loss are recognized as gain or loss.

1. Financial Assets

The customary trading of financial assets is recognized and derecognized on the trading day.

i. Measurement Types

Financial assets held by the Company are measured at amortized cost and equity instrument investments are measured at fair value through other comprehensive income.

A. Financial assets measured at amortized cost

When the Company's investments in financial assets satisfy the following two conditions simultaneously, they are classified as financial assets measured at amortized cost:

- (a) Held under a certain business model of which the objective of holding the financial assets is to collect contractual cash flows; and
- (b) Cash flow generated on specific dates of contractual terms, that are solely payments of principal and interests on principal amount outstanding.

After initial recognition, financial assets measured at amortized cost (including cash and cash equivalents, receivables, other receivables, and debt instrument investments) become the total carrying value through the effective interest method less any impairment loss at amortized cost. Any gain or loss from foreign currency exchange are recognized as gain or loss.

Except for the following two circumstances, interest revenue is

calculated by multiplying effective interest rates and total carrying value of financial assets:

- (a) For purchased or originated credit-impaired financial assets, interest revenue is calculated by multiplying the credit-adjusted effective rates to the financial assets at amortized cost.
- (b) For credit impairment not from purchase or origin, but becomes credit impaired financial assets subsequently, interest revenue is calculated by multiplying effective rates from the next reporting period to the financial assets at amortized cost.

Credit-impaired financial assets refer to cases of significant financial difficulties of the issuer or the debtor, breach of contract, substantial increase of likelihood that the debtor will petition for bankruptcy or other financial reorganization, or the disappearance of the financial asset from the active market due to financial difficulties.

Cash equivalents include fixed deposits acquired for less than 3 months, which are highly liquid, and can be easily converted into cash, fixed deposits or bank's acceptance bill at any time with minimum price fluctuation and can be used to satisfy short-term cash commitments.

B. Investments in equity instruments measured at FVTOCI

The Company may, at initial recognition, make an irrevocable election to designate an equity instrument that is neither held for trading nor recognized by acquiree's contingent consideration to be measured at FVTOCI.

Investments in an equity instrument measured at FVTOCI are measured at fair value, and any subsequent changes in fair value are recognized under other comprehensive income and accumulated in other equities. Upon disposal of investment, accumulated loss and profit are directly transferred to retained earnings and are not reclassified to profit or loss.

Dividends from investments in equity instruments measured at FVTOCI are recognized under gain or loss when the Company's right to receive payment is established, unless such dividends clearly represent the recovery of a part of certain investment costs.

ii. Impairment Loss of Financial Assets

The Company assesses impairment loss of financial assets (including accounts receivable) measured at amortized cost on the balance sheet date based on estimated credit loss.

Accounts receivable are recognized as allowance loss based on expected credit loss during the duration of the period. Other assets are assessed for significant increase in credit risk since initial recognition. If credit risk has not increased significantly, they are recognized for 12-month loss allowance from expected credit loss. If credit risk has increased significantly, they are recognized for loss allowance from expected credit loss during the duration of the period.

The expected credit loss is the weighted average of credit loss with the risk of a default occurring as weightings. The 12-month expected credit loss represents the expected credit loss from possible default events within 12

months of reporting date, whereas the full lifetime expected credit loss represents the expected credit loss from possible default events over the life of the financial instruments.

For the purpose of internal credit risk management, the merged company, without considering the collateral it holds, determines that the following circumstances represent a default in financial assets:

A. Where there is internal or external information showing that the debtor is no longer able to pay off the debt.

B. Where the debt is overdue more than 365 days, unless there is reasonable and authenticated information showing that the delayed default basis is more appropriate.

The impairment loss on all financial assets is accounted for by reducing the carrying amount of the allowance account.

iii. Derecognition of Financial Assets

The Company derecognizes the financial assets when the contractual rights to the cash inflow from the assets expire or when the Company transfers all the risks and rewards of ownership of the financial assets to other enterprises substantially.

2. Financial Liabilities

i. Subsequent Measurement

Financial liabilities are measured at amortized cost by effective interest methods.

ii. Derecognition of Financial Liabilities

When derecognizing financial liabilities, the difference between its carrying value and paid consideration (including any transferred non-cash assets or liabilities) is recognized in the profit or loss account.

xv. Revenue Recognition

After the Company has identified the performance obligations of the customer's contract, the Company shall distribute the transaction price to each performance obligation and recognize revenue when the performance obligations are met.

1. Sales Revenue from Commodities

Sales revenue from commodities comes from total sales of adhesives, coatings, and building materials. For adhesives, coatings, and building materials, the customer has the right to set the price and usage of the commodity after the terms of trade are fulfilled or the counterparty has inspected and accepted the commodities. The customer is liable for the reselling of the goods and assumes risk of product obsolescence. The Company will recognize revenue and accounts receivable at that time. Advance payments are recognized as contract liabilities before the terms of trade of the products are fulfilled.

When supplying materials for processing, control of the processed goods is not transferred, in which case it is not recognized as revenue.

2. Service revenue

For commodity purchase services, no guarantees are made by the Company before ordering. Therefore, there is no inventory risk. The Company acts as an intermediary for purchasing commodities with no subsequent obligations and recognizes net revenue when product is transferred to the customer.

xvi. Leases
2019

The merged company evaluates whether a contract belongs to (or includes) a lease on the contract establishment date.

For contracts that include both lease and non-lease components, the merged company apportions considerations in contracts based on relative stand-alone prices and processes them separately.

1. The merged company is the lessor.

Leases in which the lessee assumes substantially almost all the risks and rewards of ownership are classified as finance leases.

2. The merged company is the lessee

Except that payments for leases of low-value assets and short-term leases to which exemption is applicable are recognized as expenses on a straight-line basis over the lease term, other leases recognize right-of-use assets and lease liabilities on the lease start date.

Right-of-use assets are initially measured at cost (including the initially measured amount of lease liabilities, the lease payments paid before the lease start date less the lease incentives received, the initial direct cost, and the estimated cost of restoring underlying assets), and subsequently measured at cost less the amount after deducting accumulated depreciation and accumulated impairment losses, while adjusting the re-measurement of lease liabilities. Right-of-use assets are expressed separately in the consolidated balance sheet.

Right-of-use assets are depreciated on a straight-line basis from the lease start date to the end of the useful life or the expiration of the lease term, whichever is earlier. Underlying assets whose ownership will be obtained during the expiration of lease term or right-of-use assets whose costs reflect the exercise of purchase option are listed for depreciation from the lease start date to the end of the useful life of the underlying assets.

Lease liabilities are initially measured at the present value of lease payments (including fixed payments and changes in lease payments depending on an index or a rate). If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at the interest rate. If the interest rate cannot be easily determined, the lessee's incremental borrowing rate of interest shall be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, while interest expenses are amortized over the lease term. If the lease term and changes in lease payments depending on an index or a rate result in changes in future lease payments, the merged company re-measures lease liabilities and adjusts right-of-use assets. However, if the carrying amount of right-of-use assets has been reduced to zero, the remaining re-measured amount is recognized in profit or loss. Lease liabilities are expressed separately in the consolidated balance sheet.

Changes in leases that do not depend on an index or a rate in lease agreements are recognized as expenses in the period in which they take place.

2018

When lease terms transfer most risks and rewards of asset ownership to the lessee, they are classified as finance leases. All other leases are classified as operating leases.

- i. The merged company is the lessor.

- Revenue from operating leases is recognized as revenue on a straight-line basis over the relevant lease term.
- ii. The merged company is the lessee
 Finance leases are listed as cost using the lower of the total present value of lease payments or the fair value of lease assets on the lease start date, and are also recognized as obligation under financial leases.
 The interest rate implicit in leases paid in each term is listed as financial expense in the current period, and is capitalized if it is directly attributable to assets that meet the requirements.
 Operating lease payments are recognized as expenses on a straight-line basis during the lease term.
- iii. Land and Building Leases
 When leases include land and building elements, the merged company classifies them as finance or operating leases based on whether almost all risks and rewards from ownership of the elements have been transferred to the lessee. Minimum lease payments shall be apportioned to land and buildings in proportion to the fair value of land and building lease rights on the lease start date.
 If lease payments can be apportioned reliably to these two elements, each element is treated according to the applicable lease classification. If lease payments cannot be apportioned reliably to these two elements, the entire lease is classified under finance leases. However, if both elements clearly meet the standards of operating leases, the entire lease is classified under operating leases.
- xvii. Borrowing Costs
 Borrowing costs of loans directly attributable to acquisition, construction, or production of assets that meet requirements is considered part of the asset's cost until it reaches the stage of functional use or is ready for sale.
 Certain loans such as eligible capital expenditure that generates revenue from temporary investments are deducted from borrowing costs that meet capitalization conditions.
 Except for the above, all other borrowing costs are recognized under profit and loss during period of incurrence.
- xviii. Employee Benefits
1. Short-Term Employee Benefits
 Short-term employee benefit-related liabilities are measured as non-discounted cash that is expected to be paid in exchange for employee services.
 2. Post-Employment Benefits
 Pension from defined contribution plans is based on the amount of pension that should be paid during the period in which the employee provides the service and shall be recognized as an expense.
 Defined benefit cost (including service cost, net interest and remeasurements) of defined pension plans is determined using projected unit credit method. Service cost (including current and previous service costs) and net interests from net defined benefit liabilities (assets) are recognized as employee benefit expense when they incur, or during amendment or curtailment of the plan.

Remeasurement (including actuarial loss and profit as well as return on plan assets after interest deduction) is recognized under other comprehensive income and is listed in retained earnings. It will not be reclassified under profit and loss in subsequent periods.

Net defined benefit liabilities (assets) are shortfall (surplus) for defined benefit pension plans. Net defined benefit assets cannot exceed present value of the plan's returned contributions or possible decrease in future contributions.

xix. Share-Based Payment Arrangement

Employee stock options are based on the fair value of equity instruments on grant day and the best estimate of the expected value. The expenses are recognized on a straight-line basis over the vested period, and the capital reserve-employee stock options are adjusted at the same time. If vested at grant date, expense is recognized in full at the same date. The Company establishes cash replenishment and retains employee subscription, which is the date on which the underwriting price is determined.

xx. Income Tax

Income tax expense is the sum of current income tax and deferred income tax.

1. Current Income Tax

The surtax on unappropriated earnings calculated in accordance with the Income Tax Act is recognized annually at the shareholder's meeting.

Adjustments to income tax payable in prior years are listed under current income tax.

2. Deferred Tax

Deferred income tax is calculated at the temporary differences between carrying value of assets and liabilities, and tax base used to determine the taxable income.

Deferred income tax liabilities are generally recognized for taxable temporary differences, whereas deferred tax assets are recognized when taxable income is likely available for deducting temporary differences, impairments and other expenditures.

Taxable temporary differences from associates and subsidiaries are recognized under deferred tax liabilities, except when the Company is able to control reversal of temporary difference which is not likely to be reversed in the foreseeable future. Deferred tax assets are recognized for deductible temporary differences related to such investments only to the extent that it is likely that taxable income will be used to achieve temporary differences within the foreseeable future.

The carrying value of deferred tax assets is reviewed on each balance sheet date, and reduced when taxable income is not likely to be sufficient to recover all or part of the assets. Unrecognized deferred tax assets are reviewed on each balance sheet date, and the carrying amount is increased when taxable income is likely to be sufficient to recover all or part of the assets.

Deferred tax assets and liabilities are measured at tax rates expected for liability settlement or asset realization of the same period. Tax rates are based on tax laws enacted or substantively enacted on the balance sheet date. Measurement of deferred tax liabilities and assets reflects tax results on the balance sheet date when the Company is expected to recover or settle the carrying amount of its assets and liabilities.

3. Current and Deferred Income Tax

Current and deferred income tax is recognized in profit and loss, except when recognized respectively in other comprehensive income or in equity.

If current income or deferred tax arises from business combination, tax effects are included in combined accounting.

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

When the Company adopts accounting policies, the management must make judgements, estimates, and assumptions based on past experiences and other relevant factors from other sources that are not readily accessible. The actual results may differ from original estimates.

Management will continue to review estimates and basic assumptions. If an amendment of estimates only affects the current period, it shall be recognized in the current period of amendment; if an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the current year and future periods.

Income Tax

To continue to expand the scales of operation of the Company and support the working capital needs of overseas joint venture companies, the management level has decided that the retained earnings as of the end of 2017 from certain Mainland China subsidiaries will be first attributed to permanent investment (resolution passed by the Company's Board of Directors on June 6, 2018). The deferred income tax liabilities are not estimated based on the retained earnings of the above subsidiaries. If the surplus is remitted in the future, it may give rise to material deferred income tax liabilities, which will be recognized in profit or loss at time of incurrence.

(6) Cash and Cash Equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on Hand and Petty Cash	\$ 11,063	\$ 8,843
Bank Check and Demand Deposit	3,382,128	3,308,965
Cash Equivalents (investments with original maturity date of less than three months)		
Bank's Acceptance Bill	-	10,189
Bank Fixed Deposit	<u>349,413</u>	<u>351,351</u>
	<u>\$ 3,742,604</u>	<u>\$ 3,679,348</u>

The interest rate interval of bank fixed deposits on the Balance Sheet date is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bank Fixed Deposit	0.66% - 6.3%	0.66% - 5.5%

(7) Financial Assets Measured at FVTOCI - Non-Current

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Domestic Investment		
Unlisted Stocks	<u>\$ 976,745</u>	<u>\$ 1,210,580</u>

The Company invests in the aforementioned equity instruments based on medium and long-term strategic purposes and expects to make a profit through long-term investments. The Company's management believes that it is not consistent with the aforementioned long-term investment planning if short-term fair value changes of such investments are listed in profit and loss. Therefore, the Company elects to designate such investment as to be measured at

FVTOCI.

The equity instruments held by the Company measured at FVTOCI are not pledged.

(8) Financial Assets Measured at Amortized Cost

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Current</u>		
Fixed Deposit with Original Maturity Date over 3 months (I)	\$ 345,729	\$ 187,386
Restricted Time deposits (1)	19,987	5,791
Restricted demand deposit (2)	382,835	-
Refundable Deposit	<u>1,064</u>	<u>2,891</u>
	<u>\$ 749,615</u>	<u>\$ 196,068</u>
<u>Non-Current</u>		
Fixed Deposit with Original Maturity Date over 3 Months (I)	\$ 43,051	\$ -
Restricted Time deposits (1)	5,154	7,134
Refundable Deposit	<u>23,580</u>	<u>46,060</u>
	<u>\$ 71,785</u>	<u>\$ 53,194</u>

(I) As of December 31, 2019 and 2018, the annual interest rate interval of fixed deposits were 0.66% - 2.8% and 0.66% - 6.75% respectively.

(II) Restricted demand deposits as of December 31, 2019 are funds that the merged company shall deposit into the dedicated bank account in accordance with the Management, Utilization, and Taxation of Repatriated Offshore Funds.

(III) For information on credit risk management regarding financial assets measured at amortized cost, as well as impairment assessment, please refer to Note 9.

(IV) For information on pledge of financial assets measured at amortized cost, please refer to Note 35.

(9) Credit Risk Management for Debt Instruments

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Measured at Amortized Cost - Current	\$ 749,615	\$ 196,068
Measured at Amortized Cost - Non-Current	<u>71,785</u>	<u>53,194</u>
	<u>\$ 821,400</u>	<u>\$ 249,262</u>

The Company's policy is to invest only in debt instruments with low credit risks as determined by impairment assessment. The Company takes into account historical default loss rate, current financial status of debtors and industry prospects. The Company measures 12-month expected credit loss or expected lifetime credit loss of debt instruments. Due to low credit risk of debtors and sufficient cash flow for contract settlement, expected credit loss for financial assets measured at amortized cost has not been listed as of December 31, 2019 and 2018.

(10) Notes Receivable, Accounts Receivable (including affiliates), and Other Receivables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Notes Receivable</u>		
Arising from Operations	<u>\$ 280,023</u>	<u>\$ 293,405</u>

Accounts Receivable (including affiliates)

Measured at Amortized Cost

Total carrying amount		\$ 3,578,332	\$ 3,516,825
Less: Allowance for Impairment/Bad Debts		<u>48,595</u>	<u>46,716</u>
		<u>\$ 3,529,737</u>	<u>\$ 3,470,109</u>

Other Receivables

Gross carrying amount		<u>\$ 189,685</u>	<u>\$ 201,967</u>
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Accounts Receivable at Amortized Cost

Average credit period for commodity sales from the Company ranges from 30 to 180 days. Interest is not calculated for accounts receivable. To lower credit risks, management of the Company has delegated teams to handle credit limits, credit approval, and other monitoring procedures to ensure appropriate actions have been taken to recover overdue receivables. In addition, the Company reviews recoverable amount of each receivable on the balance sheet date to ensure impairment loss is recognized for unrecoverable receivables. Accordingly, management of the Company believes that credit risk has been significantly reduced.

The Company takes into account customer's default history and current financial status, industry economic situation, and considers industry outlook as basis for expected lifetime credit loss assessment. Since the Company's historical experience of credit loss indicates no significant difference in the loss patterns between the various customer segments, the Company does not group customers into different segments but determines the expected credit loss rate based on the overdue days of accounts receivables.

If evidence indicates that the counterparty is facing severe financial difficulty and recoverable amounts cannot be reliably anticipated, as in the case of the counterparty undergoing liquidation, the Company will directly write off relevant accounts receivable. Nevertheless, recourse will continue and the recovered amounts will be recognized in the profit or loss accounts.

