

**Nan Pao Resins Chemical Co., Ltd. and  
Subsidiaries**

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2020 and 2019 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholders  
Nan Pao Resins Chemical Co., Ltd.

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Nan Pao Resins Chemical Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group") as of September 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis for Qualified Conclusion**

As disclosed in Note 12 to the consolidated financial statements, the financial statements of some non-significant subsidiaries were not reviewed. The total assets of these subsidiaries amounted to NT\$3,688,795 thousand and NT\$3,675,147 thousand as of September 30, 2020 and 2019, respectively, both accounting for 20% of total consolidated assets. Total liabilities were NT\$1,080,516 thousand and NT\$1,051,380 thousand as of September 30, 2020 and 2019, respectively, both accounting for 14% of total consolidated liabilities. Comprehensive income was NT\$34,554 thousand, NT\$35,864 thousand, NT\$60,330 thousand and NT\$104,713 thousand for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, respectively, accounting for 10%, 20%, 12% and 13% of the consolidated comprehensive income or loss, respectively. Furthermore, as disclosed in Note 13 to the consolidated financial statements, the financial statements of some non-significant investments for using the equity method were not reviewed. Investments accounted for using the equity method were NT\$353,062 thousand and NT\$310,722 thousand as of September 30, 2020 and 2019, respectively, and share of profit for using the equity method was NT\$17,330 thousand, NT\$10,179

thousand, NT\$33,405 thousand and NT\$21,542 thousand for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, respectively.

### **Qualified Conclusion**

Based on our and others reviews (see Other Matter), except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of (or “do not present fairly, in all material respects,”) the consolidated financial position of the Group as of September 30, 2020 and 2019, its consolidated financial performance for the three months ended September 30, 2020 and 2019, and its consolidated financial performance and cash flows for the nine months ended September 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Other Matter**

Among the subsidiaries included in the consolidated financial statements of the Group, the financial statements of NP Australia Pty Ltd. and its subsidiaries were reviewed by other auditors. Thus, our opinion, insofar as it relates to the amounts and related information included for these subsidiaries, is based solely on the report of other auditors. The total assets of these subsidiaries amounted to NT\$1,620,652 thousand and NT\$1,560,292 thousand as of September 30, 2020 and 2019, respectively, and both accounting for 9% of total consolidated assets. Net operating income was NT\$545,351 thousand, NT\$524,150 thousand, NT\$1,419,679 thousand and NT\$1,473,387 thousand, respectively, and accounting for 14%, 12%, 13% and 12%, respectively of the consolidated net operating income for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019.

The engagement partners on the reviews resulting in this independent auditors’ review report are Hung Ju Liao and Chun Chi Kung.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
November 11, 2020

### Notice to Readers

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

*For the convenience of readers, the independent auditors’ report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors’ report and consolidated financial statements shall prevail.*

# NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 3,122,121	17	\$ 3,742,604	20	\$ 3,637,512	20
Financial assets at amortized cost - current (Notes 8, 9 and 33)	1,366,515	8	749,615	4	384,908	2
Notes receivable (Note 10)	259,426	1	280,023	2	321,599	2
Accounts receivable (Notes 10 and 25)	2,988,016	17	3,158,395	17	3,194,151	18
Accounts receivable from related parties (Notes 10, 25 and 32)	246,077	1	371,342	2	387,836	2
Other receivables (Note 10)	133,094	1	189,685	1	183,701	1
Current tax assets	15,770	-	3,705	-	31,277	-
Inventories (Note 11)	1,886,288	11	2,241,307	12	2,389,500	13
Other current assets (Note 19)	397,122	2	373,296	2	376,216	2
Total current assets	<u>10,414,429</u>	<u>58</u>	<u>11,109,972</u>	<u>60</u>	<u>10,906,700</u>	<u>60</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - non-current (Note 7)	754,994	4	976,745	5	1,098,102	6
Financial assets at amortized cost - non-current (Notes 8, 9 and 33)	126,623	1	71,785	-	86,638	1
Investments accounted for using the equity method (Note 13)	353,062	2	322,657	2	310,722	2
Property, plant and equipment (Notes 14 and 33)	4,230,345	23	4,096,892	22	4,082,603	22
Right-of-use assets (Notes 15 and 33)	1,251,527	7	1,160,508	6	1,163,954	6
Investment properties (Note 16)	17,760	-	17,760	-	17,760	-
Goodwill (Note 17)	112,119	1	113,483	1	130,926	1
Other intangible assets (Note 18)	70,228	-	80,354	1	61,923	-
Deferred tax assets	326,033	2	288,146	2	241,159	1
Other non-current assets (Note 19)	346,228	2	159,949	1	173,985	1
Total non-current assets	<u>7,588,919</u>	<u>42</u>	<u>7,288,279</u>	<u>40</u>	<u>7,367,772</u>	<u>40</u>
<b>TOTAL</b>	<u>\$ 18,003,348</u>	<u>100</u>	<u>\$ 18,398,251</u>	<u>100</u>	<u>\$ 18,274,472</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Notes 20 and 33)	\$ 1,525,182	9	\$ 1,371,276	8	\$ 1,251,541	7
Contract liabilities - current (Note 25)	20,900	-	18,874	-	20,639	-
Notes payable (Note 21)	9,939	-	12,788	-	38,300	-
Accounts payable (Notes 21 and 32)	1,871,840	11	1,936,397	11	1,947,670	11
Other payables (Note 32)	731,119	4	812,503	4	817,460	4
Current tax liabilities	194,687	1	182,583	1	177,217	1
Lease liabilities - current (Note 15)	63,762	-	52,029	-	50,448	-
Current portion of long-term borrowings (Notes 20 and 33)	51,907	-	353,765	2	345,865	2
Other current liabilities (Notes 22 and 32)	197,180	1	167,877	1	179,300	1
Total current liabilities	<u>4,666,516</u>	<u>26</u>	<u>4,908,092</u>	<u>27</u>	<u>4,828,440</u>	<u>26</u>
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings (Notes 20 and 33)	1,606,413	9	1,524,150	8	1,466,172	8
Deferred tax liabilities	748,260	4	790,157	4	825,199	5
Lease liabilities-non-current (Note 15)	452,232	2	447,552	3	449,720	2
Net defined benefit liabilities - non-current	98,756	1	115,019	1	123,515	1
Other non-current liabilities (Notes 22 and 34)	54,347	-	56,734	-	49,054	-
Total non-current liabilities	<u>2,960,008</u>	<u>16</u>	<u>2,933,612</u>	<u>16</u>	<u>2,913,660</u>	<u>16</u>
Total liabilities	<u>7,626,524</u>	<u>42</u>	<u>7,841,704</u>	<u>43</u>	<u>7,742,100</u>	<u>42</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 24)</b>						
Share capital - ordinary shares	<u>1,205,707</u>	<u>7</u>	<u>1,205,707</u>	<u>7</u>	<u>1,205,707</u>	<u>7</u>
Capital surplus	<u>2,105,503</u>	<u>11</u>	<u>2,103,848</u>	<u>11</u>	<u>2,108,235</u>	<u>11</u>
Retained earnings						
Legal reserve	1,178,822	7	1,056,002	6	1,056,002	6
Special reserve	313,321	2	313,321	1	313,321	2
Unappropriated earnings	<u>4,766,044</u>	<u>26</u>	<u>4,740,757</u>	<u>26</u>	<u>4,401,877</u>	<u>24</u>
Total retained earnings	<u>6,258,187</u>	<u>35</u>	<u>6,110,080</u>	<u>33</u>	<u>5,771,200</u>	<u>32</u>
Other equity	(46,487)	-	321,105	2	668,239	4
Total equity attributable to owners of the Company	<u>9,522,910</u>	<u>53</u>	<u>9,740,740</u>	<u>53</u>	<u>9,753,381</u>	<u>54</u>
<b>NON-CONTROLLING INTERESTS</b>	<u>853,914</u>	<u>5</u>	<u>815,807</u>	<u>4</u>	<u>778,991</u>	<u>4</u>
Total equity	<u>10,376,824</u>	<u>58</u>	<u>10,556,547</u>	<u>57</u>	<u>10,532,372</u>	<u>58</u>
<b>TOTAL</b>	<u>\$ 18,003,348</u>	<u>100</u>	<u>\$ 18,398,251</u>	<u>100</u>	<u>\$ 18,274,472</u>	<u>100</u>

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

(With Deloitte & Touche review report dated November 11, 2020)

# NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 25 and 32)	\$ 4,010,476	100	\$ 4,489,396	100	\$ 11,090,562	100	\$ 12,588,718	100
OPERATING COSTS (Notes 11, 26 and 32)	<u>2,816,568</u>	<u>70</u>	<u>3,206,945</u>	<u>71</u>	<u>7,995,610</u>	<u>72</u>	<u>9,118,148</u>	<u>72</u>
GROSS PROFIT	<u>1,193,908</u>	<u>30</u>	<u>1,282,451</u>	<u>29</u>	<u>3,094,952</u>	<u>28</u>	<u>3,470,570</u>	<u>28</u>
OPERATING EXPENSES (Notes 10 and 26)								
Selling and marketing expenses	388,945	10	450,147	10	1,129,743	10	1,268,108	10
General and administrative expenses	203,080	5	220,404	5	591,751	6	639,646	5
Research and development expenses	126,157	3	110,057	2	350,208	3	327,490	3
Expected credit loss (gain)	<u>(525)</u>	<u>-</u>	<u>22,316</u>	<u>1</u>	<u>16,669</u>	<u>-</u>	<u>17,816</u>	<u>-</u>
Total operating expenses	<u>717,657</u>	<u>18</u>	<u>802,924</u>	<u>18</u>	<u>2,088,371</u>	<u>19</u>	<u>2,253,060</u>	<u>18</u>
PROFIT FROM OPERATIONS	<u>476,251</u>	<u>12</u>	<u>479,527</u>	<u>11</u>	<u>1,006,581</u>	<u>9</u>	<u>1,217,510</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES (Notes 13 and 26)								
Interest income	12,963	-	9,691	-	36,166	-	25,605	-
Other income	33,946	1	34,144	1	110,896	1	94,750	1
Other gains and losses	(31,149)	(1)	10,729	-	(37,321)	-	39,013	-
Finance costs	(13,883)	-	(16,709)	-	(45,644)	-	(52,178)	-
Share of profit of associates	<u>17,330</u>	<u>-</u>	<u>10,179</u>	<u>-</u>	<u>33,405</u>	<u>-</u>	<u>21,542</u>	<u>-</u>
Total non-operating income and expenses	<u>19,207</u>	<u>-</u>	<u>48,034</u>	<u>1</u>	<u>97,502</u>	<u>1</u>	<u>128,732</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	495,458	12	527,561	12	1,104,083	10	1,346,242	11
INCOME TAX EXPENSE (Notes 4 and 27)	<u>74,552</u>	<u>2</u>	<u>161,117</u>	<u>4</u>	<u>199,913</u>	<u>2</u>	<u>392,922</u>	<u>3</u>
NET PROFIT FOR THE PERIOD	<u>420,906</u>	<u>10</u>	<u>366,444</u>	<u>8</u>	<u>904,170</u>	<u>8</u>	<u>953,320</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	<u>(67,878)</u>	<u>(2)</u>	<u>(109,754)</u>	<u>(2)</u>	<u>(226,766)</u>	<u>(2)</u>	<u>(127,163)</u>	<u>(1)</u>
Income	<u>(67,878)</u>	<u>(2)</u>	<u>(109,754)</u>	<u>(2)</u>	<u>(226,766)</u>	<u>(2)</u>	<u>(127,163)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:								

(Continued)

# NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
Exchange differences on translating foreign operations	(23,741)	-	(100,103)	(2)	(194,880)	(2)	(526)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 27)	<u>1,994</u>	<u>-</u>	<u>19,221</u>	<u>-</u>	<u>35,206</u>	<u>1</u>	<u>1,514</u>	<u>-</u>
	<u>(21,747)</u>	<u>-</u>	<u>(80,882)</u>	<u>(2)</u>	<u>(159,674)</u>	<u>(1)</u>	<u>988</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>(89,625)</u>	<u>(2)</u>	<u>(190,636)</u>	<u>(4)</u>	<u>(386,440)</u>	<u>(3)</u>	<u>(126,175)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 331,281</u>	<u>8</u>	<u>\$ 175,808</u>	<u>4</u>	<u>\$ 517,730</u>	<u>5</u>	<u>\$ 827,145</u>	<u>7</u>
NET PROFIT								
ATTRIBUTABLE TO:								
Owners of the Company	\$ 402,120	10	\$ 345,572	8	\$ 871,532	8	\$ 891,856	7
Non-controlling interests	<u>18,786</u>	<u>-</u>	<u>20,872</u>	<u>-</u>	<u>32,638</u>	<u>-</u>	<u>61,464</u>	<u>1</u>
	<u>\$ 420,906</u>	<u>10</u>	<u>\$ 366,444</u>	<u>8</u>	<u>\$ 904,170</u>	<u>8</u>	<u>\$ 953,320</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Company	\$ 326,264	8	\$ 158,935	4	\$ 503,940	5	\$ 758,639	6
Non-controlling interests	<u>5,017</u>	<u>-</u>	<u>16,873</u>	<u>-</u>	<u>13,790</u>	<u>-</u>	<u>68,506</u>	<u>1</u>
	<u>\$ 331,281</u>	<u>8</u>	<u>\$ 175,808</u>	<u>4</u>	<u>\$ 517,730</u>	<u>5</u>	<u>\$ 827,145</u>	<u>7</u>
EARNINGS PER SHARE (Note 28)								
Basic	<u>\$ 3.34</u>		<u>\$ 2.87</u>		<u>\$ 7.23</u>		<u>\$ 7.40</u>	
Diluted	<u>\$ 3.33</u>		<u>\$ 2.86</u>		<u>\$ 7.21</u>		<u>\$ 7.38</u>	

(Concluded)

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

(With Deloitte & Touche review report dated November 11, 2020)

# NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (Reviewed, Not Audited) (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company											
	Retained Earnings					Other Equity					Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity	Total			
BALANCE, JANUARY 1, 2020	\$ 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	
Appropriations of 2019 earnings (Note 24)												
Legal reserve	-	-	122,820	-	(122,820)	-	-	-	-	-	-	
Cash dividends distributed by Company - \$6 per share	-	-	-	-	(723,425)	-	-	-	(723,425)	-	(723,425)	
Net profit for nine months ended September 30, 2020	-	-	-	-	871,532	-	-	-	871,532	32,638	904,170	
Other comprehensive loss for the nine months ended September 30, 2020, net of income tax	-	-	-	-	-	(140,826)	(226,766)	(367,592)	(367,592)	(18,848)	(386,440)	
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	871,532	(140,826)	(226,766)	(367,592)	503,940	13,790	517,730	
Changes in percentage of ownership interests in subsidiaries (Note 29)	-	1,655	-	-	-	-	-	-	1,655	(1,655)	-	
Increase in non-controlling interests (Note 24)	-	-	-	-	-	-	-	-	-	25,972	25,972	
BALANCE, SEPTEMBER 30, 2020	\$ 1,205,707	\$ 2,105,503	\$ 1,178,822	\$ 313,321	\$ 4,766,044	\$ (530,834)	\$ 484,347	\$ (46,487)	\$ 9,522,910	\$ 853,914	\$ 10,376,824	
BALANCE, 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	
Appropriations of 2018 earnings (Note 24)												
Legal reserve	-	-	67,277	-	(67,277)	-	-	-	-	-	-	
Cash dividends distributed by Company -\$5 per share	-	-	-	-	(602,854)	-	-	-	(602,854)	-	(602,854)	
Net profit for the nine months ended September 30, 2019	-	-	-	-	891,856	-	-	-	891,856	61,464	953,320	
Other comprehensive income (loss) for the nine months ended September 30, 2019, net of income tax	-	-	-	-	-	(6,054)	(127,163)	(133,217)	(133,217)	7,042	(126,175)	
Total comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	891,856	(6,054)	(127,163)	(133,217)	758,639	68,506	827,145	
Decrease in non-controlling interests (Note 24)	-	-	-	-	-	-	-	-	-	(16,962)	(16,962)	
BALANCE, SEPTEMBER 30, 2019	\$ 1,205,707	\$ 2,108,235	\$ 1,056,002	\$ 313,321	\$ 4,401,877	\$ (231,598)	\$ 899,837	\$ 668,239	\$ 9,753,381	\$ 778,991	\$ 10,532,372	