Allowance loss for the Company's accounts receivable is as follows:

As of December 31, 2019

	Not Overdue	Overdue 1 - 90 days	Overdue 91 - 180 days	Overdue 181 - 270 days	Overdue 271 - 365 days	Overdue Over 365 days	Total
Expected lifetime credit loss rate	0.01%~0.1%	0.2%~5%	3%~31%	8%~67%	37%~97%	100%	
Total carrying amount	\$ 2,901,084	\$ 593,336	\$ 27,067	\$ 21,004	\$ 8,389	\$ 27,452	\$ 3,578,332
Loss from Allowance (expected lifetime credit loss)	(1,008)	(3,846)	(2,243)	(8,298)	(5,767)	(27,433)	(48,595)
Amortized Cost	<u>\$ 2,900,076</u>	<u>\$ 589,490</u>	<u>\$ 24,824</u>	<u>\$ 12,706</u>	<u>\$ 2,622</u>	<u>\$ 19</u>	<u>\$ 3,529,737</u>

As of December 31, 2018

	Not Overdue	Overdue 1 - 90 days	Overdue 91 - 180 days	Overdue 181 - 270 days	Overdue 271 - 365 days	Overdue Over 365 days	Total
Expected lifetime credit loss rate	0.01%~0.13%	0.2%~4%	24%~23%	11%~52%	49%~100%	100%	
Total carrying amount	\$ 2,862,518	\$ 563,446	\$ 39,736	\$ 8,935	\$ 7,067	\$ 35,123	\$ 3,516,825
Loss from Allowance (expected lifetime credit loss)	(36)	(392)	(2,040)	(4,945)	(5,855)	(33,448)	(46,716)
Amortized Cost	<u>\$ 2,862,482</u>	<u>\$ 563,054</u>	<u>\$ 37,696</u>	<u>\$ 3,990</u>	<u>\$ 1,212</u>	<u>\$ 1,675</u>	<u>\$ 3,470,109</u>

Information on changes in allowance for accounts receivables is as follows:

	2019	2018
Balance at Beginning of Year	\$ 46,716	\$ 32,480
Add: Listing of the Year	19,442	27,858
Less: Write-Offs of the Year	(16,742)	(13,877)
Difference in Foreign Currency Conversion	(821)	255
Year-End Balance	<u>\$ 48,595</u>	<u>\$ 46,716</u>

(11) Inventory

	December 31, 2019	December 31, 2018
Commodity	\$ 154,768	\$ 196,799
Finished goods and partly-finished goods	845,553	873,028
Work-in-process	86,811	78,174
Raw material	935,688	996,733
Inventories in Transit	<u>218,487</u>	<u>202,490</u>
	<u>\$ 2,241,307</u>	<u>\$ 2,347,224</u>

Cost of sales related to inventories in 2018 and 2019 are NT\$ 12,395,637,000 and NT\$12,210,959,000 respectively, of which, cost of sales in the two years including obsolescence and loss from bad debts are NT\$12,936,000 and \$14,677,000 respectively.

(12) Subsidiaries

Entities in the consolidated financial statements are as follows:

Investor Company	Name of Subsidiaries	Business activities	Shareholding Ratio (%)		Details
			2019 December 31	2018 December 31	
Nan Pao Resins Chemical Co.	Nan Pao Chemical Co. Ltd.	Trading of chemical substances	100	100	
	Nan Pao Application Material Co.	Trading of chemical substances	100	100	
	Nan Pao Electronic Material Co.	Production and Trading of Electronic Materials	100	100	
	ITLS International Development Co. Ltd.	Trading of construction materials and chemical substances	100	100	
	Prince Pharmaceutical Co.	Manufacturing, packaging, and processing of raw materials for various pharmaceutical and health food	52.3	49.9	Note 1
	Phymed Bio-Tec Co.	R&D and Trading of Health Food	100	100	
	Biorich Biotechnology Co.	R&D, Production, Trading of New High Protein Business and Health Food	57.1	57.1	Note 2
	Nan Pao Advanced Materials Co.	Trading of Adhesives and Chemicals	70	70	
	Fuqing Nan Pao Investments Ltd.	General Investment	100	100	
	Thai Nan Pao Investments Ltd.	General Investment	100	100	
	Nan Pao Resins India Pvt. Ltd.	Trading of Adhesives	100	100	
	Nan Pao Materials Vietnam Co., Ltd.	Production and Trading of Adhesives and Chemicals	100	100	

Investor Company	Name of Subsidiaries	Business activities	Shareholding Ratio (%)		Details
			2019	2018	
			December 31	December 31	
	Nan Pao Advanced Materials Vietnam Co., Ltd.	Production and Trading of Adhesives and Chemicals	100	100	
	Nan Pao Overseas Holdings Ltd.	General Investment	100	100	
	Profit Land Ltd.	General Investment	73.75	73.75	Note 3
	All Saints Enterprises Ltd.	General Investment	54.53	54.53	Note 3
	Ongoing Profits Ltd.	General Investment	32.18	32.18	Note 3
	PT. Indo Nan Pao Resins Chemical	Production and Trading of Adhesives	49	49	Note 4
	Progroup Technology Co., Ltd	Trading of Water-Based PU Resin	91.99	-	Note 11
	Nan Pao Philippines Export Inc.	Trading of adhesives	-	-	Note 9
ITLS International Development Co. Ltd.	ITLS Holding Pte. Ltd.	General Investment	100	100	
	Aftek Materials Vietnam Co., Ltd.	Production and Trading of Construction Materials	70	70	Note 5
ITLS Holding Pte. Ltd.	ITLS (Malaysia) SDN BHD	Production and Trading of Construction Materials	100	100	
	PT. ITLS Indonesia	Production and Trading of Construction Materials	100	100	
	ITLS Vietnam Co., Ltd.	Production and Trading of Construction Materials	100	100	
	ITLS-Rich (S) Pte. Ltd.	Trading of Hardware and Construction Materials	-	100	Note 6
	ITLS-SB SDN BHD	Production and Trading of Hardware and Construction Materials	100	100	
Fuqing Nan Pao Investments Ltd.	Wealth Castle Development Ltd.	General Investment	100	100	
Wealth Castle Development Ltd.	Fuqing Nan Pao Resins Co., Ltd	Production and Trading of Adhesives	100	100	
Thai Nan Pao Investments Ltd.	Thai Nanpao Resins Chemical Co., Ltd.	Production and Trading of Adhesives	100	100	
Nan Pao Overseas Holdings Ltd.	Nan Pao Group Holdings Ltd.	General Investment	100	100	
Nan Pao Group Holdings Ltd.	Greatwill Materials (HK) Ltd.	General Investment	67.68	67.68	
	Profit Land Ltd.	General Investment	26.25	26.25	Note 3
	Nan Pao Resins (Holdings) Ltd.	General Investment	100	100	
	All Saints Enterprises Ltd.	General Investment	45.47	45.47	Note 3
	Mega Victory Ltd.	General Investment	-	100	Note 11
	ITLS – TWA Australia Pty. Ltd.	Production and Trading of Hardware, Construction Materials, and Chemicals	-	100	Note 12
	NP Australia Pty. Ltd.	General Investment	100	100	
	Ongoing Profits Ltd.	General Investment	67.82	67.82	Note 3
	Treasure Wealth (HK) Ltd.	General Investment	100	100	
	Goldford Investments Ltd.	General Investment	100	100	
	Nan Pao Resins Chemical Philippines, Inc.	Trading of Adhesives	100	100	
	Nan Pao Resins International Ltd.	Trading of chemicals substances and Related Products	100	100	
	Nanpao Advanced Investment Co., Ltd.	General Investment	100	100	
	Nan Pao Resins (HK) Limited	Production and trading of adhesives	100	-	Note 8
Greatwill Materials (HK) Ltd.	Foshan Nan Pao Advanced Materials Co., Ltd.	Production and Trading of Adhesives	99	99	Note 3

Investor Company	Name of Subsidiaries	Business activities	Shareholding Ratio (%)		Details
			2019	2018	
			December 31	December 31	
Profit Land Ltd.	Giant Profit Development Ltd.	General Investment	100	100	
Giant Profit Development Ltd.	Nan Pao Resins (Foshan) Co., Ltd	Production and Trading of Adhesives	100	100	
Nan Pao Resins (Foshan) Co., Ltd	Nanpao Chenghong New Material Technology Co., Ltd.	Trading of footwear materials	51	51	
	Foshan Nan Pao Advanced Materials Co., Ltd.	Production and Trading of Adhesives	1	1	Note 3
Nan Pao Resins (Holdings) Ltd.	Eastlion Enterprises Ltd.	General Investment	100	100	
	Eastlion Industrial Ltd.	General Investment	-	100	Note10
	Nan Pao Resins Development Ltd.	General Investment	100	100	
Eastlion Enterprises Ltd.	Nan Pao Resins (Dongguan) Co., Ltd	Processing of Adhesives	100	100	
Nan Pao Resins Development Ltd.	Dongguan Jia Chin Electronics Co., Ltd.	Production and Trading of Coatings and Advanced Resins	100	100	
All Saints Enterprises Ltd.	Great Mount Enterprises Ltd.	General Investment	100	100	
Great Mount Enterprises Ltd.	Nan Pao Resins (China) Co., Ltd	Production and Trading of Adhesives and Coatings	100	100	
Mega Victory Ltd.	Progroup Technology Co., Ltd.	Trading of Water-Based PU Resin	-	91.99	Note11
NP Australia Pty. Ltd.	RLA Polymers Pty Ltd.	Production and Trading of Construction Materials and Chemicals	100	100	
RLA Polymers Pty. Ltd.	RLA Polymers (M) SDN BHD	Production and Trading of Construction Materials and Chemicals	100	100	
Ongoing Profits Ltd.	Rising Sun Associates Ltd.	General Investment	100	100	
Rising Sun Associates Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Production and Trading of Adhesives and Coatings	100	100	
Goldford Investments Ltd.	PT. Indo Nan Pao Resins Chemical	Production and Trading of Adhesives	18.5	18.5	Note 4
Treasure Wealth (HK) Ltd.	Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Production and Trading of Coatings	50	50	
Nanpao Advanced Investment Co., Ltd.	Nan Pao (Kunshan) Electronic Commerce Co., Ltd.	Online Business Agency and General Merchandise Trading	100	100	
	Nantong Nan Pao Resins Materials Co., Ltd.	Production and Trading of Adhesives	100	100	
	Nan Pao Resins (Yunan) Co., Ltd	Production and Trading of Adhesives	100	100	Note 7

Note 1: In December 2019, the merged company did not subscribe to the capital increase of Prince Pharmaceutical Co., Ltd. in accordance with the shareholding ratio, resulting in an increase in the shareholding ratio from 49.9% to 52.3%.

Note 2: The Company acquired fractional shares of Biorich Biotechnology Co. in October 2018, increasing shareholding ratio from 57.06% to 57.1%.

Note 3: Total direct and indirect shareholding account is 100%.

Note 4: Total direct and indirect shareholding account is 67.50%.

Note 5: ITLS International Development Co., Ltd. established and invested in Aftek Materials Vietnam Co., Ltd. in February 2018 with 70% shareholding ratio.

Note 6: The Company acquired remaining shares of ITLS-Rich (S) Pte. Ltd. in March 2018 increasing shareholding ratio from 80% to 100%, The liquidation was completed

and the company registration was canceled in June 2019

Note 7: Nanpao Advanced Investment Co., Ltd. established and invested in Nanpao Resins Materials (Yunan) Co., Ltd. in Mainland China in August 2018 with 100% shareholding ratio..

Note 8: The Company has established Nan Pao Resins (HK) Limited through its investment in Hong Kong in June 2019, Capital amounting to US\$1,800 thousand and US\$2,000 thousand was invested in October and November 2019, respectively.

Note 9: The company has established Nan Pao Philippines Export Inc. in September 2019, and still not send first Capital yet.

Note 10: Eastlion Industrial Ltd. was liquidated and retired in July 2019 ..

Note 11: After Mega Victory Ltd. transferred the shares of Progroups Technology Co., Ltd. to the company in December 2019, and was liquidated and retired in December 2019 .

Note 12: ITLS-TWA Australia Pty Ltd was liquidated and retired in November 2019.

(13) Investment Using Equity Methods

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Investment in Associates</u>		
Individual Non-Material Associates	<u>\$ 322,657</u>	<u>\$ 292,180</u>

Compilation of Information for Individual Non-Material Associates is as follows:

	<u>2019</u>	<u>2018</u>
Shares from the Company		
Net Income and Total Comprehensive Income of the Year	<u>\$ 33,477</u>	<u>\$ 21,229</u>

Shares of loss and profit and other comprehensive income of associates under equity methods are recognized in financial statements audited by CPA in the same period.

(14) Properties, Plants, and Equipment

Depreciation expense is calculated using the straight-line basis based on the below useful years:

Land Improvement	4 to 20 Years
Building	2 to 60 Years
Machinery Equipment	2 to 30 Years
Transportation Equipment	2 to 20 Years
Other Equipment	2 to 20 Years

The Company has shown no indication of impairment in 2018 and 2019, and was not assessed for impairment.

For PP&E amount considered as collateral, please refer to Note 11.

Refer to Note 35 for details regarding property, plant and equipment set as collateral.

(15) Lease agreement

i. Right-of-use assets

	December 31, 2019
Balance of right-of-use assets	
Land(Note)	\$ 819,470
Building	302,489
Machinery equipment	129
Transportation Equipment	36,413
Other Equipment	<u>2,007</u>
	<u>\$ 1,160,508</u>
	2019
Addition of right-of-use	<u>\$ 152,432</u>
Depreciation of right-of-use	
Land(Note)	\$ 20,528
Building	36,689
Machinery equipment	142
Transportation Equipment	13,616
Other Equipment	<u>1,040</u>
	<u>\$ 72,015</u>

Note : Land use rights are originally classified as prepaid leases according to IAS17.

Refer to Note 3 and Note 19 for details regarding reclassification and information for 2018. Among them, the land use rights of the Vietnamese subsidiary are pledged collateral, please refer to Note 35.

ii. Lease liabilities

	December 31, 2019
Balance of lease liabilities	
Current	<u>\$ 52,029</u>
Non-current	<u>\$ 447,552</u>

The interval of discount rate on lease liabilities are as follows :

	December 31, 2019
Land	1.56%
Building	1.05%~5.37%
Machinery equipment	1.05%~2%
Transportation Equipment	1.3%~5.37%
Other Equipment	5.37%~11.2%

iii. Important Leasing Activities and Terms

The merged company leases a number of land, buildings and equipment for business use, and their lease term is 2 to 89 years. At the end of the lease term, the merged company has no bargain purchase option over the land and building leased, and the merged company may not sublease or transfer all or part of the leased items without the lessor's consent.

iv. Other lease information

2019

	<u>2019</u>
Expenses for short-term leases	\$ <u>50,830</u>
Expenses for low-value assets	\$ <u>1,007</u>
Net cash (outflow) from lease	\$ <u>97,656</u>

The Company elects to apply the recognition exemptions to some buildings and transportation equipment that qualify as a short-term lease or a lease with low-value underlying assets. Consequently, the Company does not recognize any right-of-use assets or lease liabilities for the said leases.

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows :

	<u>December 30, 2018</u>
Not later than 1 year	\$ 60,031
Later than 1 year and not later than 5 years	134,773
Later than 5 years	<u>344,291</u>
	<u>\$ 539,095</u>

(16) Investment Property

	<u>Land</u>
Balance on December 31,2019, and December 31, 2018	\$ <u>17,760</u>

Fair values of investment property for December 31, 2018 and 2019 were NT\$ 159,657,000 and NT\$97,315,000 respectively. They were not assessed by any appraisers and only by management was using actual transaction prices in nearby areas for the past year as reference.

The investment property of the Company is self-owned and no mortgage condition exists.

(17) Goodwill

	<u>2019</u>	<u>2018</u>
<u>Cost</u>		
Balance at Beginning of the Year	\$ 89,871	\$ 91,978
Acquisition of Business Combination in the year (Note 31)	29,488	
Acquisition of the Year Net Exchange Difference	(2,845)	2,997 (5,104)
Year-End Balance	<u>\$ 116,514</u>	<u>\$ 89,871</u>
 <u>Accumulated Impairment Loss</u>		
Balance at Beginning of the Year	\$ 3,105-	\$ -
Recognized Impairment of the Year		3,048
Net Exchange Difference	(74)	57
Year-End Balance	<u>\$ 3,031</u>	<u>\$ 3,105</u>
 Year-End Net Amount	 <u>\$ 113,483</u>	 <u>\$ 86,766</u>

The Company tests for impairment on recoverable amount of goodwill at year-end, using value-in-use as basis for calculation of recoverable amount. Calculation of value-in-use is based on the cash flows of the Company's future financial projections as an estimate to reflect specific risks of relevant cash generating units.

Subsidiary production was less than expected. The Company evaluated recoverable goodwill on December 31, 2018, and recognized goodwill impairment of NT\$ 3,048,000 related to subsidiaries.

Recoverable amount is decided based on value-of-use, estimated using management's cash flow projection in the next five years. and calculated with weighted average capital cost rate of 7.22%. These assumptions are based on past operations of CGU and management's expectations for the market.

(18) Other Intangible Assets

	Customer Relations	Computer Software	Others	Total
<u>Cost</u>				
Balance as of January 1, 2018	\$ 58,658	\$ 35,065	\$ 7,719	\$ 101,442
Separate Acquisition	5,859	3,175	235	9,269
Disposal	-	(335)	(2,795)	(3,130)
Reclassification	-	-	(1,061)	(1,061)
Net Exchange Difference	(<u>4,071</u>)	<u>16</u>	<u>108</u>	(<u>3,947</u>)
Balance as of December 31, 2018	<u>\$ 60,446</u>	<u>\$ 37,921</u>	<u>\$ 4,206</u>	<u>\$ 102,573</u>
<u>Accumulated Amortization and Impairment</u>				
Balance as of January 1, 2018	\$ 26,427	\$ 18,769	\$ 6,945	\$ 52,141
Amortization Expense	6,244	5,645	7	11,896
Disposal	-	(335)	(2,795)	(3,130)
Reclassification	-	-	(371)	(371)
Net Exchange Difference	(<u>1,972</u>)	<u>14</u>	<u>121</u>	(<u>1,837</u>)
Balance as of December 31, 2018	<u>\$ 30,699</u>	<u>\$ 24,093</u>	<u>\$ 3,907</u>	<u>\$ 58,699</u>
Balance as of December 31, 2018	<u>\$ 29,747</u>	<u>\$ 13,828</u>	<u>\$ 299</u>	<u>\$ 43,874</u>
<u>Cost</u>				
Balance as of January 1, 2019	\$ 60,446	\$ 37,921	\$ 4,206	\$ 102,573
Separate Acquisition	-	9,841	22,325	32,166
Disposal	11,781	-	9,243	21,024
Reclassification	-	-	-	-
Net Exchange Difference	(<u>2,071</u>)	(<u>134</u>)	(<u>317</u>)	(<u>2,522</u>)
Balance as of December 31, 2019	<u>\$ 70,156</u>	<u>\$ 47,628</u>	<u>\$ 35,457</u>	<u>\$ 153,241</u>
<u>Accumulated Amortization and Impairment</u>				
Balance as of January 1, 2019	\$ 30,699	\$ 24,093	\$ 3,907	\$ 58,699
Amortization Expense	6,675	6,359	2,457	15,491
Disposal	-	-	-	-
Reclassification	-	-	-	-
Net Exchange Difference	(<u>1,089</u>)	(<u>109</u>)	(<u>105</u>)	(<u>1,303</u>)
Balance as of December 31, 2019	<u>\$ 36,285</u>	<u>\$ 30,343</u>	<u>\$ 6,259</u>	<u>\$ 72,887</u>
Balance as of December 31, 2019	<u>\$ 33,871</u>	<u>\$ 17,285</u>	<u>\$ 29,198</u>	<u>\$ 80,354</u>

The amortization cost is calculated based on the straight-line basis for the following useful life:

Customer Relations	8 to 11 years
Computer Software	3 to 10 years
Others	2 to 10 years

(19) Prepaid Lease

	<u>December 31, 2018</u>	<u>_____</u>
Current	\$ 15,335	
Non-Current	<u>662,223</u>	
	<u>\$ 677,558</u>	

As of December 31, 2017 and 2018, prepaid lease payments are in the following regions:

	<u>December 31, 2018</u>	<u>_____</u>
Vietnam	\$ 414,724	
China	199,099	
Malaysia	61,608	
Indonesia	<u>2,127</u>	
	<u>\$ 677,558</u>	

The right-of-use for land for the above range from 30 to 89 years, and terms will expire between 2023 and 2107.