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

(With Deloitte & Touche review report dated November 11, 2020)

# NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	<b>Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,104,083	\$ 1,346,242
Adjustments for:		
Depreciation expenses	296,759	274,527
Amortization expenses	14,263	10,735
Expected credit loss recognized on trade receivables	16,669	17,816
Finance costs	45,644	52,178
Interest income	(36,166)	(25,605)
Dividend income	(46,962)	(55,462)
Share of loss of associates	(33,405)	(21,542)
Loss (gain) on disposal of property, plant and equipment	(111)	176
Write downs of inventories	13,245	11,455
Changes in operating assets and liabilities		
Notes receivable	20,597	(28,194)
Accounts receivable	96,785	(63,973)
Accounts receivable from related parties	109,042	(38,561)
Other receivables	58,532	23,143
Inventories	296,816	(63,159)
Other current assets	(23,826)	76,615
Other non-current assets	1,670	(218)
Contract liabilities	2,026	(20,860)
Notes payable	(2,652)	(1,132)
Accounts payables	(39,320)	36,454
Other payables	(89,573)	57,201
Other current liabilities	29,418	(6,693)
Net defined benefit liabilities	(16,263)	(25,895)
Other non-current liabilities	(1,865)	16,941
Cash generated from operations	1,815,406	1,572,189
Interest received	33,701	20,405
Interest paid	(48,134)	(51,966)
Income tax paid	(244,452)	(270,625)
Net cash generated from operating activities	<u>1,556,521</u>	<u>1,270,003</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(1,014,074)	(455,092)
Purchase of financial assets at fair value through other comprehensive income	(5,330)	(15,000)
Refunded capital of financial assets at fair value through other comprehensive income	315	315
Proceeds from sale of financial assets at amortized cost	327,956	203,880
Net cash outflow for getting investment	-	(48,195)
Payments for property, plant and equipment	(701,986)	(462,952)
Proceeds from disposal of property, plant and equipment	5,932	30,318
Increase in refundable deposits	(2,660)	(24,376)
Decrease in refundable deposits	1,973	49,150
Payments for intangible assets	(2,821)	(29,234)
Proceeds from disposal of intangible assets	(256)	-
Dividends received	49,962	58,462

(Continued)



# NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	<b>Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Payments for right-of-use assets	-	(56,895)
Proceeds from disposal of right-of-use assets	-	<u>5,661</u>
Net cash used in investing activities	<u>(1,340,989)</u>	<u>(743,958)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	4,288,128	3,592,543
Repayments of short-term borrowings	(4,123,194)	(3,631,056)
Proceeds from long-term borrowings	2,159,646	1,843,980
Repayments of long-term borrowings	(2,378,784)	(1,691,069)
Proceeds from guarantee deposits received	1,948	2,402
Refund of guarantee deposits received	(2,648)	(495)
Repayment of the principal portion of lease liabilities	(41,844)	(32,611)
Cash dividends	(733,423)	(619,816)
Change in non-controlling interests	<u>35,970</u>	<u>-</u>
Net cash used in financing activities	<u>(794,201)</u>	<u>(536,122)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>(41,814)</u>	<u>(31,759)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(620,483)</b>	<b>(41,836)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u><b>3,742,604</b></u>	<u><b>3,679,348</b></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u><b>\$ 3,122,121</b></u>	<u><b>\$ 3,637,512</b></u>

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

(With Deloitte & Touche review report dated November 11, 2020)

(Concluded)

# NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

---

### 1. GENERAL INFORMATION

Nan Pao Resins Chemical Co., Ltd. (the "Company") was founded in October 1963, and is mainly engaged in the manufacturing, wholesale, and retail sale of synthetic resins, synthetic plastics, adhesives, resin coatings, dyes, and pigments.

The Company obtained approval for the public issuance of its shares in May 2017, and obtained approval for the trading of its shares on the emerging stock board (ESB) of the Taipei Exchange (TPEX) in July of the same year. Since November 2018, the Company's shares started trading on the Taiwan Stock Exchange.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollar.

### 2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements were reported to the Board of Directors and issued on on November 11, 2020.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The initial application of the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies.

- b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023

(Continued)

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)
	(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

##### **b. Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for assets or liabilities.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 12, Tables 6 and 7 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, refer to the consolidated financial statements for the year ended December 31, 2019.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

3) Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

When the Group apply accounting policies, they must make relevant assumptions, estimates, and judgments based on past experience and other relevant factors for what cannot easily obtain relevant information from other sources. The actual results may differ from the estimates.

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

In addition, the same critical accounting judgments and key sources of estimation uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2019.

## 6. CASH AND CASH EQUIVALENTS

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Cash on hand	\$ 8,250	\$ 11,063	\$ 13,117
Checking accounts and demand deposits	2,937,827	3,382,128	3,332,989
Cash equivalents (investments with original maturities within 3 months)			
Time deposits	<u>176,044</u>	<u>349,413</u>	<u>291,406</u>
	<u>\$ 3,122,121</u>	<u>\$ 3,742,604</u>	<u>\$ 3,637,512</u>

The market rate intervals of time deposits were as follows:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Time deposits	0.41% ~ 5.5%	0.66% ~ 6.3%	0.66% ~ 6.6%

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – NON-CURRENT

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Domestic investments			
Unlisted stock	<u>\$ 754,994</u>	<u>\$ 976,745</u>	<u>\$ 1,098,102</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

The equity instruments measured at FVTOCI held by the Group are not pledged as security.

## 8. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Current</u>			
Time deposits with original maturities of more than 3 months (a)	\$ 738,927	\$ 345,729	\$ 363,759
Pledged time deposits (a)	16,637	19,987	20,247
Restricted demand deposits (b)	610,257	382,835	-
Refundable deposits	<u>694</u>	<u>1,064</u>	<u>902</u>
	<u>\$ 1,366,515</u>	<u>\$ 749,615</u>	<u>\$ 384,908</u>
<u>Non-current</u>			
Time deposits with original maturities of more than 3 months (a)	\$ 96,460	\$ 43,051	\$ 58,218
Pledged time deposits (a)	5,615	5,154	5,108
Refundable deposits	<u>24,548</u>	<u>23,580</u>	<u>23,312</u>
	<u>\$ 126,623</u>	<u>\$ 71,785</u>	<u>\$ 86,638</u>

- a. The ranges of interest rates for time deposits were approximately 0.41% ~ 6.9%, 0.66% ~ 2.8% and 0.94% ~ 7.5% per annum as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.
- b. Restricted demand deposits as of September 30, 2020 and December 31, 2019 are funds that the Group put into the dedicated bank account in accordance with "the Management, Utilization, and Taxation of Repatriated Offshore Funds Act".
- c. Refer to Note 9 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.
- d. Refer to Note 33 for information relating to investments in financial assets at amortized cost pledged as security.