(20) Other Assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Current</u>		
Input tax amount	\$ 121,729	\$ 160,692
Prepaid cost of goods	132,761	208,413
Prepaid Expense	73,054	57,799
Tax Overpaid Retained for Offsetting the Future Tax Payable	33,657	15,515
Refundable Deposits		
Other	<u>12,095</u>	<u>10,678</u>
	<u>\$ 373,296</u>	<u>\$ 453,097</u>
<u>Non-Current</u>		
Prepaid Equipment	\$ 152,633	\$ 107,815
Refundable Deposits	-	
Other	<u>7,316</u>	<u>7,960</u>
	<u>\$ 159,949</u>	<u>\$ 115,775</u>

(21) Loans

i. Short-Term loans

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Secured loans from banks (Note 38)	\$ 276,906	\$ 88,963
Bank Credit Loans	<u>1,094,370</u>	<u>1,206,731</u>
	<u>\$ 1,371,276</u>	<u>\$ 1,295,694</u>

Annual rates for short-term loans are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Secured loans from banks	1.52% ~ 5.22%	1.52% ~ 3.44%
Bank Credit Loans	0.91% ~ 4.35%	0.91% ~ 5.39%

ii. Long-Term Debts

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bank secured loans (Note 1)	\$ 108,412	\$ 155,498
Bank credit loans (Note 2)	<u>1,769,503</u>	<u>1,501,845</u>
	1,877,915	1,657,343
Less: Those mature within one year	<u>353,765</u>	<u>265,273</u>
	<u>\$ 1,524,150</u>	<u>\$ 1,392,070</u>

Note1: Bank secured loans are secured by the merged company's own land, buildings, right-of-use assets and deposit certificates (see Note 35). The aforementioned long-term loans are due before June 2022, and payment of interest and principal are made on schedule. As of December 31, 2019 and 2018, the effective annual interest rates were of 2.6969% to 2.7205% and 3.336% to 3.695%.

Note2: Bank credit loans are due before December 2024, and interest and principal are paid on schedule. As of December 31, 2019 and 2018, the effective annual interest rates were 0.6% to 2.7205% and 1% to 3.766%.

(22) Notes Payable and Accounts Payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Bill Payable</u>		
Arising from Operations	<u>\$ 12,788</u>	<u>\$ 35,908</u>
<u>Accounts Payable</u>		
Arising from Operations	<u>\$ 1,936,397</u>	<u>\$ 1,923,206</u>

The Company has formulated a set of financial risk management policies to ensure that all payables are repaid within agreed term of credit.

(23) Other Liabilities

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Current</u>		
Other Liabilities		
Refund Liabilities	\$ 113,894	\$ 101,921
Revenue Received in Advance	-	
Others	<u>53,983</u>	<u>83,968</u>
	<u>\$ 167,877</u>	<u>\$ 185,889</u>
 <u>Non-Current</u>		
Other Liabilities		
Guarantee Deposits	\$ 3,680	\$ 2,050
Others	<u>53,054</u>	<u>54,572</u>
	<u>\$ 56,734</u>	<u>\$ 56,622</u>

(24) Post-Retirement Benefit Plan

i. Defined Contribution Plans

The pension system from "Labor Pension Act" applicable to domestic consolidated entities in the Company is a defined contribution plan under government administration. The Company contributes 6% of the employee's monthly salary to the account at Bureau of Labor Insurance.

The Company's subsidiaries in Mainland China and other regions will contribute a specified percentage of salary to retirement benefit plan in accordance with local laws and regulations.

ii. Defined Benefit Plans

The Company's pension system conducted in accordance with "Labor Standards Act" is a defined benefit pension plan managed by government. Employee pension payments are based on years of service and average salary for the first six months prior to retirement. The Company contributes 2% to 15% of total employee salary to the pension fund at the end of each month. The pension fund committee makes deposits in its name to the designated account at Bank of Taiwan. Before year-end, for employees whose account balance is not sufficient for payments until reaching retirement within the following year, contribution for the difference will be allocated in the following March. The Bureau of Labor Funds, Ministry of Labor is assigned to administer the account. The Company retains no rights that may influence its investment and administration strategies.

The employees belonging to subsidiaries in Indonesia are part of the retirement benefit plans of the Indonesian government. The subsidiaries are required to contribute a specified percentage of salary to the retirement benefit plans as funding.

Amounts included in defined benefit plans listed in the consolidated balance sheet are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present Value of Defined Benefit Obligations	\$ 428,052	\$ 436,747
Fair Value of Plan Assets	<u>(313,033)</u>	<u>(287,337)</u>
Net Defined Benefit Liabilities	<u>\$ 115,019</u>	<u>\$ 149,410</u>

Changes in net defined benefit liabilities are as follows:

Movement of net defined benefit liabilities:

	Present value of defined benefit obligation	Fair value of employee benefit plan assets	Net defined benefit liabilities
Balance as of January 1, 2018	<u>\$ 456,404</u>	<u>(\$ 277,363)</u>	<u>\$ 179,041</u>
Cost of services			
Current service cost	7,868	-	7,868
Cost of service in the previous period and repayment losses	122	-	122
Interest fees (income)	<u>5,486</u>	<u>(2,909)</u>	<u>2,577</u>
Recognized in profit and loss	<u>13,476</u>	<u>(2,909)</u>	<u>10,567</u>
Remeasurements			
Return on plan assets (excluding amounts that are included in net interest)	-	(8,403)	(8,403)
Actuarial losses - Changes in financial assumptions	3,515	-	3,515
Actuarial gains- Adjustments based on history	(4,095)	-	(4,095)
Actuarial gains - Others	<u>(2,615)</u>	<u>-</u>	<u>(2,615)</u>
Recognized in other comprehensive profit and loss	<u>(3,195)</u>	<u>(8,403)</u>	<u>(11,598)</u>
Employer contribution	-	(23,747)	(23,747)
Benefits payment	(29,183)	<u>25,085</u>	(4,098)
Net exchange differences	(755)	-	(755)
Balance as of December 31, 2018	<u>436,747</u>	<u>(287,337)</u>	<u>149,410</u>
Cost of services			
Current service cost	7,460	-	7,460
Cost of service in the previous period and repayment losses	(1,137)	-	(1,137)
Interest fees (income)	<u>5,477</u>	<u>(2,916)</u>	<u>2,561</u>
Recognized in profit and loss	<u>11,800</u>	<u>(2,916)</u>	<u>8,884</u>
Remeasurements			
Return on plan assets (excluding amounts that are included in net interest)	-	(10,319)	(10,319)
Actuarial losses - Changes in financial assumptions	7,100	-	7,100

	Present value of defined benefit obligation	Fair value of employee benefit plan assets	Net defined benefit liabilities
Actuarial gains- Adjustments based on history	(\$ 2,495)	\$ -	(\$ 2,495)
Actuarial losses- Others	<u>770</u>	<u>-</u>	<u>770</u>
Recognized in other comprehensive profit and loss	<u>5,375</u>	<u>(10,319)</u>	<u>(4,944)</u>
Employer contribution	<u>-</u>	<u>(23,870)</u>	<u>(23,870)</u>
Benefits payment	<u>(26,183)</u>	<u>11,409</u>	<u>(14,774)</u>
Net exchange differences	<u>313</u>	<u>-</u>	<u>313</u>
Balance as of December 31, 2019	<u>\$ 428,052</u>	<u>(\$ 313,033)</u>	<u>\$ 115,019</u>

The amount of defined benefit plan recognized in profit or loss was summarized by functions as follows:

	2019	2018
Operating costs	\$ 5,196	\$ 5,527
Amortization expenses	2,045	1,986
Administrative expenses	956	2,222
Research and development expenses	<u>687</u>	<u>832</u>
	<u>\$ 8,884</u>	<u>\$ 10,567</u>

The Company has exposed the following risks in pension system of "Labor Standards Act":

1. Investment Risk: Bureau of Labor Funds, by itself or through an intermediary, invests pension fund in foreign/domestic equity securities, debt securities, and bank deposits, provided the distributed amount of the Company's plan assets are higher than 2-year fixed deposit rates of local banks domestic.
2. Interest Rate Risk: decrease in government bond interest rate will increase present value of defined benefit obligation. However, return on debt investments of plan assets will also increase. Effects of the two on net defined benefit obligations will partially offset each other.
3. Salary Risk: present value of defined benefit obligations is calculated with reference to future salaries of plan members. Salary increase of plan members will increase present value of defined benefit obligations.

Present value of the Company's defined benefit obligation is determined by a qualified actuary. Material assumptions on the measurement date are as follows:

	December 31, 2019	December 31, 2018
Discount Rate	0.7% ~ 8 %	1% ~ 8.5%
Expected Salary Growth Rate	2% ~ 10%	2.5% ~ 10%

If reasonably possible changes occur in material actuarial assumptions while all other assumptions remain unchanged, the present value of defined benefit obligations will increase (decrease) as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount Rate		
0.25% Increase	(\$ 9,619)	(\$ 10,085)
0.25% Decrease	<u>\$ 10,010</u>	<u>\$ 10,489</u>
Expected Salary Growth Rate		
0.25% Increase	<u>\$ 9,778</u>	<u>\$ 10,005</u>
0.25% Decrease	(\$ 9,458)	(\$ 9,941)

As actuarial assumptions may be related to one another, changes in a single assumption is not likely, and actual change in present value of defined benefit obligations may not be reflected in the analysis above.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Expected Contribution within 1 Year	<u>\$ 21,837</u>	<u>\$ 22,925</u>
Average Maturity Period of Defined Benefit Obligations	9 to 18.27 Years	9 to 18.11 Years

(25) Equity

i. Capital

Ordinary Shares

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Authorized Shares (thousand shares)	<u>200,000</u>	<u>200,000</u>
Authorized Capital	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of Issued and Paid-For Shares (thousand shares)	<u>120,570</u>	<u>120,570</u>
Issued Capital	<u>\$ 1,205,707</u>	<u>\$ 1,205,707</u>

Ordinary shares are issued with the par value of NT\$10 per share, and each ordinary share represents the right to vote and receive dividends.

In anticipation of underwriting of pre-IPO listing, the board of directors passed a resolution on September 26, 2018 to issue 11,950,000 shares at NT\$10 per share at par value and issued at a premium of NT\$76,8 - NT\$79,56. Actual share capital is NT\$1,205,707,000 after capital increase. Capital Surplus

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>May be used to make up for loss, cash distribution, or for capital replenishment</u>		
(1)		
Stock Issuance Premium	\$ 2,040,204	\$ 2,040,204

Difference Between Share Price Acquired from Subsidiaries and Book Value	2	2
<u>Only to Offset Loss</u>		
Recognized value of changes in equity of ownership of subsidiaries (2)	19,424	23,811
Employee Stock Options Exercised	44,083	44,083
Expired Stock Options	135	135
	<u>\$ 2,103,848</u>	<u>\$ 2,108,235</u>

1. The capital surplus from stock issuance premium may be used to cover loss and may also be used to issue cash or capital when the Company has no loss, but the capital replenishment is restricted to a certain ratio of paid-in capital every year.
2. The capital surplus of the recognized value of changes in the equity of ownership of subsidiaries is the value of affected equity transactions recognized for change in the equity of subsidiaries, or the adjustment value of the capital surplus of the subsidiary recognized by the Company through the equity method.

ii. Retained Earnings and Dividend Policy

Pursuant to the policy on allocation of surplus in the Company's Articles of Association, the Company shall first pay taxes and cover for loss from previous years if the surplus is found after closing the accounts for the year. Subsequently, 10% shall be appropriated as a legal capital reserve, and after which the surplus could be appropriated based on other legal regulations or regulations of the competent authority, or appropriated as a special capital reserve. A distribution motion regarding the earnings left over shall be prepared by the Board of Directors, and submitted to the shareholders for a resolution. The Company's Articles of Association has stipulated policy on employee remuneration and directorial compensations. Please see (6) Employee Remuneration and Directorial Compensations in Note 27.

As the Company is in a period of robust growth, in order to cope with future operational expansion plan, dividend distribution should be no less than 10% of the year's remaining profit. Shareholder dividend shall be paid in a combination of cash and stock dividend, in which cash dividend will account for 20% to 100%, and the stock dividend 0% to 80%.

Legal capital reserve may be used to cover loss. When the Company has no loss, the portion of legal capital reserve that exceeds 25% of total paid-in capital may be used to pay in cash, in addition to capital replenishment.

The Company distributes and appropriates special capital reserve pursuant to Letter No. 1010012865、No. 1010047490 and Letter No. 1030006415 from the FSC, and "Q&A of the Application of the Special Capital Reserve After Adopting the International Financial Reporting Standards (IFRSs)."

The Company held Shareholders' Meetings on June 14, 2019 and 2018, during which the 2018 and 2017 appropriation of earnings passed, respectively, were as follows:

	Earnings appropriation proposal		Dividends per share (NT\$)	
	2018	2017	2018	2017
Legal Capital Reserve	\$ 67,277	\$ 88,187		

Cash Dividend	602,854	543,104	\$	5	\$	5
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The Company's proposal for distribution of earnings for 2019 was proposed by the board of directors on March 26, 2020:

	Earnings appropriation proposal	Dividends per share (NT\$)
Legal Capital Reserve	\$ 122,820	
Cash Dividend	723,425	\$ 6

The distribution of earnings for 2019 is still pending resolution from annual shareholders' meeting on June , 2020.

iii. Special Capital Reserve

For the first-time adoption of IFRSs, unrealized write-ups, accumulated revaluation adjustment, and retained earnings appropriated from surplus were listed at a total of NT\$313,321,000. Special capital reserve of the same amount has been appropriated.

iv. Other Equity Items

1. Exchange differences on translation of foreign financial statements

	2019	2018
Balance at Beginning of the Year	(\$ 222,890)	(\$ 291,717)
Impact amounts of applied IFRS 16		
Balance as of January 1, 2019 (Adjusted)	(2,654)	-
Changes in Tax Rates From Current Year	(225,544)	(291,717)
Currency translation differences from overseas operations		10,544
Year-End Balance	(164,464)	58,283
	(\$ 390,008)	(\$ 222,890)

2. Unrealized Financial Asset Gains and Losses Measured at FVTOCI

	January 1, 2019 to December 31, 2019	January 1, 2018 to December 31, 2018
Opening Balance	\$ 1,027,000	\$ 1,376,496
Current		
Unrealized profit and loss Equity Instrument	(315,887)	(349,496)
Ending Balance	\$ 711,113	\$ 1,027,000

v. Non-Controlling Interests

	January 1, 2019 to December 31, 2019	January 1, 2018 to December 31, 2018
Balance at Beginning of the Year	\$ 727,447	\$ 658,555
Net Profit of the Year	87,024	43,855
Other Comprehensive Income of the Year		
Exchange differences on translation of foreign financial statements	(5,865)	5,389
Remeasurement of Defined Benefit Plans	1,807	(964)
Related Income Tax	(349)	137
Increase in Non-Controlling Interests from Acquisition of Subsidiaries (Note 31)	-	(811)
Difference in Book Value and Price of Equity Acquisition from Subsidiaries (Note 33)	4,387	-

	January 1, 2019 to December 31, 2019	January 1, 2018 to December 31, 2018
Dividend Payout from Subsidiaries	(16,962)	(404)
Share Return from Subsidiary Liquidation	-	(8,787)
Cash Capital Increase in Subsidiaries	18,318	-
Others	-	30,477
Year-End Balance	<u>\$ 815,807</u>	<u>\$ 727,447</u>

(26) Revenue

- i. Please refer to Note 40 for details on customer contract revenue.
- ii. Contract Balance

	December 31, 2019	December 31, 2018	January 1, 2018
Accounts receivable (include related party Note 10)	<u>\$ 3,578,332</u>	<u>\$ 3,516,825</u>	<u>\$ 3,063,274</u>
Provision - Current Product sales	<u>\$ 18,874</u>	<u>\$ 41,499</u>	<u>\$ 22,783</u>
Refund liability - current (listed in other current liabilities)			
Product sales	<u>\$ 113,894</u>	<u>\$ 101,921</u>	<u>\$ 54,740</u>

Changes in contract liabilities are caused mainly by difference of timing between obligation fulfillment and customers' payments.

(27) Net Profit for the Year

- i. Other Revenues

	2019	2018
Dividend Income	\$ 55,462	\$ 98,176
Government grants income	51,510	23,045
Interest Income	34,382	35,318
Rental Income	3,836	274
Other Income	7267	-
	<u>\$ 152,457</u>	<u>\$ 156,813</u>

- ii. Other gain and loss

	2019	2018
Net Foreign Exchange Profit (loss)	(\$ 19,066)	\$ 19,090
Loss from Disposal of Properties, Plants, and Equipment	-	(803)
Disposal of Profit on investments	12,446	-
Others	563	167
	<u>(\$ 6,057)</u>	<u>\$ 18,454</u>

iii. Financial Costs

	<u>2019</u>	<u>2018</u>
Interest of bank loans	\$ 53,911	\$ 61,707
Interest of lease liabilities	19,531	-
Loan interest payable	-	1,058
Less: amount included in cost of required assets	(<u>4,218</u>)	(<u>1,071</u>)
	<u>\$ 69,224</u>	<u>\$ 61,694</u>

Information on capitalization of interest is as follows:

	<u>2019</u>	<u>2018</u>
Capitalization of Interest Amount	\$ 4,218	\$ 1,071
Rates from Capitalization of Interest	1.6%	1.6%

iv. Depreciation and Amortization

	<u>2019</u>	<u>2018</u>
Depreciation Summarized by Functions		
Operating Costs	\$ 261,263	\$ 211,165
Operating Expense	<u>109,873</u>	<u>68,781</u>
	<u>\$ 371,136</u>	<u>\$ 279,946</u>
Amortization Summarized by functions		
Operating Costs	\$ 139	\$ 1,989
Operating Expense	<u>15,352</u>	<u>26,443</u>
	<u>\$ 15,491</u>	<u>\$ 28,432</u>

v. Employee Benefit Expense

	<u>2019</u>	<u>2018</u>
Short-Term Employee Benefits		
Salaries	\$ 1,830,842	\$ 1,690,311
Labor and Health Insurance	119,913	172,133
Others	<u>134,509</u>	<u>127,272</u>
	<u>2,085,264</u>	<u>1,989,716</u>
Post-Retirement Benefits		
Defined Contribution Plan	86,753	84,939
Defined Benefit Plan (Note 24)	<u>8,884</u>	<u>10,567</u>
	<u>95,637</u>	<u>95,506</u>

	<u>\$ 2,180,901</u>	<u>\$ 2,085,222</u>
Summarized by Functions		
Operating Costs	\$ 744,040	\$ 697,570
Operating Expense	<u>1,436,861</u>	<u>1,387,652</u>
	<u>\$ 2,180,901</u>	<u>\$ 2,085,222</u>

vi. Employee remuneration

The Company's remuneration for employees and Directors shall be 2 to 6% and under 3% of the earnings before tax of the year and before deducting remuneration for employees and Directors. From July 1 to September 30, 2019 and 2018, January 1 to September 30, 2019 and 2018 the estimated ratio of employee and directorial. These items were respectively determined by the Board of Directors in March 2020 and 2019 as follows:

1. Estimated Ratio

	<u>2019</u>	<u>2018</u>
Employee Rewards	2.7%	3.7%
directorial		
compensations	1.3%	1.5%

2. Amount

	<u>2019</u>	<u>2018</u>
	<u>C a s h</u>	<u>C a s h</u>
Employee Rewards	\$ 42,000	\$ 33,000
directorial		
compensations	20,000	13,322

If changes are made to the amount after the publication of the Consolidated Annual Financial Report, they apply in accordance with accounting estimation changes and will be included in the financial statements of the following year.

Actual employee compensation and remuneration for directors in 2018 and 2017 were consistent with amounts recognized in the consolidated financial statements.

Please refer to "Market Observation Post System" of Taiwan Stock Exchange for information on the Company's employee and directorial compensations

vii. Currency Exchange Gain or loss

	<u>2019</u>	<u>2018</u>
Total currency exchange gain	\$ 121,683	\$ 221,313
Total currency exchange loss	(<u>140,749</u>)	(<u>202,223</u>)
Net Profit (loss)	(<u>\$ 19,066</u>)	(<u>\$ 19,090</u>)

(28) Income tax

i. Main composition of income tax expense recognized in profit or loss

	<u>2019</u>	<u>2018</u>
Current Income Tax		
Generated during the Year	\$ 341,593	\$ 282,735
Surtax on Unappropriated Retained Earnings	196	29,110
Adjustments from Previous Years	15,760	73,088
Repatriation of overseas funds	33,648	-
R&D Deduction	<u>-</u>	<u>(1,756)</u>
	<u>391,197</u>	<u>383,177</u>
Deferred Income Tax		
Changes in Tax Rates	-	58,299
Generated during the Year	<u>86,261</u>	<u>(122,294)</u>
	<u>86,261</u>	<u>(63,995)</u>
	<u>\$ 477,458</u>	<u>\$ 319,182</u>

Reconciliation between accounting income and income tax expense is as follows:

	<u>2019</u>	<u>2018</u>
Profit before tax	<u>\$ 1,792,682</u>	<u>\$ 1,035,812</u>
Profit before tax calculated using income tax expense at the statutory rate	\$ 526,296	\$ 296,617
Expense not Deductible for Tax	29,831	3,708
Tax-Exempt Income	(11,092)	(19,635)
Unrecognized Temporary Difference	(72,765)	(99,434)
Changes in Tax Rates	-	58,299
Permanent Difference	(13,625)	(3,202)
Surtax on Unappropriated Retained Earnings	196	29,110
Adjustments in Prior Years	15,760	73,088
	<u>2019</u>	<u>2018</u>
Tax relief	(\$ 30,791)	(\$ 17,613)
R&D investment tax credits	-	(1,756)
Repatriation of overseas funds	<u>33,648</u>	<u>-</u>
	<u>\$ 477,458</u>	<u>\$ 319,182</u>

The amendment to the Income Tax Act in 2018 adjusted business income tax from 17% to 20%. The applicable tax rate for

undistributed earnings in 2018 is reduced from 10% to 5%. The tax rate applicable to subsidiaries in China is 25%, while taxes generated in other jurisdictions are calculated based on the tax rates in each jurisdiction.

The Management, Utilization, and Taxation of Repatriated Offshore Funds of the Republic of China was promulgated by the President in July 2019. New profit-making enterprises that apply for the repatriation of funds between August 15, 2019 and August 14, 2020 and repatriate the funds within the authorized period shall be applicable to a tax rate of 8% instead of 20%. The repatriated funds shall be deposited into a dedicated foreign currency deposit account and the tax shall be deducted once the processing bank deposits the funds into the dedicated account. The Company repatriated US\$13,879 thousand in accordance with the authorization of the competent authority in November and December 2019 and paid NT\$33,648 thousand in taxes.

The amended Statute for Industrial Innovation of the Republic of China was promulgated by the President in July 2019. It expressly provides that the use of undistributed earnings to construct or purchase specific assets or technologies may be deducted as expenditures in the form of reinvested capital from the undistributed earnings in calculation of the current year's undistributed earnings for assessment of additional income tax leviable on undistributed earnings from 2018 of the merged company.

ii. Income Tax Expense Recognized in Other Comprehensive Income

	<u>2019</u>	<u>2018</u>
<u>Deferred Income Tax</u>		
Changes in Tax Rates Accrued in the Current Year Translations from Overseas Operations	\$ - 41,115	\$ 8,817 (14,570)
Remeasurement of Defined Benefit Plans	(<u>950</u>)	(<u>2,477</u>)
	<u>\$ 40,165</u>	<u>(\$ 8,230)</u>

iii. Current Income Tax Assets and Liabilities

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current Income Tax Assets		
Tax Refund Receivable	<u>\$ 3,705</u>	<u>\$ 13,197</u>
Current Income Tax Liabilities		

Income Tax Payable \$ 182,583 \$ 169,036

iv. Deferred Income Tax Assets and Liabilities

Changes in deferred income tax assets and liabilities are as follows:

2019

	Balance at Beginning of Year	Recognized in Profit and Loss	Recognized in Other Comprehensiv e Income	Exchange Difference	Year-End Balance
<u>Deferred Income Tax Assets</u>					
Temporary Difference					
Currency Translation Difference from Overseas Operations	\$ 56,387	\$ -	\$ 41,115	\$ -	\$ 97,502
Defined Benefit Retirement Plan	30,632	(5,843)	(950)	79	23,918
Loss on Inventory Write-Down	29,913	(142)	-	(176)	29,595
Loss Allowance	2,887	1,645	-	(435)	4,097
Accrued Leave Benefits	3,757	571	-	(171)	4,157
Unrealized Gross Profit	14,749	7,365	-	-	22,114
Others	<u>35,733</u>	<u>8,639</u>	<u>-</u>	<u>(4,017)</u>	<u>40,355</u>
	174,058	12,235	40,165	(4,720)	221,738
Impairment Credit	<u>77,964</u>	<u>(9,896)</u>	<u>-</u>	<u>(1,660)</u>	<u>66,408</u>
	<u>\$ 252,022</u>	<u>\$ 2,339</u>	<u>\$ 40,165</u>	<u>(\$ 6,380)</u>	<u>\$ 288,146</u>
<u>Deferred Income Tax Liabilities</u>					
Temporary Difference					
Foreign Investment Income	\$ 470,146	\$ 84,744	\$ -	(\$ 76)	\$ 554,814
Provision for Land Appreciation Tax	235,087	-	-	-	235,087
Others	<u>147</u>	<u>3,856</u>	<u>-</u>	<u>(3,747)</u>	<u>256</u>
	<u>\$ 705,380</u>	<u>\$ 88,600</u>	<u>\$ -</u>	<u>(\$ 3,823)</u>	<u>\$ 790,157</u>

Note: The subsidiary RLA Polymers Pty Ltd. is deemed to have applied the effects of IFRS16 on the commencement date of the lease.

2018

	Balance at Beginning of Year	Recognized in Loss and Profit	Recognized in Other Comprehensiv e Income	Exchange Difference	Year-End Balance
<u>Deferred Income Tax Assets</u>					
Temporary Difference					
Currency Translation Difference from Overseas Operations	\$ 59,750	\$ -	(\$ 4,026)	\$ -	\$ 55,724
Defined Benefit Retirement Plan	31,818	3,220	(4,204)	(202)	30,632
Loss on Inventory Write-Down	28,076	5,279	-	(3,442)	29,913
Allowance for Bad Debts	2,240	644	-	3	2,887
Accrued Leave Benefits	2,858	967	-	(68)	3,757
Unrealized Gross Profit	12,972	1,777	-	-	14,749
Others	<u>30,414</u>	<u>(2,540)</u>	<u>-</u>	<u>7,859</u>	<u>35,733</u>
	168,128	9,347	(8,230)	4,150	173,395
Impairment Credit	<u>78,966</u>	<u>9,002</u>	<u>-</u>	<u>(10,004)</u>	<u>77,964</u>
	<u>\$ 247,094</u>	<u>\$ 18,349</u>	<u>(\$ 8,230)</u>	<u>(\$ 5,854)</u>	<u>\$ 251,359</u>
<u>Deferred Income Tax Liabilities</u>					
Temporary Difference					
Foreign Investment Income	\$ 515,752	(\$ 45,590)	\$ -	(\$ 16)	\$ 470,146
Provision for Land Appreciation Tax	235,087	-	-	-	235,087
Others	<u>211</u>	<u>(56)</u>	<u>-</u>	<u>(8)</u>	<u>147</u>
	<u>\$ 751,050</u>	<u>(\$ 45,646)</u>	<u>\$ -</u>	<u>(\$ 24)</u>	<u>\$ 705,380</u>

v. Unused Impairment Credit

As of December 31, 2019, the relevant information is set out below:

<u>Unused Credit Balance</u>	<u>Final Deduction</u>
\$ 13,463	109
27,119	110
33,852	111
23,726	112
79,365	113
195	114
1,135	115
61,232	116
9,641	117
399	118
<u>161,703</u>	註
<u>\$ 411,830</u>	

Note: The deduction of losses of certain subsidiaries is not subject to a deduction time limit in accordance with local regulations.

vi. Income Tax Approval Status

The Company's business income tax filing cases of domestic subsidiaries for 2017 , are approved by the tax authority.

(29) Earnings per Share

The profits and weighted average number of ordinary shares used for the calculation of earnings per share (EPS) are as follows:

Net Profit of the Year

	<u>2019</u>	<u>2018</u>
Net Profit Attributable to Company Owners	<u>\$ 1,228,200</u>	<u>\$ 672,775</u>

Shares

	<u>2019</u>	<u>2018</u>
Weighted average number of ordinary shares used for calculation of basic EPS	120,571	109,469
Dilutive Effects of Potential Ordinary Shares:		
Employee Remuneration	<u>331</u>	<u>411</u>
Weighted average number of ordinary shares used for calculation of diluted EPS	<u>120,902</u>	<u>109,880</u>

Unit: 1,000 shares

If the Company chooses to offer employees cash or stock remuneration, while calculating diluted earnings per share and assuming that remuneration is paid in stocks, the dilutive potential ordinary shares will include weighted average number of outstanding shares to calculate diluted earnings per share. While determining diluted earnings per share before distributing shares to employees as remuneration in the following year, the dilutive effects of such potential ordinary shares should still be considered.

(30) Business Consolidation

i. Acquisition of subsidiaries

	<u>Main Business Activities</u>	<u>Acquisition Date</u>
Morgan Ceramic Tile Adhesives	Production and sales of adhesives, additives and putty	July 31, 2019

The consolidated company acquired the construction and production equipment of Morgan Ceramic Tile Adhesives in July 2019 and obtained the lease renewal rights of its real estate, customer relationship, and employees equipped with necessary skills and experience. The acquisition included inputs and process that handles inputs, and had the ability to create outputs, thus fulfilling the definition of a business and is processed in accordance with IFRS 3 Business Combination. The

objective of the acquisition is to expand the combined business and strengthen the product portfolio of the combined business.

ii. Transfer consideration

	<u>A m o u n t</u>
Cash	\$ 48,195
Contingent consideration agreement (Note)	<u>3,009</u>
	<u>\$ 51,204</u>

Note: According to the contingent consideration agreement, if the production capacity and gross profit of Morgan Ceramic Tile Adhesives from August 2019 to February 2020 meet the agreed standard, the merged company must pay the Seller an additional AUD 250 thousand. The fair value of this obligation as of the acquisition date is estimated to be NT\$3,009 thousand.

iii. Assets acquired on the acquisition date

	<u>A m o u n t</u>
Non-current assets	
Intangible assets	\$ 21,024
Property, plant, and equipment	692
	<u>\$ 21,716</u>

iv. Goodwill arising from the acquisition

	<u>A m o u n t</u>
Transfer consideration	\$ 51,204
Minus: Fair value of the obtained identifiable net assets	(21,716)
Goodwill arising from the acquisition	<u>\$ 29,488</u>

Goodwill arising from the acquisition of Morgan Ceramic Tile Adhesives business unit is mainly from the control premium. In addition, consideration paid for the acquisition included the expected combination synergies, income growth, future market development and staff value of the Morgan Ceramic Tile Adhesives business unit. However, as such effects do not fulfill the recognition criteria of the identifiable intangible assets, they are not recognized separately.

(31) Transactions with non-controlling interests

	2019	2018	
	P r i n c e Pharmaceutic al Co., Ltd.	ITLS-Rich (S) Pte. Ltd.(=)	B i o r i c h Biotechnolog y Co., Ltd.
Cash consideration paid	\$ 56,683	\$ 1,665	\$ 3
Carrying amount of net assets of the subsidiaries in non-controlling interests based on calculation of corresponding changes in equity	(52,296)	(806)	(5)
Difference in equity transactions	<u>\$ 4,387</u>	<u>\$ 859</u>	<u>(\$ 2)</u>
Equity transaction balance adjustment			
Capital reserve - Difference in the share price and nominal value of the acquired shares of subsidiaries	\$ -	\$ -	\$ 2
Capital surplus - Changes in equity of ownership of subsidiaries	(4,387)	-	-
Unappropriated retained earnings	<u>-</u> <u>(\$ 4,387)</u>	<u>(859)</u> <u>(\$ 859)</u>	<u>-</u> <u>\$ 2</u>

- i. In December 2019, the merged company did not subscribe to the capital increase of Prince Pharmaceutical Co., Ltd. in accordance with the shareholding ratio, resulting in an increase in the shareholding ratio from 49.9% to 52.3%.
- ii. The Company acquired the remaining 20% of shares from ITLS-Rich (S) Pte. Ltd. in February 2018, increasing shareholding ratio from 80% to 100%.
- iii. The Company used NT\$3,000 to subscribe to shares from Biorich Biotechnology Co. in October 2018, which increased shareholding ratio from 57.06% to 57.1%.

As the above-mentioned transactions did not change the merged company's control over such subsidiaries, the merged company treated the transactions as equity transactions

(32) Capital Risk Management

Amalgamated company has to maintain large capital for plants and equipment expansion, therefore the capital management policy of amalgamated company is to ensure the necessary financial resources and operational plans to cover the required operational capital, capital expenditures and dividend expenditure in the future.

(33) Financial instruments

i. Fair value information - financial instruments not measured at fair value

The carrying amount of the Company's financial instrument not measured at fair value would be a significant approximation of fair value.

ii. Fair value information - financial instruments measured at fair value on a repetitive basis

1. Fair value measurement hierarchy

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets measured at FVTOCI</u>				
Domestic unlisted stocks:	\$ -	\$ -	\$ 976,745	\$ 976,745

December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets measured at FVTOCI</u>				
Domestic unlisted stocks:	\$ -	\$ -	\$1,210,580	\$1,210,580

2. Reconciliation of Financial Instruments using Level 3 Fair Value

Financial Assets Measured at FVTOCI

	<u>2019</u>	<u>2018</u>
Balance at Beginning of Year	\$ 1,210,580	\$ 1,560,076
Recognized in Other Comprehensive Income (unrealized loss and profit from financial asset measured at FVTOCI)	(315,887)	(349,496)
Acquisition	82,367	-
Proceeds from capital reduction	(315)	-
Year-End Balance	<u>\$ 976,745</u>	<u>\$ 1,210,580</u>

3. Valuation Technique and Input Measured at Level 3 Fair Value

- i. Certain domestic unlisted (or OTC) stocks use market method to estimate fair value. The judgment is based on industry type, valuation from similar types of businesses, and the Company's operating status, or in reference to the Company's net value.
- ii. Equity investment in the domestic (OTC) equity investment is calculated using asset method. The judgment is based on total value of individual assets and liabilities covered by evaluation standards to reflect overall

value of the business or equity.

iii. Classification of Financial Instruments

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial Assets</u>		
Financial Assets Measured at Amortized Cost (Note 1)	\$ 8,563,449	\$ 7,894,091
Financial Assets Measured at FVTOCI	976,745	1,210,580
<u>Financial Liabilities</u>		
Measurement of amortized cost (Note 2)	6,014,674	5,702,609

Note 1: Balance refers to financial assets measured at amortized cost, including cash and cash equivalents, debt instrument investment, accounts receivable (including affiliates), other receivables.

Note 2: Balance refers to financial liabilities measured at amortized cost, including short-term loans, accounts payable, other payables, long-term debt (including maturity within 1 year), and guarantee deposits (listing other current and non-current liabilities).

iv. Objectives and Policy of Financial Risk Management

The Company's main financial instruments include equity and debt instruments, accounts receivable, accounts payable, short-term securities, loans payable and lease liability. The financial management department serves each operating unit, coordinating operations in domestic and foreign financial markets. Financial risks associated with operations of the Company is managed through internal risk reporting based on risk levels and analysis. These risks include market risks (foreign exchange rates, interest rates and other price risks), credit risk and liquidity risk.

Material financial activities from the Company are reviewed by the board of directors using relevant regulations and internal control. While carrying out financial planning, the financing department will rigorously abide by segregation of duties and relevant financial risk control procedures. Internal auditors will also continue to review policy compliance and risk exposure. The Company does not undertake transactions of financial instruments (including derivative financial instruments) for speculative purposes.

1. Market Risks

Due to the Company's operating activities, most financial risks undertaken by the Company are foreign exchange risks (see following summary (1)), interest rate risks (see summary (2)), and risks of other pricing (see summary (3)).

Management and measurement of market risks from financial instruments and risk exposure of the Company remain unchanged.

i. Foreign Exchange Risks

The Company undertakes product sales and purchases in foreign currencies, and are exposed to foreign exchange risks.

Please see Note 38 for details on carrying amount of monetary assets denominated in non-functional currency, and liabilities denominated in foreign currency on balance sheet date (including monetary items

denominated in non-functional currencies written off in the consolidated financial statements).

Sensitivity Analysis

The Company is mostly affected by exchange rate fluctuation of the USD and Vietnamese Dong.

The following table is a sensitivity analysis of the Company regarding the impact of 1% change in functional currency against exchange rate of each foreign currency. The sensitivity analysis only includes monetary items in circulating foreign currency. A positive figure in the table below indicates amount of increase in profit before tax when functional currency depreciates by 1% against each relevant foreign currency. When functional currency appreciates by 1% against each relevant foreign currency, the impact on net profit will be the negative of the same amount.