## 9. CREDIT RISK MANAGEMENT OF INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as at amortized cost.

	September 30, 2020	December 31, 2019	September 30, 2019
Amortized cost - current	\$ 1,366,515	\$ 749,615	\$ 384,908
Amortized cost - non-current	<u>126,623</u>	<u>71,785</u>	<u>86,638</u>
	<u>\$ 1,493,138</u>	<u>\$ 821,400</u>	<u>\$ 471,546</u>

The Group invests only in debt instruments that have low credit risk for the purpose of impairment assessment. In determining the expected credit losses for debt instrument investments, the Group considers the historical default loss rates of each credit rating, the current financial condition of debtors, and the future prospects of the industries. Because counterparties have a low risk of default and a strong capacity to meet contractual cash flows, the Group did not make any provision for expected credit losses with respect to financial assets at amortized cost as of September 30, 2020, December 31, 2019 and September 30, 2019.

## 10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE (INCLUDING FROM RELATED PARTIES) AND OTHER RECEIVABLES

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Notes receivable - operating</u>			
At amortized cost			
Gross carrying amount	<u>\$ 259,426</u>	<u>\$ 280,023</u>	<u>\$ 321,599</u>
<u>Accounts receivable (including from related parties)</u>			
At amortized cost			
Gross carrying amount	\$ 3,292,786	\$ 3,578,332	\$ 3,633,046
Less: Allowance for impairment loss	<u>58,693</u>	<u>48,595</u>	<u>51,059</u>
	<u>\$ 3,234,093</u>	<u>\$ 3,529,737</u>	<u>\$ 3,581,987</u>
Other receivables			
Others	<u>\$ 133,094</u>	<u>\$ 189,685</u>	<u>\$ 183,701</u>

The average credit period of sales of goods was 30 to 180 days. No interest was charged on accounts receivable. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses estimated by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As there are different loss patterns for various customer segments, the Group uses different provision matrixes based on customer segments by geographical region, and determines the expected credit loss rate by reference to past due days of accounts receivable and regional economic conditions.

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

### Notes receivable

As of September 30, 2020, December 31, 2019, and September 30, 2019, the notes receivable analyzed by the Group based on the number of days overdue were not overdue, and the Group did not measure any loss allowance for notes receivable.

### Accounts receivable (including from related parties)

The following table details the loss allowance of accounts receivable.

#### September 30, 2020

	<u>Not Past Due</u>	<u>1 to 90 Days</u>	<u>91 to 180 Days</u>	<u>181 to 270 Days</u>	<u>271 to 365 Days</u>	<u>Over 365 Days</u>	<u>Total</u>
Expected credit loss rate	0.01% ~ 0.9%	0.2% ~ 13%	3% ~ 47%	8% ~ 67%	37% ~ 100%	100%	
Gross carrying amount	\$ 2,823,281	\$ 378,119	\$ 31,853	\$ 19,157	\$ 7,691	\$ 32,685	\$ 3,292,786
Loss allowance (Lifetime ECLs)	(1,950)	(4,509)	(4,971)	(8,659)	(5,983)	(32,621)	(58,693)
Amortized cost	<u>\$ 2,821,331</u>	<u>\$ 373,610</u>	<u>\$ 26,882</u>	<u>\$ 10,498</u>	<u>\$ 1,708</u>	<u>\$ 64</u>	<u>\$ 3,234,093</u>

#### December 31, 2019

	<u>Not Past Due</u>	<u>1 to 90 Days</u>	<u>91 to 180 Days</u>	<u>181 to 270 Days</u>	<u>271 to 365 Days</u>	<u>Over 365 Days</u>	<u>Total</u>
Expected credit loss rate	0.01% ~ 0.1%	0.2% ~ 5%	3% ~ 31%	8% ~ 67%	37% ~ 97%	100%	
Gross carrying amount	\$ 2,901,084	\$ 593,336	\$ 27,067	\$ 21,004	\$ 8,389	\$ 27,452	\$ 3,578,332
Loss allowance (Lifetime ECLs)	(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>

#### September 30, 2019

	<u>Not Past Due</u>	<u>1 to 90 Days</u>	<u>91 to 180 Days</u>	<u>181 to 270 Days</u>	<u>271 to 365 Days</u>	<u>Over 365 Days</u>	<u>Total</u>
Expected credit loss rate	0.01% ~ 0.1%	0.2% ~ 5%	3% ~ 31%	8% ~ 67%	37% ~ 97%	100%	
Gross carrying amount	\$ 3,065,389	\$ 466,953	\$ 37,570	\$ 24,526	\$ 10,126	\$ 28,482	\$ 3,633,046
Loss allowance (Lifetime ECLs)	(554)	(1,244)	(3,609)	(10,020)	(7,311)	(28,321)	(51,059)
Amortized cost	<u>\$ 3,064,835</u>	<u>\$ 465,709</u>	<u>\$ 33,961</u>	<u>\$ 14,506</u>	<u>\$ 2,815</u>	<u>\$ 161</u>	<u>\$ 3,581,987</u>

The movements of the loss allowance of accounts receivable were as follows:

	<b>For the Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 48,595	\$ 46,716
Net remeasurement	16,669	17,816
Less: Amounts written off	(5,237)	(13,761)
Foreign exchange gains and losses	<u>(1,334)</u>	<u>288</u>
Balance at September 30	<u>\$ 58,693</u>	<u>\$ 51,059</u>



## 11. INVENTORIES

	September 30, 2020	December 31, 2019	September 30, 2019
Goods	\$ 83,169	\$ 154,768	\$ 174,292
Finished goods and semi-finished goods	775,442	845,553	932,314
Work-in-process	66,124	86,811	53,736
Raw materials and supplies	769,527	935,688	1,085,667
Inventory in transit	<u>192,026</u>	<u>218,487</u>	<u>143,491</u>
	<u>\$ 1,886,288</u>	<u>\$ 2,241,307</u>	<u>\$ 2,389,500</u>

The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019 was \$2,816,660 thousand, \$3,204,332 thousand, \$7,995,721 thousand and \$9,117,972 thousand, respectively. Besides, the cost of goods sold included inventory write-downs of \$1,580 thousand, \$3,334 thousand, \$13,245 thousand and \$11,455 thousand respectively.

## 12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2020	December 31, 2019	September 30, 2019	
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Chemical Company Ltd.	Trading of chemical substances	100	100	100	j
	Nan Pao Application Material Co., Ltd.	Trading of chemical substances	100	100	100	j
	Nan Pao Electronic Material Company	Production and trading of electronic materials	100	100	100	j
	ITLS International Development Co., Ltd.	Trading of construction materials and chemical substances	100	100	100	
	Prince Pharmaceutical Co., Ltd.	Manufacturing, packaging, and processing of raw materials for various pharmaceutical and health food	50.51	52.3	49.9	c, j
	PHYMED BIO-TEC CO., LTD.	R&D and trading of health food	100	100	100	j
	Biorich Biotechnology Co., Ltd.	R&D, production, and trading of new high protein business and health food	57.1	57.1	57.1	j
	Nan Pao Advanced Materials Co., LTD.	Trading of adhesives and chemicals	70	70	70	j
	Nan Pao Fine Materials Co., Ltd.	Production and trading of adhesives and chemicals	-	-	-	h, j
	Fuqing Nan Pao Investment Ltd.	General investment	100	100	100	
	Thai Nan Pao Investment Ltd.	General investment	100	100	100	
	Nan Pao Resins India Pvt Ltd.	Trading of adhesives	100	100	100	j
	Nan Pao Materials Vietnam Co., Ltd.	Production and trading of adhesives and chemicals	100	100	100	
	Nan Pao Advanced Materials Vietnam Co., Ltd.	Production and trading of adhesives and chemicals	100	100	100	j
	Nan Pao Overseas Holdings Ltd.	General investment	100	100	100	