	Influence from the USD		
	2019	2018	
Profit or loss	\$ 16,444	\$ 14,470	A

	Influence from VND		
	2019	2018	
Profit or loss	\$ 8,249	\$ 5,617	B

A. Mainly derived from cash and cash equivalents, receivables, payables and loans denominated in USD that are still outstanding on the balance sheet date and have not been hedged by cash flows.

B. Mainly derived from cash and cash equivalents, receivables, payables denominated in Vietnamese Dong that is still outstanding on the balance sheet date and has not been hedged by cash flows.

ii. Interest Rate Risk

As individual entities in the Company borrow capital with both fixed and floating rates, there is exposure to interest rate risks. The Company manages interest rate risks by maintaining an appropriate mix of fixed and floating rates.

The carrying amount of financial assets exposed to interest rate and financial liabilities of the Company on the balance sheet date are as follows:

	December 31, 2019	December 31, 2018
Interest rate risks with fair value		
Financial Assets	\$ 763,334	\$ 610,802
Financial Liabilities	499,581	-
Interest Rate Risks with Cash Flow		
Financial Assets	3,621,382	3,183,724
Financial Liabilities	3,249,191	2,953,037

Sensitivity Analysis

The sensitivity analysis on interest rate risks is based on exposure of non-derivative instruments to interest rate risks on the balance sheet date. For liabilities with floating rate, the analysis assumes them to be in external circulation throughout the reporting period.

If interest rate is increased/decreased by 1%, the Company's net profit before tax for 2019 and 2018 would increase/decrease by NT\$ 8,123,000 and NT\$ 7,383,000 respectively, due to changes in loan interest rates of the consolidated company.

iii. Risks to Other Prices

The Company is exposed to equity price risk due to investments in domestic unlisted equity. As there is no open market quotation for such equity pricing, the price risk is immaterial.

2. Credit Risk

Credit risks refer to risks that cause financial loss to the Group due to borrower's delay in honoring contractual obligations. As of the balance sheet date, the Company's largest credit risk exposure from counterparty's failure to fulfill obligation comes from the carrying amount of financial assets recognized in the consolidated balance sheet.

As counterparties of the Company are all business organizations with fair credit rating, there is no anticipated material credit risk. The Company also continues to evaluate the financial status of clients for accounts receivables.

Accounts receivable with significant concentration of credit risk are as follows:

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Group A	\$ 371,342	11	\$ 357,724	10

3. Liquidity Risk

The Company manages and maintains sufficient cash and cash equivalents and readily available financial products to support the Company's operations and mitigate effects of fluctuations in cash flows. The management of the Company supervises the use of financing credit from banks and ensures compliance with the terms of loan agreements.

The Company's working capital and financing credit from banks can sufficiently accommodate future operational needs. Hence, there is no liquidity risk due to the inability to raise funds to fulfill contractual obligations.

i. Liquidity of non-derivative financial liabilities and table of interest rate risk

Contractual maturity analysis of balances for non-derivative financial

liabilities is calculated based on earliest required loan repayment date of the Company. It is compiled based on undiscounted cash flows of financial liabilities (including principal and estimated interest). As such, the following table presents bank loans that the Company may be asked to immediately repay first, regardless of the chances of banks in exercising such right. The analysis of maturity of other non-derivative liabilities is prepared in accordance with agreed repayment date.

Undiscounted interests relating to cash flow from floating interest rate payments is extrapolated based on interest rate yield curve on balance sheet date.

December 31, 2019

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>
<u>Non-Derivative</u>			
<u>Financial Liabilities</u>			
Non-Interest-Bearing Liabilities	\$ 2,761,803	\$ 3,680	\$ -
Lease liabilities	68,704	173,513	424,260
Floating Interest Rate Instruments	<u>1,742,880</u>	<u>1,553,784</u>	<u>-</u>
	<u>\$ 4,573,387</u>	<u>\$ 1,730,977</u>	<u>\$ 424,260</u>

Further information on the maturity analysis of lease liabilities is listed as follows::

	<u>Less than 1 year</u>	<u>1 year to 5 years</u>	<u>5 years to 10 years</u>	<u>10 years to 20 years</u>	<u>Over 20 years</u>
Lease liabilities	<u>\$ 68,704</u>	<u>\$ 173,513</u>	<u>\$ 161,879</u>	<u>\$ 206,392</u>	<u>\$ 55,989</u>

December 31, 2018

	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>
<u>Non-Derivative</u>			
<u>Financial Liabilities</u>			
Non-Interest-Bearing Liabilities	\$ 2,747,522	\$ 2,050	\$ -
Floating Interest Rate Instruments	<u>1,577,814</u>	<u>1,423,694</u>	<u>-</u>
	<u>\$ 4,325,336</u>	<u>\$ 1,425,744</u>	<u>\$ -</u>

The above-mentioned amount of non-derivative financial asset and liability instruments with floating interests are subject to change due to floating rates and differences in interest rate estimated as of balance sheet date.

ii. Financing Credit

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unsecured Bank Borrowing (reviewed each year)		
Amount Used	\$ 2,958,646	\$ 2,814,990
Amount Available	<u>5,060,258</u>	<u>4,468,230</u>

\$ 8,018,904 \$ 7,283,220

	Secured Borrowing Credit	Bank
Amount Used	\$ 386,460	\$ 244,462
Amount Available	<u>158,742</u>	<u>241,400</u>
	<u>\$ 545,202</u>	<u>\$ 485,862</u>

(34) Related Party Transactions

All transactions between the Company and its subsidiaries (affiliates of the Company), account balances, income, and expenses are written off during consolidation and therefore are not shown in this Note. In addition to those disclosed in other Notes, transactions between the Company and other affiliates are as follows.

i. Name and Relations of Affiliates

<u>Name of Affiliate</u>	<u>Relations with the Company</u>
Total Acrylic Polymer Industry (Tapi) Corporation	Affiliate enterprises
Pou Chen Corporation and Subsidiaries	Investors with Significant Influence
Kunshan Nan Pao Coatings Engineering Co., Ltd.	Other affiliates (the Chairman of the Company is an executive of the Company prior to May 2018.)

ii. Operating Revenue

<u>Category of Affiliates/Name</u>	<u>2019</u>	<u>2018</u>
Investors with Significant Influence	\$ 1,457,866	\$ 1,352,346
Other Affiliates	<u>-</u>	<u>19,624</u>
	<u>\$ 1,457,866</u>	<u>\$ 1,371,970</u>

There is no significant difference in the Company's selling price to affiliates and average customers. Payment term is 30 to 90 days, which is no different for non-related parties.

iii. Purchase Inventory

<u>Category of Affiliates</u>	<u>2019</u>	<u>2018</u>
Affiliate Enterprises	<u>\$ 19,761</u>	<u>\$ 22,219</u>

There is no significant difference in the Company's purchase price from affiliates and non-affiliates. Payment term is 30 days to 45 days, which is no different for non-affiliates.

iv. Receivables from Related Parties

<u>Accounting Items</u>	<u>Category of Affiliates/Name</u>	<u>2019 December 31</u>	<u>2018 December 31</u>
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Accounts Receivable	Investors with significant influence Pou Chen Group and Subsidiaries	<u>\$ 371,342</u>	<u>\$ 357,724</u>
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No guarantee is received for outstanding receivables from related parties.

v. Payables to Related Parties

<u>Accounting Items</u>	<u>Category of Affiliates</u>	<u>2019 December 31</u>	<u>2018 December 31</u>
Accounts Payable	Affiliate enterprises	<u>\$ 1,427</u>	<u>\$ 2,643</u>
Other Payables	Investors with significant influence	<u>\$ 127</u>	<u>\$ 132</u>

No guarantee is given for outstanding payables to related parties.

vi. Others – Refund Liabilities

<u>Accounting Items</u>	<u>Category of Affiliates/Name</u>	<u>2019 December 31</u>	<u>2018 December 31</u>
Other Current Liabilities	Investors with significant influence Pou Chen Group and Subsidiaries	<u>\$ 70,356</u>	<u>\$ 78,443</u>

vii. Managerial Remuneration

	<u>2019</u>	<u>2018</u>
Short-Term Employee Benefits	\$ 60,485	\$ 49,767
Benefits after retirement	7,114	1,680
Share-Based Payment	-	124
	<u>\$ 67,599</u>	<u>\$ 51,571</u>

Remuneration to directors and other executives are determined by the Remuneration Committee in reference to compensations from industry standard, individual performance, company performance, and reasonable ties to future risks.

(35) Assets Pledged as Collateral

The following assets are provided as collateral for customs duties, letters of credit, long-term and short-term financing loans:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Property, Plant and Equipment	\$ 133,495	\$ 111,040
Time Deposits(Note)	25,141	12,925
Right-of-Use Assets	17,674	-
	<u>\$ 176,310</u>	<u>\$ 123,965</u>

Note: financial assets measured at amortized cost.

(36) Significant Contingent Liability and Unrecognized Contract Commitments

In addition to those stated in the other Notes, the Company has the following significant contingent liabilities and material commitments as of balance sheet date:

1. As of December 31, 2019 and 2018, the number of unused credits issued by the Company for procurement of raw material and machinery and equipment are NT\$ 86,319 thousand, and NT\$ 106,415 thousand respectively.
2. Unrecognized contract commitments of the Company were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Purchase of Properties, Plants, and Equipment (Note)	\$ 723,115	\$ 89,288
Procurement of raw material	<u>46,084</u>	<u>46,080</u>
	<u>\$ 769,199</u>	<u>\$ 135,368</u>

Note: The merged company signed the R&D and administration building construction contract in June 2019, and the unrecognized contractual commitment amount was NT\$681,811 thousand.

3. Material Lawsuits

The Company had won the bid for land, plant, and machinery equipment owned by He Kui Chemical Company from Changhua District Court in 2007 and sold the above assets to its subsidiary Nan Pao Chemical Co., Ltd. for production purposes. On January 31, 2008, third-party Fu-chien Management Consulting Company claimed to be the mortgagee of the aforementioned machinery and equipment at Taiwan Changhua District Court and seized the batch of machinery and equipment. Nan Pao Chemical Co., Ltd. has filed for Third Party of Dissent Action arguing that Fu-chien Management Consulting Company's claims over the above-mentioned machinery and equipment were false. Nevertheless, a fire broke out in Nan Pao Chemical Co., Ltd. in January 2010, with all plants and machinery burnt down. Therefore, the content of litigation was changed to confirming whether the machinery had belonged to Nan Pao Chemical Co., Ltd. If the court believed that machinery was not the property of Nan Pao Chemical Co., Ltd., but was destroyed due to its negligence, Nan Pao Chemical Co., Ltd. would be liable for damage. In June 2017, the Supreme Court of Taiwan ruled in a civil lawsuit that machinery and equipment did not belong to subsidiary Nan Pao Chemical Co., Ltd.

Based on the ruling of Changhua District Court, He Kui Chemical Company argued for ownership of machinery and equipment in the plant. Based on the above-mentioned, He Kui Chemical Company filed for indemnity lawsuit against Nan Pao Chemical Co., Ltd. for damage caused by use of machinery and equipment, and sought for indemnity of NT\$53,102,000. Nevertheless, the amount that He Kui Chemical Company claimed for was based on the purchase price of machinery and equipment, and did not factor in depreciation based on the useful life of property, plant, and equipment. The batch of

machinery was purchased in the 90s and early 2000s, with surplus value under NT\$53,102,000. The Company has appropriated NT\$38,445,000 liability reserve based on remaining value.

As of the publication date of the consolidated financial statements, indemnity lawsuit with He Kui Chemical Company was still being ruled at the Changhua District Court.

(37) Significant post-period events

The COVID-19 pandemic that erupted in January 2020 caused the temporary suspension of operations of certain subsidiaries' factories in China and other areas severely affected by the epidemic as well as the temporary suspension of operations of certain customers and suppliers of the merged company. The state of control of the epidemic cannot be evaluated as of the date of the publication of this consolidated financial report. Therefore, the merged company could not reasonably estimate the ability of the aforementioned entities to pay for goods and the extent of the impact on operation and the overall industry.

(38) Information Regarding Material Assets and Liabilities Denominated in Foreign Currencies

The following information was summarized from foreign currencies of entities within the Company. Exchange rates were the ones used to translate foreign currencies into functional currencies. Material Assets and Liabilities Denominated in Foreign Currencies are listed below:

December 31, 2019

<u>Financial Assets</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Monetary Items</u>			
USD	\$ 56,328	29.98	\$ 1,688,763
		(USD:NTD)	
USD	10,279	6.9762	314,694
		(USD:CNY)	
USD	8,611	13,752	264,078
		(USD:IDR)	
USD	6,004	7.79	185,090
		(USD:HKD)	
HKD	26,252	0.1284	104,615
		(HKD:USD)	
VND	712,097,294	0.000043	952,606
		(VND:USD)	
MYR	8,956	0.3488	65,493
		(MYR:AUD)	
<u>Financial Liabilities</u>			
<u>Monetary Items</u>			
USD	5,307	30.0085	159,269
		(USD:NTD)	

USD	2,369	6.9835	72,613
		(USD:CNY)	
USD	4,571	7.789	140,928
		(USD:HKD)	
USD	6,016	13,752	184,508
		(USD:IDR)	
USD	3,746	23,207	116,321
		(USD:VND)	
USD	4,504	1.4273	134,761
		(USD:AUD)	
VND	95,161,905	0.000043	127,669
		(VND:USD)	

December 31, 2018

<u>Financial Assets</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Monetary Items</u>			
USD	\$ 45,851	30.715	\$ 1,408,248
		(USD:NTD)	
USD	14,297	6.8646	439,203
		(USD:CNY)	
USD	7,619	14,420	234,020
		(USD:IDR)	
USD	4,814	7.82	147,590
		(USD:HKD)	
HKD	13,127	0.1277	51,472
		(HKD:USD)	
VND	526,224,183	0.000043	693,419
		(VND:USD)	
MYR	6,880	0.3411	50,846
		(MYR:AUD)	
<u>Financial Liabilities</u>			
<u>Monetary Items</u>			
USD	4,428	30.6468	135,697
		(USD:NTD)	
USD	2,796	6.8632	85,894
		(USD:CNY)	
USD	4,256	7.833	130,729
		(USD:HKD)	
USD	7,046	14,420	216,406
		(USD:IDR)	
USD	2,185	23,250	67,005
		(USD:VND)	
USD	4,765	1.4177	146,353
		(USD:AUD)	
VND	99,863,300	0.000043	131,755
		(VND:USD)	

The Company mostly undertakes exchange rate risk in US Dollars. The following information is aggregated in terms of functional currency of foreign currency holding entities. The exchange rate disclosed is the exchange rate of functional currency converted into presentation currency. The following are significant influences on currency exchange gain or loss (realized and unrealized):

Functional Currency	2019		2018	
	Functional and Presentation Currency	Net exchange profit or loss	Functional and Presentation Currency	Net Exchange Income
USD	30.912 (USD:NTD)	(\$ 1,303)	30.149 (USD:NTD)	(\$ 23,480)
NTD	1 (NTD:NTD)	(29,192)	1 (NTD:NTD)	41,809
CNY	4.472 (CNY:NTD)	4,866	4.560 (CNY:NTD)	(5)
SGD	22.66 (SGD:NTD)	(329)	22.35 (SGD:NTD)	81
AUD	21.495 (AUD:NTD)	(365)	22.54 (AUD:NTD)	(10,556)
IDR	0.00221 (IDR:NTD)	(2,961)	0.00213 (IDR:NTD)	9,353
Others		10,218 (\$ 19,066)		1,888 \$ 19,090

(39) Other Disclosures

Information on

- i. Significant Transactions and
- ii. Investees
 1. Financing provided (Table 1)
 2. Endorsements/guarantees provided to others (Table 2)
 3. Marketable securities held at balance sheet date (excluding investments in subsidiaries, associates, and joint ventures) (Table 3)
 4. Accumulated purchase or disposal of individual marketable securities in excess of NT\$300 million or 20% of paid-in capital (None)
 5. Acquisition of real estate at price in excess of NT\$300 million or 20% of the paid-in capital (Table 4)
 6. Disposal of real estate at price in excess of NT\$300 million or 20% of the paid-in capital (None)
 7. Purchases and sales with related parties in excess of NT\$100 million or 20% of paid-in capital (Table 5)
 8. Amount of receivable from related parties in excess of NT\$100 million or 20% of paid-in capital (Table 6)
 9. Derivative financial instrument transactions (None)
 10. Others: Intercompany relationships and significant intercompany transactions

(Table 10)

11. Information on Investees (Table 7)

iii. Information on Investments in Mainland China:

1. Mainland China investees' names, main business items, amount of paid-in capital, investment methods, capital transaction conditions, shareholding ratios, current investment loss and profit, end-of-term investment book value, investment income repatriation and investment limits in Mainland China. (Table 8)
2. Direct or indirect significant transactions with Mainland China investee companies through third region, and their prices, terms of payment, unrealized gains and losses: (Table 9)
 - i. Purchase amount and percentage and the ending balance and percentage of payables.
 - ii. Sales amount and percentage and the ending balance and percentage of receivables.
 - iii. Property transaction amount and resulting gain or loss.
 - iv. Ending balance of endorsement, guarantee or collateral provided and its purposes.
 - v. The maximum balance, ending balance, interest rate range and total amount of current interest in financing.
 - vi. Other transactions having significant impact on profit and loss or financial status of the period, such as providing or receiving services.

(40) Department Information

Information is provided to main business decision makers to allocate resources and assess the performance of each department and focus on type of product or service delivered or provided. The merging company shall report on the following information to the departments:

i. Departmental Income and Operation Results

Income and results of ongoing operations of the merging company based on reporting departments are analyzed as follows:

	Taiwan	Mainland China	Vietnam	Australia	Other Regions	Adjustments and Write-Off	Total
<u>2019</u>							
Revenue							
Revenue from External Customers	\$ 3,384,961	\$ 6,204,421	\$ 4,037,392	\$ 1,962,953	\$ 1,523,819	\$ -	\$17,113,546
Revenue between Departments	<u>2,586,910</u>	<u>1,282,979</u>	<u>652,144</u>	<u>17,246</u>	<u>34,169</u>	<u>(4,573,448)</u>	-
Total Revenue	<u>\$ 5,971,871</u>	<u>\$ 7,487,400</u>	<u>\$ 4,689,536</u>	<u>\$ 1,980,199</u>	<u>\$ 1,557,988</u>	<u>(\$ 4,573,448)</u>	<u>\$17,113,546</u>
Department Income	<u>\$ 495,825</u>	<u>\$ 350,784</u>	<u>\$ 647,194</u>	<u>\$ 33,729</u>	<u>\$ 145,110</u>	<u>\$ 9,387</u>	\$ 1,682,029
Interest Income							34,382
Other Income							118,075
Other profit and loss							(6,057)
Financing Cost							(69,224)
Share of affiliated companies' profit (loss) adopts the equity method							33,477
Income before tax							<u>\$ 1,792,682</u>
<u>2018</u>							
Revenue							
Revenue from External Customers	\$ 3,497,110	\$ 5,940,406	\$ 3,269,460	\$ 1,994,845	\$ 1,320,399	\$ -	\$16,022,220
Revenue between Departments	<u>2,476,354</u>	<u>1,057,069</u>	<u>639,914</u>	<u>22,758</u>	<u>39,596</u>	<u>(4,235,691)</u>	-
Total Revenue	<u>\$ 5,973,464</u>	<u>\$ 6,997,475</u>	<u>\$ 3,909,374</u>	<u>\$ 2,017,603</u>	<u>\$ 1,359,995</u>	<u>(\$ 4,235,691)</u>	<u>\$16,022,220</u>
Department Income	<u>\$ 338,149</u>	<u>\$ 128,590</u>	<u>\$ 242,670</u>	<u>\$ 50,443</u>	<u>\$ 93,733</u>	<u>\$ 47,425</u>	\$ 901,010
Interest Income							35,318
Other Income							121,495
Other profit and loss							18,454
Financing Cost							(61,694)
Share of affiliated companies' profit (loss) adopts the equity method							21,229
Income before tax							<u>\$ 1,035,812</u>

Department profit/loss refers to the profit made by each department and excludes non-operating income and expense nor income tax expense. The assessment is provided to the main business decision-maker to allocate resources to departments and assess their performance.

The main business decision makers of the merging company will base their decisions on each type of operating result. Information on classified assets and liabilities from different business activities are not evaluated, and only the operating results of the reportable segments are shown.

ii. Revenue from Main Products

Revenue analysis of main products of the merging company is as follows:

	2019	2018
Adhesives	\$ 12,487,929	\$ 11,423,743
Coatings	1,794,592	1,757,081
Construction materials	2,131,575	2,137,677
Others	699,450	703,719
	<u>\$ 17,113,546</u>	<u>\$ 16,022,220</u>

iii. Geographic Information

The merging company mainly operates in three geographical areas – Taiwan, Mainland China and Southeast Asia.

The information of the continuing business unit of the merging company from external customers is classified according to the location of the customer and the non-current assets are classified according to the location of the assets as follows:

	Revenue from External Customers	
	2019	2018
Asia	\$ 12,602,356	\$ 11,526,562
Taiwan	2,416,552	2,363,313
Oceania	1,779,158	1,781,868
America	85,305	125,667
Africa	76,869	79,204
Europe	153,306	145,606
	<u>\$ 17,113,546</u>	<u>\$ 16,022,220</u>

	Non-Current Assets	
	December 31, 2019	December 31, 2018
Taiwan	\$ 3,213,051	\$ 2,736,700
Mainland China	681,564	660,331
Southeast Asia	1,356,741	1,415,298
Australia	700,247	366,241
	<u>\$ 5,951,603</u>	<u>\$ 5,178,570</u>

Non-current assets exclude financial instruments and deferred tax assets.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

Loans to Others

January 1 to December 31, 2019

Table 1

Unit: NT\$1,000

No	Financing Company	Counter Party	Financial Statement Account	Whether being Related parties	Maximum Balance	Balance of Period End	Amount Actually Drawn (Note 4)	Interest rate range (%)	Capital financing feature (Note 1)	Amount of Transaction	Short-term financing Reason for financing	Amount of Allowance for Doubtful Account	Collateral		Limitation on financing to specific entities for specific entities	Limitation on financing to specific entities
													T i t l e	V a l u e		
0	Nan Pao Resins Chemical Co., Ltd.	RLA Polymers (M) Sdn Bhd	Other accounts receivable-related parties	Yes	\$ 94,800	\$ 89,940	\$ 89,940	4.2	2	\$ -	Operating turnover	\$ -	-	\$ -	\$ 1,948,148	\$ 3,896,296
1	Nan Pao Group Holdings Ltd.	RLA Polymers (M) Sdn Bhd	Other accounts receivable-related parties	Yes	5,056	-	-	3.25	2	-	Operating turnover	-	-	-	3,787,106	3,787,106
2	Progroups Technology co. Ltd.	Biorich Biotechnology Co., Ltd.	Other accounts receivable-related parties	Yes	900	-	-	2	2	-	Operating turnover	-	-	-	15,772	31,543
3	Nan Pao Resins (China) Co., Ltd.	Nan Pao (Kunshan) E-commerce Ltd.	Other accounts receivable-related parties	Yes	115,075	-	-	4.5675~5	2	-	Operating turnover	-	-	-	386,761	386,761

Note 1: explanations on the borrowings and their natures are as follows:

1. Business transactions are present
2. Short-term financing capital is needed

Note 2: The following are the Company's rules and procedures for loaning funds to others:

1. Amount of loan to others shall be less than 40% of the Company's net value.
2. The maximum amount of loan permitted to a single borrower:
 - (1) For capital loan and business transaction counterparties, the maximum amount permitted to a single borrower cannot exceed the total purchase or sales (whichever is higher) between two parties in the last year. However, maximum amount may not exceed the total amount of capital loan.
 - (2) For those in need of capital loan and short-term financing, the maximum amount permitted to a single borrower may not exceed 20% of the Company's net value.

Note 3: Procedures of capital loan to subsidiaries that has directly or indirectly invested in the Company and to others are set out below:

1. Total capital loan to others shall be less than 100% of the Company's net value.
2. The maximum amount of loan permitted to a single borrower:
 - (1) For capital loan and business transaction counterparties, the maximum amount permitted to a single borrower cannot exceed the total purchase or sales (whichever is higher) between two parties in the last year. However, maximum amount may not exceed the total amount of capital loan.
 - (2) For those in need of capital loan and short-term financing, the maximum amount permitted to a single borrower may not exceed 20% of the Company's net value.

Note 4: For foreign companies who hold 100% voting rights owned by the Company directly or indirectly, the total amount of loans and loans to individual borrowers to such companies may not exceed the net worth of the lending company.

Note 5: already written off during compilation of the consolidated financial statements

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

Endorsements for Others

January 1 to December 31, 2019

Table 2

Unit: NT\$1,000

No	Endorsement/Guarantee Provider	Guaranteed Party		Ceiling limit on endorsements and guarantees for a single enterprise (Note 2)	Highest endorsement or guarantee amount for current period	Endorsement or guarantee amount at end of the Period	Amount Actually Drawn	Property-guaranteed	Aggregated endorsement or guarantee amount	Endorsement/ Guarantee	Endorsement guarantee for the subsidiary by the parent company	Endorsement guarantee for the subsidiary by the parent company	for
	Company name	Company name	Relation (Note 1)					Guarantee amount	Ratio of which on the financial statements	Maximum Amount	For subsidiaries	For the parent company	Mainland China
									Ratio on net value (%)	(Note 2&Note 3)	Endorsement/ Guarantee	Endorsement/ Guarantee	Endorsement/ Guarantee
0	Nan Pao Resins Chemical Co., Ltd.	ITLS-SB SDN BHD	2	\$ 1,948,148	\$ 9,246	\$ -	\$ -	\$ -	-	\$ 6,818,518	Y	N	N
		Phytomed Bio-tec Co., Ltd.	2	1,948,148	10,000	10,000	2,400	-	0.10	6,818,518	Y	N	N
		Nan Pao Resins Chemical Philippines, Inc.	2	1,948,148	31,600	29,980	3,171	-	0.31	6,818,518	Y	N	N
		ITLS International Development Co., Ltd.	2	1,948,148	50,000	20,000	-	-	0.21	6,818,518	Y	N	N
		Nan Pao Advanced Materials Vietnam Co., Ltd.	2	1,948,148	31,600	29,980	-	-	0.31	6,818,518	Y	N	N
		Nan Pao Materials Vietnam Co., Ltd.	2	1,948,148	126,400	-	-	-	-	6,818,518	Y	N	N
		RLA Polymers (M) SDN BHD	2	1,948,148	92,460	-	-	-	-	6,818,518	Y	N	N
		RLA Polymers Pty Ltd.	2	1,948,148	158,000	149,900	100,824	-	1.54	6,818,518	Y	N	N
		Nan Pao Resins International Ltd.	2	1,948,148	316,000	74,950	-	-	0.77	6,818,518	Y	N	N
		Nan Pao Group Holdings Ltd.	2	1,948,148	158,000	89,940	-	-	0.92	6,818,518	Y	N	N
		Progroups Technology co. Ltd.	2	1,948,148	10,000	10,000	-	-	0.10	6,818,518	Y	N	N
		PT. Indo Nan Pao Resins Chemical Co., Ltd.	2	1,948,148	61,790	-	-	-	-	6,818,518	Y	N	N
		Nan Pao Philippines Export, Inc	2	1,948,148	31,390	14,990	-	-	0.15	6,818,518	Y	N	N
		Nan Pao Resins (HK) Limited	2	1,948,148	219,730	134,910	-	-	1.39	6,818,518	Y	N	N
1	NP Australia Pty Ltd.	RLA Polymers Pty Ltd.	2	128,799	108,266	102,925	-	-	15.98	450,797	N	N	N

Note 1: relationship between endorser and those being endorsed is as follows:

1. Companies with business relationship
2. A company that directly and indirectly holds more than 50 percent of the voting rights in the Company
3. A company that directly and indirectly holds more than 50 percent of the voting rights in the Company
4. A company that directly and indirectly holds more than 90 percent of the voting rights in the Company
5. Companies with the same industry or mutual project undertakers that have mutual guarantee based on contract agreements due to contractual project needs
6. Due to joint venture, the company's shareholders' endorsement is based on their shareholding ratio
7. The performance guarantee of the pre-sale house sales contract in the same industry in accordance with the Consumer Protection Law is jointly guaranteed

Note 2: The Company's maximum guarantee and the endorsement for a single business is no more than 20% of the Company's ending net value. The maximum endorsement is no more than 70% of the Company's year-end net value.

Note 3: The Company's subsidiaries that has direct or indirect investment has a maximum guarantee and the endorsement for a single business of no more than 20% of the Company's ending net value. The maximum endorsement is no more than 70% of the Company's year-end net value.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries
Details on Marketable Securities at the end of the period
December 31, 2019

Table 3

Unit: NT\$1,000

Company holding shares	Type and name of securities	Relationship with the Relationship with the issuer	Accounting item	At end of the Period				Remarks
				Number of shares	At book value	Percentage of shares (%)	Fair value	
Nan Pao Resins Chemical Co., Ltd.	Dairen Chemical Corp. - publicly owned company	None	The financial asset in other comprehensive income measured at fair value through profit and loss - non-current	6,515,606	\$ 937,791	2	\$ 937,791	
	Hua Chi Venture Capital Co., Ltd. - privately-issued equity	.	.	126,316	3,712	2	3,712	
	Hsin Sheng Photovaltaic Co., Ltd. - privately-issued equity	.	.	1,600,000	2,370	10	2,370	
	Revivegen Environmental Technology Co., Ltd. - publicly owned company	.	.	375,000	12,949	2	12,949	
	FlexUP Technologies Corp. - privately-issued equity	.	.	1,200,000	4,128	7	4,128	
	Contact Organics Pty Ltd. - privately-issued equity	.	.	1,191	7,338	8	7,338	
					<u>\$ 968,288</u>		<u>\$ 968,288</u>	
Nan Pao Chemical Company Ltd.	Ace Chemical Corp. - privately-issued equity	None	The financial asset in other comprehensive income measured at fair value through profit and loss - non-current	893,265	<u>\$ 8,457</u>	10	<u>\$ 8,457</u>	

Note 1: marketable securities in table refer to stocks, bonds, beneficiary certificates, and other related derivative securities within the scope of IFRS 9: Financial instruments.

Note 2: please see table 7 and 8 for information on investments in subsidiaries and affiliated companies.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries
Acquisition of real estate at cost in excess of NT\$300 Million or 20% of paid-in capital
January 1, 2019 to December 31, 2019

Table 4

Unit: NT\$1,000

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-Party	Nature of Relationship	Prior Transaction of Realated Counter-Party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	A m o u n t			
Nan Pao Resins Chemical Co., Ltd.	Building	(Note)	\$ 690,000	Monthly ettlement by the onstruction progress and acceptance	Kong Chou Construction Co ., LTD.	-	-	-	-	\$ -	Not applicable for the case of engaging others to construct on its own land	The Company's R&D and Administrati on building	-

Note : The Board of Directors, which approved the proposal to engage others to build a factory on its own land on May 18, 2010, has signed a contract with contractors on June 14, 2019.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

Amount of purchases and sales with related parties up to NT\$100 million or 20% of its paid-in capital

January 1 to December 31, 2019

Table 5

Unit: NT\$1,000

Purchase(Sale) company	Name of counterparty	Relations	Transaction				Unusual Trade Conditions and Reasons		Notes and accounts receivable (payable)		Remarks
			Purchase/Sale	Amount (NT\$)	Ratio of total Purchase (Sales)	Credit Period	Unit Price	Credit Period	Balance (Note)	Ratio on total accounts receivable or payable (%)	
Nan Pao Resins Chemical Co.,Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Subsidiary	Sales	(\$ 1,053,120)	20	Payment within 90 days	Equivalent	Equivalent	\$ 254,495	23	
	Nan Pao Materials Vietnam Co., Ltd.	Subsidiary	Sales	(153,611)	3	Payment within 90 days	Equivalent	Equivalent	60,186	5	
	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Subsidiary	Sales	(369,735)	7	Payment within 90 days	Equivalent	Equivalent	130,066	12	
	Eastlion Enterprises Ltd.	Subsidiary	Sales	(200,541)	4	Payment within 90 days	Equivalent	Equivalent	9,284	1	
	Nan Pao Resins (Fo Shan) Co., Ltd.	Subsidiary	Sales	(142,478)	3	Payment within 90 days	Equivalent	Equivalent	19,503	2	
Nan Pao Resins (Vietnam) Enterprise Ltd.	Nan Pao Resins International Ltd	Same ultimate company	Sales	(316,352)	11	Payment within 90 days	Equivalent	Equivalent	91,310	14	
	Pou Chen Group and subsidiaries	Investors with significant influence	Sales	(155,279)	5	Payment within 45~60 days	Equivalent	Equivalent	28,467	4	
Nan Pao Resins (Dong-Guan) Co., Ltd.	Eastlion Enterprises Ltd.	Same ultimate company	Net sale of processing	(327,256)	83	Payment within 30 days	No comparable product sales for comparison	No third-party transaction for comparison	-	-	
Nan Pao Resins (Fo Shan) Co., Ltd.	Fuqing Nan Pao Resins Co., Limited	Same ultimate company	Sales	(110,224)	6	Payment within 90 days	Equivalent	Equivalent	30,703	7	
	Pou Chen Group and subsidiaries	Investors with significant influence	Sales	(106,591)	6	Payment within 45 days	Equivalent	Equivalent	29,208	7	
Nan Pao Chemical Company Ltd.	Nan Pao Materials Vietnam Co., Ltd.	Same ultimate company	Sales	(121,564)	81	Payment within 90 days	Equivalent	Equivalent	36,074	81	
Progroups Technology co. Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Same ultimate company	Sales	(100,898)	59	Payment within 90 days	Equivalent	Equivalent	22,393	66	
Nan Pao Materials Vietnam Co., Ltd.	Nan Pao Resins International Ltd	Same ultimate company	Sales	(145,619)	14	Payment within 60~90 days	Equivalent	Equivalent	45,475	19	
Nan Pao Resins International Ltd.	Pou Chen Group and subsidiaries	Investors with significant influence	Sales	(466,703)	97	Payment within 60 days	Equivalent	Equivalent	102,491	100	
PT. Indo Nan Pao Resins Chemical Co., Ltd.	Pou Chen Group and subsidiaries	Investors with significant influence	Sales	(480,710)	44	Payment within 90 days	Equivalent	Equivalent	167,040	51	
Eastlion Enterprises Ltd.	Pou Chen Group and subsidiaries	Investors with significant influence	Sales	(129,701)	13	Payment within 45 days	Equivalent	Equivalent	2,606	1	

Note: Except for investors with significant influence, they would be written off during the compilation of the consolidated financial report.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries
Amount of accounts receivable from related parties up to NT\$100 million or 20% of its paid-in capital
December 31, 2019

Table 6

Unit: NT\$1,000

Company with Accounts Receivable	Name of counterparty	Relations	Related party of account receivables Account balance (Note 2)	Turnover Ratio%	Overdue Accounts Receivable from Related Party		Accounts Receivable from Related Party Amount Recoverable After period	Listed Deductibles B a d d e b t
					A m o u n t	Processing Method		
Nan Pao Resins Chemical Co.,Ltd	Nan Pao Resins (Vietnam) Enterprise Ltd.	Subsidiary	\$ 254,495	3.97	\$ -	Not applicable	\$ 38,911	\$ -
	PT Indo Nan Pao Resins Chemical Co., Ltd.	Subsidiary	130,066	3.42	-	Not applicable	70,120	-
Eastlion Enterprises Ltd.	Nan Pao Resins (HK) Limited	Same ultimate company	115,814	(Note 1)	-	Not applicable	-	-
PT. Indo Nan Pao Resins Chemical Co., Ltd.	Pou Chen Group and subsidiaries	Investors with significant influence	167,040	2.85	-	Not applicable	79,457	472
Nan Pao Resins International Ltd.	Pou Chen Group and subsidiaries	Investors with significant influence	102,491	4.88	-	Not applicable	76,198	-

Note 1: Balance of other receivables at the end of the period in which turnover ratio is not applicable.

Note 2: Except for investors with significant influence, they would be written off during the compilation of the consolidated financial report.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

Information on investees, locations, etc.