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2020	December 31, 2019	September 30, 2019	
	Profit Land Ltd.	General investment	73.75	73.75	73.75	a
	All Saints Enterprises Ltd.	General investment	54.53	54.53	54.53	a
	Ongoing Profits Ltd.	General investment	32.18	32.18	32.18	a
	PT. Indo Nan Pao Resins Chemical	Production and trading of adhesives	49	49	49	b, j
	Progroup Technology Co., Ltd	Trading of Water-Based PU Resin	91.99	91.99	-	d, j
	Nan Pao Philippines Export Inc.	Trading of adhesives	100	-	-	e, j
ITLS International Development Co., Ltd.	ITLS Holding Pte. Ltd.	General investment	100	100	100	
	Aftek Materials Vietnam Co., Ltd.	Production and trading of construction materials	70	70	70	j
ITLS Holding Pte. Ltd.	ITLS ( Malaysia ) SDN BHD	Production and trading of construction materials	100	100	100	j
	PT. ITLS Indonesia	Production and trading of construction materials	100	100	100	j
	ITLS Vietnam Co., Ltd.	Production and trading of construction materials	100	100	100	j
	ITLS-SB SDN BHD	Production and trading of hardware and construction materials	100	100	100	j
Fuqing Nan Pao Investment Ltd.	Wealth Castle Development Ltd.	General investment	100	100	100	
Wealth Castle Development Ltd.	Fuqing Nan Pao Resins Co., Limited	Production and trading of adhesives	100	100	100	
Thai Nan Pao Investment Ltd.	Thai Nanpao Resins Chemical Co., Ltd.	Production and trading of adhesives	100	100	100	j
Nan Pao Overseas Holdings Ltd.	Nan Pao Group Holdings Ltd.	General investment	100	100	100	
Nan Pao Group Holdings Ltd.	Greatwill Materials (HK) Ltd.	General investment	67.68	67.68	67.68	
	Profit Land Ltd.	General investment	26.25	26.25	26.25	a
	Nan Pao Resins (Holdings) Ltd.	General investment	100	100	100	
	All Saints Enterprises Ltd.	General investment	45.47	45.47	45.47	a
	Mega Victory Ltd.	General investment	-	-	100	d
	ITLS – TWA Australia Pty Ltd.	Production and trading of hardware, construction materials, and chemical substances	-	-	100	f
	NP Australia Pty Ltd.	General investment	100	100	100	
	Ongoing Profits Ltd.	General investment	67.82	67.82	67.82	a
	Treasure Wealth (HK) Ltd.	General investment	100	100	100	
	Goldford Investments Ltd.	General investment	100	100	100	
	Nan Pao Resins Chemical Philippines, Inc.	Trading of adhesives	100	100	100	j
	Nan Pao Resins International Ltd.	Trading of chemical substances and related products	100	100	100	
	Nanpao Advanced Investment Co., Ltd.	General investment	100	100	100	
	Nan Pao Resins ( HK ) Limited	Production and trading of adhesives	100	100	-	g
Greatwill Materials (HK) Ltd.	Foshan Nan Pao Advanced Materials Co., Ltd.	Production and trading of adhesives	99	99	99	a
Profit Land Ltd.	Giant Profit Development Ltd.	General investment	100	100	100	
Giant Profit Development Ltd.	Nan Pao Resins (Fo Shan) Co., Ltd.	Production and trading of adhesives	100	100	100	
Nan Pao Resins (Fo Shan) Co., Ltd.	Foshan Nan Pao Cheng Hung Advanced Materials Technology Co., Ltd.	Trading of footwear materials	51	51	51	
	Foshan Nan Pao Advanced Materials Co., Ltd.	Production and trading of adhesives	1	1	1	a

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2020	December 31, 2019	September 30, 2019	
Nan Pao Resins (Holdings) Ltd.	Eastlion Enterprises Ltd.	General investment	100	100	100	
	Nan Pao Resins Development Ltd.	General investment	100	100	100	
Eastlion Enterprises Ltd.	Nan Pao Resins (Dong-Guan) Co., Ltd.	Processing of adhesive products	100	100	100	
Nan Pao Resins Development Ltd.	Dongguan Jia Chin Electronics Co., Ltd.	Production and trading of coatings and advanced resin	100	100	100	
All Saints Enterprises Ltd.	Great Mount Enterprises Ltd.	General investment	100	100	100	
Great Mount Enterprises Ltd.	Nan Pao Resins (China) Co., Ltd.	Production and trading of adhesives and coatings	100	100	100	
Mega Victory Ltd.	Progroups Technology Co. Ltd.	Trading of water-based polyurethane resin	-	-	91.99	d
NP Australia Pty Ltd.	RLA Polymers Pty Ltd.	Production and trading of construction materials and chemical substances	100	100	100	
RLA Polymers Pty Ltd.	RLA Polymers (M) SDN BHD	Production and trading of construction materials and chemical substances	100	100	100	
Ongoing Profits Ltd.	Rising Sun Associates Ltd.	General investment	100	100	100	
Rising Sun Associates Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Production and trading of adhesives and coatings	100	100	100	
Goldford Investments Ltd.	PT. Indo Nan Pao Resins Chemical	Production and trading of adhesives	18.5	18.5	18.5	b, j
Treasure Wealth (HK) Ltd.	Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Production and trading of coatings	50	50	50	j
Nanpao Advanced Investment Co., Ltd.	Nan Pao (Kunshan) E-commerce Ltd.	Agency of online business and general merchandise	100	100	100	
	Nantong Nanpao Resins Materials Co., Ltd.	Production and trading business of adhesives	100	100	100	
	Nan Pao Resins (Yunan) Co., Ltd.	Production and trading business of adhesives	100	100	100	
	Nan Pao New Materials (Huaian) Co., Ltd.	Production and trading business of carbon fiber	100	-	-	i

(Concluded)

- a. Direct and indirect shareholdings totaled 100%.
- b. Direct and indirect shareholdings totaled 67.5%.
- c. In December 2019, the Group 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%. In addition, Prince Pharmaceutical Co., Ltd. exercised employee share options in May 2020, resulting in an decrease in the shareholding ratio from 52.3% to 50.51%.
- d. After Mega Victory Ltd. transferred the shares of Progroups Technology Co., Ltd. to The Company in December 2019, and it completed its liquidation procedures and cancelled registration in December 2019 .
- e. The Group has established Nan Pao Philippines Export Inc. in September 2019, and indirect shareholding account for 100%, and then completed the establishment registration by investing capital in January 2020.
- f. ITLS-TWA Australia Pty Ltd was liquidated and canceled its registration in November 2019.
- g. The Group invested in and established Nan Pao Resins (HK) in Hong Kong in June 2019, and shareholdings totaled 100%.

- h. The Group paid investment capital \$13,750 thousand in advance in September 2020, then completed the registration of establishment in October 2020, and shareholdings totaled 55%.
- i. The Group established Nanpao New Materials (Huaian) Co., Ltd. in China in March 2020, and shareholdings totaled 100%.
- j. Such companies are immaterial subsidiaries, and their financial statements have not been reviewed by us.

### 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	September 30, 2020	December 31, 2019	September 30, 2019
Investments in associates			
Associates that are not individually material	\$ <u>353,062</u>	\$ <u>322,657</u>	\$ <u>310,722</u>

Aggregate information of associates that are not individually material was as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
The Group's share of:				
Total net income and comprehensive income for the year	\$ <u>17,330</u>	\$ <u>10,179</u>	\$ <u>33,405</u>	\$ <u>21,542</u>

Investments accounted for using the equity method, the Group's share of profit and other comprehensive income are calculated based on financial statements which have not been reviewed.

### 14. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Land improvements	4 - 20 years
Buildings	2 - 60 years
Machinery	2 - 30 years
Transportation equipment	2 - 20 years
Miscellaneous equipment	2 - 20 years

Refer to Table 11 for the detailed information of changes in property, plant and equipment.