January 1 to December 31, 2019

Table 7

Unit: NT\$1,000

(Only foreign currency is denoted in dollars)

Name of Investor Company	Name of Investee Company	Location	Main Service Items	Initial Investment		Held at the end of the period			Investee Company Profit (loss) for the Period	Recognized Investment Profit/Loss for the current period (Note 1)	Remarks
				End of the current period	End of Last Year	Number of Shares	Ratio	Book Value			
Nan Pao Resins Chemical Co.,Ltd	Nan Pao Chemical Co., Ltd.	No.12, Nanhaipu, Nanhai li., Xigang Dist., Tainan City	Trading of Chemicals	\$ 300,000	\$ 300,000	15,000,000	100	\$ 150,945	\$ 7,982	\$ 5,142	
	Nan Pao Application Material Co.	No.12, Nanhaipu, Nanhai li., Xigang Dist., Tainan City	Trading of Chemicals	60,000	60,000	200,000	100	9,383	(258)	(258)	
	Nan Pao Electronic Material Co.	No.510, Zhongshan Rd., Xigang Dist, Tainan City	Production and Trading of Electronic Materials	63,540	63,540	4,000,000	100	49,560	4,463	4,463	
	ITLS International Development Co. Ltd	5F, No.356, Sec.1, Neihu Rd., Neihu Dist, Taipei	Trading of Building Materials and Chemicals	755,000	755,000	30,500,000	100	287,347	(5,906)	(5,906)	
	Prince Pharmaceutical Co.,Ltd.	9F, No. 107, Sec.3, Chongxin Rd., Sanchung Dist., New Taipei City	Manufacturing, packaging, processing of various medicine and health food materials	324,683	268,000	16,767,305	52.3	356,889	9	4	
	Phymed Bio-Tec Co.,Ltd.	No.12, Nanhaipu, Nanhai li., Xigang Dist., Tainan City	R&D and Trading of Health Food	16,000	16,000	600,000	100	3,877	(120)	(120)	
	Biorich Biotechnology Co.,Ltd.	5F, No.356, Sec.1, Neihu Rd., Neihu Dist, Taipei	R&D, Production and Trading of New High Protein Business and Health Food	64,121	64,121	391,462	57.1	6,647	2,463	1,407	
	Nan Pao Advanced Materials Co.,Ltd.	No. 521, Zhongshan Rd., Xigang Dist., Tainan City	Trading of Adhesives and Chemicals	3,500	3,500	350,000	70	5,996	3,102	2,171	
	Progroup Technology Co., Ltd.	No.12, Nanhaipu, Nanhai li., Xigang Dist., Tainan City	Trading of Waterborne PU Resin	70,814	-	459,950	91.99	72,542	1,878	1,728	
	Total Acrylic Polymer Industry (TAPI) Corporation	12 F, No. 117, Sec. 2, Chongqing N. Rd., Datung Dist., Taipei City	Production and Trading of Adhesives, Resins, and Other Chemicals Materials	120,000	120,000	1,500,000	30	322,657	111,589	33,477	
	Fuqing Nan Pao Investment Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General Investment	166,699	166,699	4,990,000	100	191,351	22,832	22,832	
	Thai Nan Pao Investment Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General Investment	169,909	169,909	5,282,000	100	181,007	15,093	15,093	
	Nan Pao Resins India Pvt Ltd.	204, Abhishek, off New Link Road, Andheri (W) , Mumbai 400053, India	Trading of Adhesives	16,499	16,499	3,000,000	100	29,977	4,555	4,555	
	Nan Pao Materials Vietnam Co., Ltd.	LotA4, A5, A10, A11 Daden Industrial Park, Thu Dau Mot City, Binh Duong Province,Vietnam	Production and Trading of Adhesives and Chemicals	685,094	685,094	-	100	874,455	174,873	171,027	
	Nan Pao Advanced Materials Vietnam Co., Ltd.	Phuc Son Industrial Area, Ninh Phuc Commune, Ninh Binh City, Ninh Binh province	Production and Trading of Adhesives and Chemicals	465,970	465,970	-	100	408,490	(18,646)	(18,646)	
	Nan Pao Overseas Holdings Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General Investment	2,103,010	2,071,057	68,300,502	100	3,722,798	495,998	487,636	
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General Investment	186,588	186,588	983,333	73.75	716,775	144,190	104,862	Nan Pao Resins Chemical Co., Ltd. and affiliated companies hold 100% shares
	All Saints Enterprises Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General Investment	143,375	143,375	5,452,549	54.53	213,323	1,726	941	Nan Pao Resins Chemical Co., Ltd. and affiliated companies hold 100% shares
	Ongoing Profits Ltd.	Vistra Corporate Serrices Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General Investment	46,426	46,426	1,560,000	32.18	305,173	390,892	126,000	Nan Pao Resins Chemical Co., Ltd. and affiliated companies hold 100% shares
	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Jl. Pajajaran Raya No.44, Jatiuwung Tangerang 15137, Indonesia	Production and Trading of Adhesives	39,276	39,276	2,756,250	49	208,834	82,945	40,643	Nan Pao Resins Chemical Co., Ltd. and affiliated companies hold 67.5% shares
	Nan Pao Philippines Export Inc.	Lot IL-2 Subic Bay Gateway Park Phase II, Subic Bay Freeport Zone	Trading of Adhesives	-	-	-	-	-	-	-	
ITLS International Development Co. Ltd	ITLS Holding Pte. Ltd.	Blk 1049, Eunos Avenue 6, #01-132, Singapore 409628	General Investment	545,462	545,462	24,064,549	100	147,134	(7,847)		
	Aftek Materials Vietnam Co., Ltd.	No. 16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and Trading of Building Materials	49,172	49,172	-	70	37,499	(8,104)		
Fuqing Nan Pao Investment Ltd.	Wealth Castle Development Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General Investment	136,709	136,709	10,000	100	191,325	22,889		
	Thai Nanpao Resins Chemical Co., Ltd.	412 Kor Soi, 1cBangpoo Industrial Tumbon Preaksa Ampur Muang Samutprakarn 10280, Thailand	Production and Trading of Adhesives	167,253	167,253	21,197,000	100	134,406	15,003		
Nan Pao Overseas Holdings Ltd.	Nan Pao Group Holdings Ltd.	4th Floor, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Islands	General Investment	2,047,649	2,017,184	68,300,502	100	3,790,018	496,063		
ITLS Holding Pte. Ltd.	ITLS (Malaysia) SDN BHD	Lot 75289, Lebuhraya Pasir Gudang, Mukim Plentong (Permasjaya) , 81750 Masai, Johor, Malaysia	Production and Trading of Building Materials	30,792	30,792	3,250,000	100	22,314	4,555		
	PT. ITLS Indonesia	Jl. Pajajaran Raya No. 44, Kel. Gandasari, Kec. Jatiuwung, Tangerang-15137 Indonesia	Production and Trading of Building Materials	75,898	75,609	2,507,109	100	21,963	(6,639)		
	ITLS Vietnam Co., Ltd.	No.16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and Trading of Building Materials	130,518	130,518	-	100	77,264	(5,282)		
	ITLS-Rich (S) Pte. Ltd.	Blk1049,Eunos Avenue 6,#01-132, Singapore 409628	Trading of Hardware and Building Materials	\$ -	\$ 6,317	-	-	\$ -	\$ -	-	Liquidation and cancellation in June 2019.
	ITLS-SB SDN BHD	Lot 75289, Lebuhraya Pasir Gudang, Mukim Plentong (Permasjaya) , 81750 Masai, Johor, Malaysia	Production and Trading of Hardware and Building Materials	20,690	20,690	2,000,000	100	18,916	171		

(continued on next page)

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Name of Investor Company	Name of Investee Company	Location	Main service items	Initial Investment		Held at the end of the period			Investee Company Profit (loss) for the current period	Investment profit or loss Recognized in the current period (Note 1)	Remarks
				End of the current period	End of Last Year	Number of Shares	Ratio	Book Value			
Nan Pao Group Holdings Ltd.	Greatwill Materials (HK) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General Investment	37,775 (USD 1,260,000)	37,775 (USD 1,260,000)	7,172	67.68	345,104	116,275		
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General Investment	56,591 (USD 1,887,627)	56,591 (USD 1,887,627)	350,000	26.25	257,630	144,190	Nan Pao Resins Chemical Co., Ltd. and affiliated companies hold 100% shares	
	Nan Pao Resins (Holdings) Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General Investment	781,101 (USD 26,054,073)	781,101 (USD 26,054,073)	10,000	100	823,932	91,491		
	All Saints Enterprises Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General Investment	159,886 (USD 5,333,075)	159,886 (USD 5,333,075)	4,547,451	45.47	177,880	1,726	Nan Pao Resins Chemical Co., Ltd. and affiliated companies hold 100% shares	
	Mega Victory Ltd.	Visits Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	General Investment	-	70,967 (USD 2,367,154)	-	-	-	13,860	Liquidation and cancellation in December 2019.	
	ITLS -TWA Australia Pty. Ltd.	Level 4, 147 Collins Street Melbourne Vic 3000	Production and Trading of Hardware, Building Materials, and Chemicals	-	126,030 (AUD 6,000,000)	-	-	-	6	Liquidation and cancellation in November 2019.	
	NP Australia Pty. Ltd.	Level 4, 147 Collins Street Melbourne Vic 3000	General Investment	529,628 (AUD 25,214,354)	498,120 (AUD 23,714,354)	25,214,354	100	643,986	12,685		
	Ongoing Profits Ltd.	Vistra Corporate Serrices Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General Investment	115,028 (USD 3,836,817)	115,028 (USD 3,836,817)	3,287,546	67.82	678,802	390,892	Nan Pao Resins Chemical Co., Ltd. and affiliated companies hold 100% shares	
	Treasure Wealth (HK) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General Investment	138,208 (USD 4,610,000)	138,208 (USD 4,610,000)	4,610	100	158,745	19,161		
	Goldford Investments Ltd.	Creque Buildin, P.O. Box 116, Road Town, Tortola, British Virgin Islands	General Investment	17,534 (USD 584,844)	17,534 (USD 584,844)	486,000	100	91,477	14,263		
Profit Land Ltd.	Nan Pao Resins Chemical Philippines, Inc.	Road 22 Phase 11, Cogeo Village, Antipolo City, Philippines	Trading of Adhesives	6,296 (USD 210,000)	6,296 (USD 210,000)	9,000	100	53,017	13,306		
	Nan Pao Resins International Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Trading of Chemicals and Related Products	770 (HKD 200,000)	770 (HKD 200,000)	1,000	100	16,090	6,520		
	Nan Pao Resins (HK) Limited	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General Investment	113,924 (USD 3,800,000)	-	3,800,000	100	99,498	(14,875)		
	Giant Profit Development Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General Investment	239,840 (USD 8,000,000)	239,840 (USD 8,000,000)	10,000	100	972,107	144,004		
	Eastlion Enterprises Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General Investment	603,800 (USD 20,140,100)	603,800 (USD 20,140,100)	20,240	100	711,677	87,155		
	Eastlion Industrial Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General Investment	-	3 (USD 100)	-	100	-	(1,084)	Liquidation and cancellation in July 2019.	
	Nan Pao Resins Development Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General Investment	89,940 (USD 3,000,000)	89,940 (USD 3,000,000)	3,000	100	105,104	5,413		
	Great Mount Enterprises Ltd.	Unit 2102, 21/F The Broadway, No., 54-62 Lockhart, Road, Wanchai, Hong Kong	General Investment	299,800 (USD 10,000,000)	299,800 (USD 10,000,000)	10,000	100	386,902	1,774		
	Progroup Technology Co., Ltd.	No.12, Nanhaidu, Nanhai li., Xigang Dist., Tainan City	Trading of Waterborne PU Resin	-	75,000	-	-	-	10,192	Be acquisition by Nan Pao Resins Chemical Co., Ltd. in December 2019.	
	RLA Polymers Pty. Ltd.	Level 4, 147 Collins Street Melbourne Vic 3000	Production and Trading of Building Materials and Chemicals	343,103 (AUD 16,334,344)	311,595 (AUD 14,834,344)	11,152,080	100	433,567	423		
Treasure Wealth (HK) Ltd.	Rising Sun Associates Ltd.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Island	General Investment	145,329 (USD 4,847,546)	145,329 (USD 4,847,546)	3,000,000	100	999,135	390,956		
	Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Kcn Nhon Trach II, Xa Hiep Phuoc, Huyen Nhon Trach, Tinh Dong Nai, Vietnam	Production and Trading of Coatings	137,608 (USD 4,590,000)	137,608 (USD 4,590,000)	-	50	151,624	38,334		
Goldford Investments Ltd.	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Jl. Pajajaran Raya No. 44, Jatiuwung Tangerang 15137, Indonesia	Production and Trading of Adhesives	2,269 (IDR 1,040,625,000)	2,269 (IDR 1,040,625,000)	1,040,625	18.5	90,734	33,903	Nan Pao Resins Chemical Co., Ltd. and affiliated companies hold 67.5% shares	
Rising Sun Associates Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	10 Thong Nhat Boulevard, Song Than 2 Industrial Park Di An Town, Binh Duong Province, S.R Vietnam	Production and Trading of Adhesives	102,178 (USD 3,408,217)	102,178 (USD 3,408,217)	-	100	996,215	390,991		
RLA Polymers Pty Ltd.	RLA Polymers (M) SDN BHD	No.5, Lebuhraya Petai, Pandamaran, 42000 Port Klang, Selangor Darul Ehsan, Malaysia	Production and Trading of Building Materials and Chemicals	125,438 (AUD 5,971,801)	125,438 (AUD 5,971,801)	18,415,500	100	184,770	(3,534)		

Note 1: The Company is only required to list the amount of profit and loss of each of the subsidiaries and each investee that adopts the equity method. The rest of the information can be exempted.

Note 2: Please refer to Table 8 for information on investees in Mainland China.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries
Information on investment in Mainland China
January 1 to December 31, 2019

Table 8

Unit: NT\$1,000
(Only foreign currency is denoted in dollars)

Investee Company in Mainland China Company Name	Main Service Items	Actual Paid-In Capital (Note 4)	Investee Company (Note 1)	Accumulated Outflow of Investment from Taiwan at the beginning of the period Amount Invested (Note 4)	Outflow or recovery of investment during the period		Accumulated outflow from Taiwan at the end of the period Amount Invested (Note 4)	Investee company Profit (loss) of the current period	Shareholding ratio of the company's direct or indirect investments (%)	Investment Profit or Loss Recognized in the current period (Note 2)	Investment at the end of the period Book Value	Investment Income remitted at end of the current period
					Outflow	Recovery						
Nan Pao Resins (China) Co., Ltd.	Production and Trading of Adhesives and Coatings	\$ 299,800 (USD 10,000,000)	(2) Great Mount Enterprises Ltd.	\$ 323,482 (USD 10,789,932)	\$ -	\$ -	\$ 323,482 (USD 10,789,932)	\$ 1,779	100	\$ 1,779 (2)B.	\$ 386,761	\$ -
Fuqing Nan Pao Resins Co., Limited	Production and Trading of Adhesives	136,709 (USD 4,560,000)	(2) Wealth Castle Development Ltd.	149,600 (USD 4,990,000)	-	-	149,600 (USD 4,990,000)	23,044	100	23,044 (2)B.	190,292	134,553
Nan Pao Resins (Dongguan) Co., Ltd.	Processing of Adhesives	80,946 (USD 2,700,000)	(2) Eastlion Enterprises Ltd.	76,205 (USD 2,541,860)	-	-	76,205 (USD 2,541,860)	3,310	100	3,310 (2)B.	119,354	-
Dongguan Jia Chin Electronics Co., Ltd.	Production and Trading of Coatings and High Performance Resins	89,940 (USD 3,000,000)	(2) Nan Pao Resins Development Ltd.	91,879 (USD 3,064,683)	-	-	91,879 (USD 3,064,683)	5,414	100	5,414 (2)B.	105,087	-
Foshan Nan Pao Advanced Materials Co., Ltd.	Production and Trading of Adhesives	44,970 (USD 1,500,000)	(2) Greatwill Materials (HK) Ltd. and Nan Pao Resins (Foshan) Co., Ltd.	-	-	-	-	117,639	68	79,997 (2)B.	346,295	-
Nan Pao Resins (Foshan) Co., Ltd.	Production and Trading of Adhesives	239,840 (USD 8,000,000)	(2) Giant Profit Development Ltd.	233,473 (USD 7,787,627)	-	-	233,473 (USD 7,787,627)	144,017	100	144,017 (2)B.	971,106	161,021
Nanpao Chenghong New Material Technology Co., Ltd.	Trading of Footwear Materials	21,525 (RMB 5,000,000)	(3) Nan Pao Resins (Fo Shan) Co., Ltd.	-	-	-	-	5,700	51	2,907 (2)B.	15,062	-
Gangyi Electronic (Dongguan) Co., Ltd. (Note 5)	Trading of Chemicals	-	(2) Qang Yi Electronic Factory Company Ltd.	12,328 (USD 400,000)	-	-	12,328 (USD 400,000)	-	-	-	-	-
Nanpao Advanced Investment Co., Ltd.	Production and Trading of Magnetic Rings, Magnetic Covers, Iron Cores and Electronic Components	560,626 (USD 18,700,000)	(2) Nan Pao Group Holdings Ltd.	560,626 (USD 18,700,000)	-	-	560,626 (USD 18,700,000)	(24,240)	100	(24,240) (2)B.	497,521	-
Nan Pao (Kunshan) Electronic Commerce Co., Ltd.	Online Business Agency and General Merchandise Trading	149,900 (USD 5,000,000)	(3) Nan Pao Advanced Investment Co., Ltd.	-	-	-	-	(36,946)	100	(36,946) (2)B.	89,852	-
Nantong Nan Pao Resins Materials Co., Ltd.	Online Business Agency and General Merchandise Trading	164,890 (USD 5,500,000)	(3) Nan Pao Advanced Investment Co., Ltd.	-	-	-	-	(5,640)	100	(5,640) (2)B.	147,578	-
Nan Pao Resins (Yunan) Co., Ltd.	Production and Trading of Adhesives	134,910 (USD 4,500,000)	(3) Nan Pao Advanced Investment Co., Ltd.	-	-	-	-	(387)	100	(387) (2)B.	132,694	-

Aggregate investment amount remitted from Taiwan to Mainland China at end of period (Note 4)	Investment Amounts Authorized by Investment Commission, MOEA (Note 4)	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs (MOEA) (Note 4)
\$ 1,282,368 (USD 42,774,102)	\$ 2,849,577 (USD 95,049,260)	\$ 5,844,444

Note 1: Investment is divided into the following three categories (indicate the category number):

- (1) Direct investment in Mainland China.
- (2) Invest in Mainland China through companies in a third-party region (please specify investment company in third-party region).
- (3) Other methods

Note 2: Investment gains and losses recognized in the current period column:

- (1) If the Company is in preparation status, no investment loss and profit occur, it shall be noted
- (2) There are three types of recognized investment loss and profit, and the Company is required to note the type that applies to the Company:
 - A. The financial statements audited by international accounting firms that has relations with CPA Republic of China.
 - B. The financial statements audited by CPA of Taiwan parent company.
 - C. Others.

Note 3: The Company's investment limit in Mainland China is calculated as follows:

$$\$9,740,740 \times 60\% = \$5,844,444$$

Note 4: Relevant amounts are calculated based on the exchange rate of US\$1 = NT\$29.98 at the end of the period.

Relevant amounts are calculated based on the exchange rate of CNY 1 = NT\$4.305 at the end of the period.