No impairment assessment was performed for the nine months ended September 30, 2020 and 2019 as there were no indication of impairment.

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 33.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	September 30, 2020	December 31, 2019	September 30, 2019	
<u>Carrying amounts</u>				
Land (Note)	\$ 791,690	\$ 819,470	\$ 820,461	
Buildings	428,162	302,489	311,942	
Machinery	214	129	168	
Transportation equipment	29,989	36,413	29,316	
Miscellaneous equipment	<u>1,472</u>	<u>2,007</u>	<u>2,067</u>	
	<u>\$ 1,251,527</u>	<u>\$ 1,160,508</u>	<u>\$ 1,163,954</u>	
	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Additions to right-of-use assets			<u>\$ 68,658</u>	<u>\$ 115,525</u>
Depreciation charge for right-of-use assets				
Land	\$ 5,192	\$ 5,297	\$ 15,398	\$ 15,313
Buildings	12,427	9,811	34,961	25,829
Machinery	35	36	106	103
Transportation equipment	3,629	3,553	10,807	9,947
Miscellaneous equipment	<u>146</u>	<u>262</u>	<u>645</u>	<u>781</u>
	<u>\$ 21,429</u>	<u>\$ 18,959</u>	<u>\$ 61,917</u>	<u>\$ 51,973</u>

Note: The collaterals of credit line for land use rights of subsidiaries in Vietnam were set out in Note 33.

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the nine months ended September 30, 2020 and 2019.

### b. Lease liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Carrying amounts</u>			
Current	<u>\$ 63,762</u>	<u>\$ 52,029</u>	<u>\$ 50,448</u>
Non-current	<u>\$ 452,232</u>	<u>\$ 447,552</u>	<u>\$ 449,720</u>

Range of discount rate for lease liabilities was as follows:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Land	1.56%	1.56%	1.56%
Buildings	1.05% - 5.37%	1.05% - 5.37%	1.05% - 5.37%
Machinery	1.05% - 2%	1.05% - 2%	1.05% - 2%
Transportation equipment	1.3% - 5.37%	1.3% - 5.37%	1.3% - 5.37%
Miscellaneous equipment	5.37% - 11.2%	5.37% - 11.2%	5.37% - 11.2%

c. Material lease-in activities and terms (the Group is lessee)

The Group leases several land, buildings, and equipment for operating use under lease terms of 2 to 89 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases	<u>\$ 11,085</u>	<u>\$ 11,889</u>	<u>\$ 31,578</u>	<u>\$ 38,902</u>
Expenses relating to low-value asset leases	<u>\$ 259</u>	<u>\$ 183</u>	<u>\$ 778</u>	<u>\$ 828</u>
Total cash outflow for leases	<u>\$ 48,039</u>	<u>\$ 27,273</u>	<u>\$ 85,763</u>	<u>\$ 81,938</u>

## 16. INVESTMENT PROPERTIES

	<b>Land</b>
Balance at September 30, 2020, December 31, 2019 and September 30, 2019	<u>\$ 17,760</u>

Investment properties measured at fair value were \$97,315 thousand and \$159,657 thousand, respectively. The Group's management determined their fair values with reference to the closing prices of similar properties in the vicinity of the Group's investment properties. Furthermore, management of the Company had assessed and determined that there were no significant changes in the fair value as of September 30, 2020 and 2019.

These investment properties were not pledged as collateral or restricted in any way.

## 17. GOODWILL

The Group had assessed and determined that there were no significant changes in the fair value as of September 30, 2020 and 2019. The Group 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.

No impairment loss was recognized for the nine months ended September 30, 2020 and 2019.

## 18. OTHER INTANGIBLE ASSETS

	September 30, 2020	December 31, 2019	September 30, 2019
Client Relationships	\$ 27,315	\$ 33,871	\$ 29,277
Computer software	13,818	17,285	11,482
Others	<u>29,095</u>	<u>29,198</u>	<u>21,164</u>
	<u>\$ 70,228</u>	<u>\$ 80,354</u>	<u>\$ 61,923</u>

Except for amortization recognized, the Group did not have significant addition, disposal, or impairment of other intangible assets during the nine months ended September 30, 2020 and 2019. Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Client Relationships	8-11 years
Computer software	2-10 years
Others	2-15 years

## 19. OTHER ASSETS

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Current</u>			
Input tax	\$ 153,397	\$ 121,729	\$ 114,846
Prepayments	100,280	132,761	135,046
Prepaid expenses	104,368	73,054	85,113
Overpaid tax retained for offsetting the future tax payable	15,822	33,657	16,315
Others	<u>23,255</u>	<u>12,095</u>	<u>24,896</u>
	<u>\$ 397,122</u>	<u>\$ 373,296</u>	<u>\$ 376,216</u>
<u>Non-current</u>			
Prepayments for equipment	\$ 340,582	\$ 152,633	\$ 165,807
Others	<u>5,646</u>	<u>7,316</u>	<u>8,178</u>
	<u>\$ 346,228</u>	<u>\$ 159,949</u>	<u>\$ 173,985</u>

## 20. BORROWINGS

### a. Short-term borrowings

	September 30, 2020	December 31, 2019	September 30, 2019
Secured bank loans	\$ 202,995	\$ 276,906	\$ 283,495
Unsecured bank loans	<u>1,322,187</u>	<u>1,094,370</u>	<u>968,046</u>
	<u>\$ 1,525,182</u>	<u>\$ 1,371,276</u>	<u>\$ 1,251,541</u>

The range of interest rates of short-term borrowings was as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Secured bank loans	1.25% - 4.05%	1.52% - 5.22%	1.52% - 5.0025%
Unsecured bank loans	0.75% - 3.75%	0.91% - 4.35%	0.87% - 4.35%

### b. Long-term borrowings

	September 30, 2020	December 31, 2019	September 30, 2019
Secured bank loans (1)	\$ 390,426	\$ 108,412	\$ 44,898
Unsecured bank loans (2)	<u>1,267,894</u>	<u>1,769,503</u>	<u>1,767,139</u>
	1,658,320	1,877,915	1,812,037
Decrease: current portion of long-term borrowings	<u>51,907</u>	<u>353,765</u>	<u>345,865</u>
	<u>\$ 1,606,413</u>	<u>\$ 1,524,150</u>	<u>\$ 1,466,172</u>

1) As of September 30, 2020, December 31, 2019 and September 30, 2019, the range of weighted average effective interest rates of the bank borrowings secured by the Group's freehold land, buildings, right-of-use assets and deposit certificates (see Note 33), was 1.195% - 1.941%, 2.6969% - 2.7205% and 2.824% - 3.0201% per annum, respectively. Long-term borrowings mentioned above will be due in June 2035, and payments of interest and principal are made on schedule.

2) As of September 30, 2020, December 31, 2019 and September 30, 2019, the range of weighted average effective interest rates of unsecured bank loans was 0.38% - 0.951%, 0.6% - 1.184% and 0.98% - 3.46% per annum, respectively. Long-term borrowings mentioned above will expire December 2024, and payments of interest and principal are made on schedule.



## 21. NOTES PAYABLE AND ACCOUNTS PAYABLE

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Notes payable</u>			
Operating	\$ 9,939	\$ 12,788	\$ 38,300
<u>Accounts payable</u>			
Operating	\$ 1,871,840	\$ 1,936,397	\$ 1,947,670

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 22. OTHER LIABILITIES

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Current</u>			
Other liabilities			
Refund liabilities	\$ 143,908	\$ 113,894	\$ 90,123
Others	53,272	53,983	89,177
	<u>\$ 197,180</u>	<u>\$ 167,877</u>	<u>\$ 179,300</u>
<u>Non-current</u>			
Other liabilities			
Guarantee deposit	\$ 3,018	\$ 3,680	\$ 3,788
Others	51,329	53,054	45,266
	<u>\$ 54,347</u>	<u>\$ 56,734</u>	<u>\$ 49,054</u>

## 23. RETIREMENT BENEFIT PLANS

For the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the pension expenses of defined benefit plans were \$2,008 thousand, \$2,055 thousand, \$6,104 thousand and \$6,239 thousand, respectively, and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2019 and 2018, respectively.