Note 5: Gangyi Electronic (Dongguan) Co., Ltd. has finished liquidation in October 2017 but its share amounts have not been remitted to Taiwan; hence, it has not been removed from authorized investment amount from the MOEA.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

Significant direct or indirect transactions with the investees in Mainland China through third region, and its prices and terms of payment, unrealized gain or loss, and other information:

January 1 to December 31, 2019

Table 9

Unit: NT\$1,000 unless otherwise stated

Purchase(Sale) company	Counterparty	Relations	Transaction				The amount of transaction is different from the normal transactions Reasons and Conditions		Notes and accounts receivable (payable)		Unrealized profit (Note)
			Purchase/Sale	Amount (NT\$)	Ratio on total sales and purchases Ratio (%)	Credit Period			Balance (Note)	Ratio on total accounts receivable Notes Payable,	
							Unit Price	Credit Period		Account Ratio (%)	
Nan Pao Resins Chemical Co.,Ltd.	Nan Pao Resins (Foshan) Co., Ltd.	Subsidiary	Sales	(\$ 142,478)	(3)	Payment Within 90 Days	Equivalent	Equivalent	\$ 19,503	2	\$ 4,453
	Nan Pao Resins (China) Co., Ltd.	Subsidiary	Sales	(95,901)	(2)	Payment Within 90 Days	Equivalent	Equivalent	26,626	2	-
	Dongguan Jia Chin Electronics Co., Ltd.	Subsidiary	Sales	(20,585)	-	Payment Within 90 Days	Equivalent	Equivalent	9,902	-	2,263
	Fuqing Nan Pao Resins Co., Limited	Subsidiary	Sales	(12,588)	-	Payment Within 90 Days	Equivalent	Equivalent	3,257	-	-
Foshan Nan Pao Advanced Materials Co., Ltd.	Nan Pao Resins Chemical Co.	Ultimate Parent Company	Sales	(53,005)	(3)	Payment Within 30 Days	Equivalent	Equivalent	5,791	1	-
	Greatwill Materials (HK) Ltd.	Same ultimate Company	Sales	(87,732)	(5)	Payment Within 90 Days	Equivalent	Equivalent	15,365	3	-
	Nan Pao Resins (Foshan) Co., Ltd.	Same ultimate Company	Sales	(55,053)	(3)	Payment Within 90 Days	Equivalent	Equivalent	16,347	3	-
	Nan Pao Resins India Pvt Ltd.	Same ultimate Company	Sales	(43,062)	(2)	Payment Within 90 Days	Equivalent	Equivalent	13,133	2	-
	Nan Pao Materials Vietnam Co., Ltd.	Same ultimate Company	Sales	(12,261)	(1)	Payment Within 90 Days	Equivalent	Equivalent	3,493	1	-
Nan Pao Resins (Dongguan) Co., Ltd.	Eastlion Enterprises Ltd.	Same ultimate Company	Net Sale of Processing	(327,256)	(83)	Payment Within 30 Days	No comparable product price	No comparable third-party transaction	-	-	-
	Nan Pao Resins (HK) Limited	Same ultimate Company	Net Sale of Processing	(68,806)	(17)	Payment Within 30 Days	No comparable product price	No comparable third-party transaction	65,971	100	-
Nan Pao Resins (Foshan) Co., Ltd.	Fuqing Nan Pao Resins Co., Limited	Same ultimate Company	Sales	(110,224)	(6)	Payment Within 90 Days	Equivalent	Equivalent	30,703	7	-
	Nan Pao Resins (China) Co., Ltd.	Same ultimate Company	Sales	(36,083)	(2)	Payment Within 90 Days	Equivalent	Equivalent	11,292	3	-
	Eastlion Enterprises Ltd.	Same ultimate Company	Sales	(23,155)	(1)	Payment Within 90 Days	Equivalent	Equivalent	415	-	-
	Foshan Nan Pao Advanced Materials Co., Ltd.	Same ultimate Company	Rent Revenue	(13,511)	(1)	Payment Within 90 Days	No comparable product price	No comparable third-party transaction	12,578	3	-
	Nan Pao Resins Chemical Co.,Ltd.	Ultimate Parent Company	Sales	(11,076)	(1)	Payment Within 30 Days	Equivalent	Equivalent	2,830	1	-
Fuqing Nan Pao Resins Co., Limited	Nan Pao Resins (China) Co., Ltd.	Same ultimate Company	Sales	(76,158)	(19)	Payment Within 90 Days	Equivalent	Equivalent	24,325	24	-

Note: Already written off during compilation of the consolidated financial statements.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries
Business relationships, important transactions, and amounts between parent company and subsidiaries
January 1 to December 31, 2019

Table 10

Unit: NT\$1,000

Serial number	Name of counterparty	Counterparty	Relationship with Counterparty (Note 1)	Transaction Status			Percentage of consolidated total revenue or total asset (%)
				Account	Amount (Note 2)	Transaction Terms	
0	Nan Pao Resins Chemical Co.	Nan Pao Resins (China) Co., Ltd	1	Accounts Receivable - Related Parties	\$ 26,626		-
				Sales Revenue	95,901	Price based on average transaction price, receive 90 day payment	1
		Nan Pao Resins (Vietnam) Enterprise Ltd.	1	Accounts Receivable - Related Parties	254,495		1
				Sales Revenue	1,053,120	Price based on average transaction price, receive 90 day payment	6
				Purchase	24,488	Price based on average transaction price, payment within 90 days	-
		Nan Pao Resins (Foshan) Co., Ltd.	1	Accounts Receivable - Related Parties	19,503		-
				Sales Revenue	142,478	Price based on average transaction price, receive 90 day payment	1
				Purchase	11,076	Price based on average transaction price, payment within 90 days	-
		PT. Indo Nan Pao Resins Chemical Co., Ltd.	1	Accounts Receivable - Related Parties	130,066		1
				Sales Revenue	369,735	Price based on average transaction price, receive 90 day payment	2
		RLA Polymers (M) SDN BHD RLA Polymers Pty Ltd.	1	Other Receivable-Related Parties	89,940		-
			1	Sales Revenue	13,170	Price based on average transaction price, receive 90 day payment	-
		Eastlion Enterprises Ltd.	1	Sales Revenue	200,541	Price based on average transaction price, receive 90 day payment	1
				Purchase	33,085	No comparable product price, payment within 90 days	-
		Foshan Nan Pao Advanced Materials Co., Ltd.	1	Purchase	53,005	Price based on average transaction price, payment within 30 days	-
		Nan Pao Materials Vietnam Co., Ltd.	1	Accounts Receivable - Related Parties	60,186		-
				Sales Revenue	153,611	Price based on average transaction price, receive 90 day payment	1
		ITLS International Development Co.	1	Sales Revenue	39,541	Price based on average transaction price, receive 90 day payment	-
		Nan Pao Advanced Materials Co.	1	Sales Revenue	28,017	Price based on average transaction price, receive 90 day payment	-
		Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	1	Sales Revenue	29,758	Price based on average transaction price, receive 90 day payment	-
Purchase	18,353			Price based on average transaction price, payment within 90 days	-		
Thai Nanpao Resins Chemical Co., Ltd.	1	Sales Revenue	21,792	Price based on average transaction price, receive 90 day payment	-		
Dongguan Jia Chin Electronics Co., Ltd.	1	Sales Revenue	20,585	Price based on average transaction price, receive 90 day payment	-		
Nan Pao Resins Chemical Philippines, Inc.	1	Sales Revenue	19,589	Price based on average transaction price, receive 90 day payment	-		
Progroup Technology Co., Ltd.	1	Sales Revenue	13,344	Price based on average transaction price, receive 90 day payment	-		

Serial number	Name of counterparty	Counterparty	Relationship with Counterparty (Note 1)	Transaction Status			
				Account	Amount (Note 2)	Transaction Terms	Percentage of consolidated total revenue or total asset (%)
1	Nan Pao Resins (Vietnam) Enterprise Ltd.	Nan Pao Resins (HK) Limited	1	Purchase	15,748	Price based on average transaction price, payment within 90 days	-
				Accounts Receivable - Related Parties	43,228		-
				Sales Revenue	43,961	Price based on average transaction price, receive 90 day payment	-
		Fuqing Nan Pao Resins Co., Limited	1	Sales Revenue	12,588	Price based on average transaction price, receive 90 day payment	-
		PT. Indo Nan Pao Resins Chemical Co., Ltd.	3	Accounts Receivable - Related Parties	14,317		-
				Sales Revenue	83,772	Price based on average transaction price, receive 90 day payment	-
		Nan Pao Resins International Ltd.	3	Accounts Receivable - Related Parties	91,310		-
				Sales Revenue	316,352	Price based on average transaction price, receive 90 day payment	2
		Progroup Technology Co., Ltd.	3	Accounts payable - Related Parties	22,393		-
				Purchase	100,898	No comparable product price, payment within 90 days	1
2	Nan Pao Resins (Foshan) Co., Ltd.	Eastlion Enterprises Ltd.	3	Purchase	75,125	Price based on average transaction price, payment within 90 days	-
		Nan Pao Resins (HK) Limited	3	Accounts payable - Related Parties	14,656		-
				Purchase	15,111	Price based on average transaction price, payment within 90 days	-
		RLA Polymers Pty Ltd.	3	Sales Revenue	10,086	Price based on average transaction price, receive 90 day payment	-
		Fuqing Nan Pao Resins Co., Limited	3	Accounts Receivable - Related Parties	30,703		-
				Sales Revenue	110,224	Price based on average transaction price, receive 90 day payment	1
		Foshan Nan Pao Advanced Materials Co., Ltd.	3	Rent Revenue	13,511	No third party for comparable.	-
				Accounts payable - Related Parties	16,347		-
				Purchase	55,053	Price based on average transaction price, payment within 90 days	-
				Other Receivable - Related Party	12,578		-
3	Eastlion Enterprises Ltd.	Nan Pao Resins (China) Co., Ltd	3	Accounts Receivable - Related Parties	11,292		-
				Sales Revenue	36,083	Price based on average transaction price, receive 90 day payment	-
		Nan Pao Advanced Materials Co.	3	Purchase	12,709	Price based on average transaction price, payment within 90 days	-
		Eastlion Enterprises Ltd.	3	Sales Revenue	23,155	Price based on average transaction price, receive 90 day payment	-
		Nan Pao Resins (Dongguan) Co., Ltd.	3	Processing Fee	327,256	No comparable product price, payment within 30 days	2
		Nan Pao Resins Chemical Philippines, Inc.	3	Accounts Receivable - Related Parties	27,634		-
				Sales Revenue	59,384	Price based on average transaction price, receive 90 day payment	-
		PT. Indo Nan Pao Resins Chemical Co., Ltd.	3	Sales Revenue	50,854	Price based on average transaction price, receive 90 day payment	-
		Nan Pao Materials Vietnam Co., Ltd.	3	Sales Revenue	21,977	Price based on average transaction price, receive 90 day payment	-
				Management Fee	15,780	No comparable transaction, payment within 15 days	-
4	Nan Pao Resins (HK) Limited	Nan Pao Resins (HK) Limited	3	Accounts Receivable - Related Parties	115,814		1
		Nan Pao Resins (Dongguan) Co., Ltd.	3	Accounts payable - Related Parties	65,971		-

Serial number	Name of counterparty	Counterparty	Relationship with Counterparty (Note 1)	Transaction Status					
				Account	Amount (Note 2)	Transaction Terms	Percentage of consolidated total revenue or total asset (%)		
5	Nan Pao Resins (China) Co., Ltd	PT. Indo Nan Pao Resins Chemical Co., Ltd.	3	Processing Fee	68,806	Price based on average transaction price, payment within 30 days	-		
				Accounts Receivable - Related Parties	20,203		-		
		Nan Pao Resins Chemical Philippines, Inc.	3	Sales Revenue	20,831	Price based on average transaction price, receive 90 day payment	-		
				Accounts Receivable - Related Parties	10,218		-		
		Fuqing Nan Pao Resins Co., Limited	3	Sales Revenue	10,535	Price based on average transaction price, receive 90 day payment	-		
				Accounts payable - Related Parties	24,325		-		
		6	Foshan Nan Pao Advanced Materials Co., Ltd.	Nan Pao Resins India Pvt Ltd.	3	Purchase	76,158	No comparable product price, payment within 90 days	-
						Accounts Receivable - Related Parties	13,133		-
				Greatwill Materials (HK) Ltd.	3	Sales Revenue	43,062	Price based on average transaction price, receive 90 day payment	-
						Accounts Receivable - Related Parties	15,365		-
7	Nan Pao Materials Vietnam Co., Ltd.	Nan Pao Materials Vietnam Co., Ltd.	3	Sales Revenue	87,732	Price based on average transaction price, receive 90 day payment	-		
				Price based on average transaction price, receive 90 day payment	-				
		Nan Pao Resins International Ltd.	3	Accounts Receivable - Related Parties	12,261	Price based on average transaction price, receive 90 day payment	-		
				Sales Revenue	45,475		-		
		Nan Pao Chemical Co., Ltd.	3	Accounts payable - Related Parties	145,619	Price based on average transaction price, receive 60 - 90 day payment through wire transfer	1		
				Purchase	36,074		-		
PT. Indo Nan Pao Resins Chemical Co., Ltd.	3	Accounts Receivable - Related Parties	121,564	Price based on average transaction price, payment within 90 days	1				
		Sales Revenue	17,675		-				
8	Progroup Technology Co., Ltd.	PT. Indo Nan Pao Resins Chemical Co., Ltd.	3	Sales Revenue	59,348	Price based on average transaction price, receive 90 day payment	-		
				Price based on average transaction price, receive 90 day payment	-				
9	Thai Nanpao Resins Chemical Co., Ltd.	RLA Polymers Pty Ltd.	3	Sales Revenue	23,009	Price based on average transaction price, receive 90 day payment	-		
				Price based on average transaction price, receive 90 day payment	-				
10	ITLS Holding Pte. Ltd.	ITLS (Malaysia) SDN BHD	3	Other Receivable - Related Party	16,589	Price based on average transaction price, receive 90 day payment	-		
				ITLS-SB SDN BHD	3		Other Receivable - Related Party	21,579	-
					19,742		-		

Note 1: Relationship with counterparty can be specified using the following three categories:

- (1) Parent Company to Subsidiaries.
- (2) Subsidiaries to Parent Company.
- (3) Between Subsidiaries

Note 2: Already written off during compilation of the consolidated financial statements

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries
Properties, Plants and Equipments
January 1 to December 31, 2019

Table 11

Unit: NT\$1,000

	L a n d	Land Improvement	B u i l d i n g	M a c h i n e r y E q u i p m e n t	Transportation E q u i p m e n t	Other Equipment	U n f i n i s h e d Constructions and Equipment to be T e s t e d	T o t a l
<u>Cost</u>								
Balance at January 1, 2019	\$ 1,179,441	\$ 6,434	\$ 1,910,042	\$ 2,520,538	\$ 234,160	\$ 745,751	\$ 390,361	\$ 6,986,727
Adjust for IFRS16	-	-	-	-	(4,830)	(7,603)	-	(12,433)
Balance at January 1, 2019 (Adjusted)	1,179,441	6,434	1,910,042	2,520,538	229,330	738,148	390,361	6,974,294
Additions	6,549	5,160	86,108	173,551	26,994	81,848	134,947	515,157
Disposals or retirements	-	-	(11,255)	(72,869)	(17,368)	(42,719)	-	(144,211)
Addition from acquire business	-	-	-	692	-	-	-	692
Effect of exchange rate changes	661	30	(32,045)	(38,276)	(2,230)	(4,809)	(190)	(76,859)
Balance at December 31, 2019	<u>\$ 1,186,651</u>	<u>\$ 11,624</u>	<u>\$ 1,952,850</u>	<u>\$ 2,583,636</u>	<u>\$ 236,726</u>	<u>\$ 772,468</u>	<u>\$ 525,118</u>	<u>\$ 7,269,073</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2019	\$ -	\$ 5,645	\$ 680,901	\$ 1,638,207	\$ 156,699	\$ 545,283	\$ -	\$ 3,026,735
Adjust for IFRS16	-	-	-	-	(2,643)	(1,592)	-	(4,235)
Balance at January 1, 2019 (Adjusted)	-	5,645	680,901	1,638,207	154,056	543,691	-	3,022,500
Depreciation Expense	-	191	62,503	162,431	18,954	55,042	-	299,121
Disposals or retirements	-	-	(1,700)	(57,015)	(12,659)	(38,754)	-	(110,128)
Effect of exchange rate changes	-	11	(9,594)	(25,182)	(1,393)	(3,154)	-	(39,312)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 5,847</u>	<u>\$ 732,110</u>	<u>\$ 1,718,441</u>	<u>\$ 158,958</u>	<u>\$ 556,825</u>	<u>\$ -</u>	<u>\$ 3,172,181</u>
Carrying amounts at December 31, 2018	<u>\$ 1,179,441</u>	<u>\$ 789</u>	<u>\$ 1,229,141</u>	<u>\$ 882,331</u>	<u>\$ 77,461</u>	<u>\$ 200,468</u>	<u>\$ 390,361</u>	<u>\$ 3,959,992</u>
Carrying amounts at January 1, 2019 (Adjusted)	<u>\$ 1,179,441</u>	<u>\$ 789</u>	<u>\$ 1,229,141</u>	<u>\$ 882,331</u>	<u>\$ 75,274</u>	<u>\$ 194,457</u>	<u>\$ 390,361</u>	<u>\$ 3,951,794</u>
Carrying amounts at December 31, 2019	<u>\$ 1,186,651</u>	<u>\$ 5,777</u>	<u>\$ 1,220,740</u>	<u>\$ 865,195</u>	<u>\$ 77,768</u>	<u>\$ 215,643</u>	<u>\$ 525,118</u>	<u>\$ 4,096,892</u>
<u>Cost</u>								
Balance at January 1, 2018	\$ 1,179,025	\$ 5,625	\$ 1,621,156	\$ 2,334,664	\$ 204,299	\$ 694,247	\$ 170,477	\$ 6,209,493
Additions	-	831	131,704	100,540	7,342	36,998	390,261	667,676
Disposals or retirements	-	-	(8,496)	(80,570)	(9,462)	(24,579)	-	(123,107)
Reclassification	-	-	146,471	182,154	32,235	39,740	(182,110)	218,490
Effect of exchange rate changes	416	(22)	19,207	(16,250)	(254)	(655)	11,733	14,175
Balance at December 31, 2018	<u>\$ 1,179,441</u>	<u>\$ 6,434</u>	<u>\$ 1,910,042</u>	<u>\$ 2,520,538</u>	<u>\$ 234,160</u>	<u>\$ 745,751</u>	<u>\$ 390,361</u>	<u>\$ 6,986,727</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2019	\$ -	\$ 5,625	\$ 626,257	\$ 1,568,788	\$ 146,487	\$ 515,607	\$ -	\$ 2,862,764
Depreciation Expense	-	42	56,089	152,566	17,879	53,370	-	279,946
Disposals or retirements	-	-	(4,649)	(67,579)	(6,945)	(23,380)	-	(102,553)
Reclassification	-	-	-	-	(129)	501	-	372
Effect of exchange rate changes	-	(22)	3,204	(15,568)	(593)	(815)	-	(13,794)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 5,645</u>	<u>\$ 680,901</u>	<u>\$ 1,638,207</u>	<u>\$ 156,699</u>	<u>\$ 545,283</u>	<u>\$ -</u>	<u>\$ 3,026,735</u>
Carrying amounts at December 31, 2018	<u>\$ 1,179,441</u>	<u>\$ 789</u>	<u>\$ 1,229,141</u>	<u>\$ 882,331</u>	<u>\$ 77,461</u>	<u>\$ 200,468</u>	<u>\$ 390,361</u>	<u>\$ 3,959,992</u>