## 24. EQUITY

### a. Share capital

#### Ordinary shares

	September 30, 2020	December 31, 2019	September 30, 2019
Number of shares authorized (in thousands)	200,000	200,000	200,000
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	120,570	120,570	120,570
Shares issued	<u>\$ 1,205,707</u>	<u>\$ 1,205,707</u>	<u>\$ 1,205,707</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

### b. Capital surplus

	September 30, 2020	December 31, 2019	September 30, 2019
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Issuance of ordinary shares	\$ 2,040,204	\$ 2,040,204	\$ 2,040,204
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	2	2	2
<u>May only be used to offset a deficit</u>			
Changes in percentage of ownership interests in subsidiaries (2)	21,079	19,424	23,811
Employee share options	44,083	44,083	44,083
Expired employee share options	<u>135</u>	<u>135</u>	<u>135</u>
	<u>\$ 2,105,503</u>	<u>\$ 2,103,848</u>	<u>\$ 2,108,235</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- 2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividends policy

According to the Company's articles of incorporation, 10% of annual earnings, after paying taxes and offsetting accumulated deficit, must be set aside as legal reserve. Furthermore, reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of the compensation of employees and remuneration of directors after the amendment, refer to "Compensation of employees and remuneration of directors" in Note 26-g.

The Company is in a period of stable growth. In order to cope with the future operational expansion plan, the total amount of dividends distributed should not be less than 10% of the year's remaining profit. Shareholder dividends can be distributed in a combination of cash and stock dividends, in which cash dividends should account for 20% to 100% of total dividends distributed, while stock dividends should account for 0% to 80%.

The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2019 and 2018 which approved in the shareholders' meetings on June 16, 2020 and June 14, 2019, respectively, were as follows:

	Earnings appropriation proposal		Dividends per share (NT\$)	
	2019	2018	2019	2018
Legal reserve	\$ 122,820	\$ 67,277		
Cash dividends	723,425	602,854	\$ 6	\$ 5

d. Special reserve

Upon initial application of IFRSs, the recognized unrealized revaluation adjustments, cumulative translation adjustments, and capital surplus transferred to retained earnings amounted to \$313,321 thousand, while an equivalent amount has been appropriated as special reserve.

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Nine Months Ended September 30	
	2020	2019
Balance at January 1	\$ (390,008)	\$ (225,544)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	<u>(140,826)</u>	<u>(6,054)</u>
Balance at September 30	<u>\$ (530,834)</u>	<u>\$ (231,598)</u>

2) Unrealized valuation gain or loss on financial assets at FVTOCI

	<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 711,113	\$ 1,027,000
Recognized for the year		
Unrealized loss - equity instruments	<u>(226,766)</u>	<u>(127,163)</u>
Balance at September 30	<u>\$ 484,347</u>	<u>\$ 899,837</u>

f. Non-controlling interests

	<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 815,807	\$ 727,447
Share in profit for the period	32,638	61,464
Other comprehensive income or loss during the period		
Exchange differences on translating the financial statements of foreign operations	(18,848)	7,042
Issuance of ordinary shares for cash from subsidiaries	24,720	-
Establishment of subsidiaries	11,250	-
Changes in percentage of ownership interests in subsidiaries (Note 29)	(1,655)	-
Dividend payout from subsidiaries	<u>(9,998)</u>	<u>(16,962)</u>
Balance at September 30	<u>\$ 853,914</u>	<u>\$ 778,991</u>

## 25. REVENUE

a. Disaggregation of revenue

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Adhesives	\$ 2,827,991	\$ 3,311,589	\$ 7,916,468	\$ 9,160,783
Construction materials	598,553	555,776	1,557,371	1,585,002
Coatings	426,710	479,768	1,102,717	1,319,439
Others	<u>157,222</u>	<u>142,263</u>	<u>514,006</u>	<u>523,494</u>
	<u>\$ 4,010,476</u>	<u>\$ 4,489,396</u>	<u>\$ 11,090,562</u>	<u>\$ 12,588,718</u>

b. Contract balances

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>	<b>January 1, 2019</b>
Accounts receivable (including from related parties)	<u>\$ 3,234,093</u>	<u>\$ 3,529,737</u>	<u>\$ 3,581,987</u>	<u>\$ 3,470,109</u>
Contract liabilities - current Sale of goods	<u>\$ 20,900</u>	<u>\$ 18,874</u>	<u>\$ 20,639</u>	<u>\$ 41,499</u>

The changes in the balance of contract assets and contract liabilities primarily result from the timing difference between the Group's satisfaction of performance obligations and the respective customer's payment.

## 26. NET PROFIT

a. Interest income

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Bank deposits	<u>\$ 12,963</u>	<u>\$ 9,691</u>	<u>\$ 36,166</u>	<u>\$ 25,605</u>

b. Other income

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Dividends income	\$ 315	\$ 79	\$ 46,962	\$ 55,462
Grant income (Note)	33,218	33,675	62,565	38,040
Rental income	<u>413</u>	<u>390</u>	<u>1,369</u>	<u>1,248</u>
	<u>\$ 33,946</u>	<u>\$ 34,144</u>	<u>\$ 110,896</u>	<u>\$ 94,750</u>

Note: The Group received \$42,276 thousand for wage and working capital subsidy in June and September 2020 in accordance with "Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens".

c. Other gains and losses

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Net foreign exchange gains (losses)	\$ (28,038)	\$ 14,100	\$ (34,482)	\$ 32,525
Others	<u>(3,111)</u>	<u>(3,371)</u>	<u>(2,839)</u>	<u>6,488</u>
	<u>\$ (31,149)</u>	<u>\$ 10,729</u>	<u>\$ (37,321)</u>	<u>\$ 39,013</u>

d. Finance costs

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Interest on bank loans	\$ 10,470	\$ 12,999	\$ 35,895	\$ 40,616
Interest on lease liabilities	3,413	4,820	11,410	14,691
Less: Amounts included in the cost of qualifying assets	<u>-</u>	<u>(1,110)</u>	<u>(1,661)</u>	<u>(3,129)</u>
	<u>\$ 13,883</u>	<u>\$ 16,709</u>	<u>\$ 45,644</u>	<u>\$ 52,178</u>

Information about capitalized interest is as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Capitalized interest amount	\$ -	\$ 1,110	\$ 1,661	\$ 3,129
Capitalization rate	-	1.6%	1.6%	1.6%

e. Depreciation and amortization

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Property, plant and equipment	\$ 83,980	\$ 75,813	\$ 234,842	\$ 222,554
Right-of-use assets	21,429	18,959	61,917	51,973
Intangible assets	<u>4,829</u>	<u>3,829</u>	<u>14,263</u>	<u>10,735</u>
	<u>\$ 110,238</u>	<u>\$ 98,601</u>	<u>\$ 311,022</u>	<u>\$ 285,262</u>
An analysis of depreciation by function				
Operating costs	\$ 77,911	\$ 68,028	\$ 212,600	\$ 193,389
Operating expenses	<u>27,498</u>	<u>26,744</u>	<u>84,159</u>	<u>81,138</u>
	<u>\$ 105,409</u>	<u>\$ 94,772</u>	<u>\$ 296,759</u>	<u>\$ 274,527</u>
An analysis of amortization by function				
Operating costs	\$ 112	\$ 27	\$ 333	\$ 82
Operating expenses	<u>4,717</u>	<u>3,802</u>	<u>13,930</u>	<u>10,653</u>
	<u>\$ 4,829</u>	<u>\$ 3,829</u>	<u>\$ 14,263</u>	<u>\$ 10,735</u>

f. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Short-term employee benefits				
Salaries	\$ 468,782	\$ 484,473	\$ 1,347,670	\$ 1,386,375
Labor and health insurance	30,828	31,918	88,003	92,808
Others	39,872	32,576	110,744	102,360
	<u>539,482</u>	<u>548,967</u>	<u>1,546,417</u>	<u>1,581,543</u>
Post-employment benefits				
Defined contribution plans	15,024	22,625	48,323	64,626
Defined benefit plans (Note 23)	2,008	2,055	6,104	6,239
	<u>17,032</u>	<u>24,680</u>	<u>54,427</u>	<u>70,865</u>
	<u>\$ 556,514</u>	<u>\$ 573,647</u>	<u>\$ 1,600,844</u>	<u>\$ 1,652,408</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 176,576	\$ 190,165	\$ 519,858	\$ 551,772
Operating expenses	379,938	383,482	1,080,986	1,100,636
	<u>\$ 556,514</u>	<u>\$ 573,647</u>	<u>\$ 1,600,844</u>	<u>\$ 1,652,408</u>

g. Employees' compensation and remuneration of directors

According to the Company's Articles, the Company accrued employees' compensation and remuneration of directors at rates of 2% to 6% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. For the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the employees' compensation and the remuneration of directors are as follows:

Accrual rate

	For the Nine Months Ended September 30	
	2020	2019
Employees' compensation	2.86%	2.79%
Remuneration of directors	1.38%	1.41%

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Employees' compensation	\$ 12,600	\$ 15,000	\$ 28,350	\$ 33,000
Remuneration of directors	5,960	6,273	13,610	16,725

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The appropriations of employees' compensation and remuneration of directors and supervisors for 2019 and 2018 that were resolved by the board of directors on March 26, 2020 and March 21, 2019, respectively, are as shown below:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 42,000	\$ 33,000
Remuneration of directors	20,000	13,322

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	Foreign exchange gains	\$ 18,417	\$ 43,248	\$ 144,207
Foreign exchange losses	<u>(46,455)</u>	<u>(29,148)</u>	<u>(178,689)</u>	<u>(146,257)</u>
	<u>\$ (28,038)</u>	<u>\$ 14,100</u>	<u>\$ (34,482)</u>	<u>\$ 32,525</u>

## 27. INCOME TAXES

a. Major components of income tax expense recognized in profit or loss are as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	Current tax			
In respect of the current year	\$ 144,131	\$ 105,703	\$ 260,118	\$ 254,593
Income tax on unappropriated earnings	-	-	-	543
Adjustments for prior year	<u>(16,344)</u>	<u>(1,724)</u>	<u>(15,627)</u>	<u>11,060</u>
	<u>127,787</u>	<u>103,979</u>	<u>244,491</u>	<u>266,196</u>
Deferred tax				
In respect of the current year	<u>(53,235)</u>	<u>57,138</u>	<u>(44,578)</u>	<u>126,726</u>
	<u>\$ 74,552</u>	<u>\$ 161,177</u>	<u>\$ 199,913</u>	<u>\$ 392,922</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Group only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.



The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other entities of the Group operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Income tax recognized in other comprehensive income

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<u>Deferred tax</u>				
In respect of the current year				
Translation of foreign operations	<u>\$ 1,994</u>	<u>\$ 19,221</u>	<u>\$ 35,206</u>	<u>\$ 1,514</u>

c. Income tax assessments

The tax returns of the Company and domestic subsidiaries (except for that Progroup Technology Co., Ltd. through 2017 has been assessed by the tax authorities) through 2018 have been assessed by the tax authorities.

## 28. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net profit for the year

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Profit for the year attributable to owners of the Company	<u>\$ 402,120</u>	<u>\$ 345,572</u>	<u>\$ 871,532</u>	<u>\$ 891,856</u>

The weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	120,571	120,571	120,571	120,571
Effect of potentially dilutive ordinary share: Employees' compensation or bonuses issued to employees	<u>100</u>	<u>99</u>	<u>348</u>	<u>293</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>120,671</u>	<u>120,670</u>	<u>120,919</u>	<u>120,864</u>

If the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 29. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS - SEPTEMBER 30, 2020

	Prince Pharmaceutical Co., Ltd.
Consideration paid	\$ -
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	(1,655)
	<u>(1,655)</u>
Differences recognized from equity transactions	<u>\$ (1,655)</u>
<u>Line items adjusted for equity transactions</u>	
Capital surplus - changes in percentage of ownership interests in subsidiaries	<u>\$ 1,655</u>

Prince Pharmaceutical Co., Ltd. exercised employee share options in May 2020, and the Group didn't subscribe to its capital share, resulting in an decrease in the shareholding ratio from 52.3% to 50.51%.

### 30. CAPITAL MANAGEMENT

The Group has to maintain large capital for plants and equipment expansion, therefore the Group manages its capital to ensure that entities in the Group will have sufficient financial resources and operating plans to fund its working capital needs, capital asset purchases, stock dividends and other business requirements associated with its existing operations.

### 31. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The Group believes that the carrying amounts of financial instruments not measured at fair value recognized in the consolidated financial statements approximate their fair values.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

September 30, 2020

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at fair value through other comprehensive income</u>				
Unlisted shares	\$ _____ -	\$ _____ -	\$ <u>754,994</u>	\$ <u>754,994</u>

December 31, 2019

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at fair value through other comprehensive income</u>				
Unlisted shares	\$ _____ -	\$ _____ -	\$ <u>976,745</u>	\$ <u>976,745</u>

September 30, 2019

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at fair value through other comprehensive income</u>				
Unlisted shares	\$ _____ -	\$ _____ -	\$ <u>1,098,102</u>	\$ <u>1,098,102</u>

2) Reconciliation of Level 3 fair value measurements of financial instruments

Financial Assets at FVTOCI

	<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 976,745	\$ 1,210,580
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	(226,766)	(127,163)
Purchases	5,330	15,000
Refunded capital	(315)	(315)
Balance at September 30	<u>\$ 754,994</u>	<u>\$ 1,098,102</u>

3) Valuation techniques and inputs used in Level 3 fair value measurement

- a) The market approach is used to estimate the fair values of some of the domestic unlisted shares, and the determination of fair value takes into consideration the industry type, valuation of comparable companies and the operating situation, or based on the company's net value.
- b) The asset approach is used to estimate the fair values of some of the domestic unlisted equity investments, and the fair values are determined by assessing the total value of individual assets and liabilities covered by the valuation target, in order to reflect the overall value of the business or equity.

c. Categories of financial instruments

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
<u>Financial assets</u>			
Financial assets at amortized cost (1)	\$ 8,241,872	\$ 8,563,449	\$ 8,196,345
Financial assets at FVTOCI	754,994	976,745	1,098,102
<u>Financial liabilities</u>			
Amortized cost (2)	5,799,418	6,014,674	5,870,912

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, accounts receivable (including related parties) and other receivables.
- 2) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, accounts payable, other payables, long-term borrowings (including current portion of long-term borrowings) and refund of guarantee deposits (current and non-current liabilities).

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, accounts receivable, accounts payable, short-term bills payable, borrowings, and lease liabilities. The Group's Corporate Treasury function provides services to the business departments, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks.

These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Major financing activities of the Group are reviewed by the board of directors based on relevant regulations and the internal control system. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other prices (see (c) below).

There have been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group entered into foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 35.

Sensitivity analysis

The Group was mainly exposed to the USD and the VND.

The following table details the Group's sensitivity to a 1% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign-currency denominated monetary items. A positive number below indicates an increase in profit before income tax that would result when the functional currency weakens by 1% against the relevant currency. For a 1% strengthening of the functional currency against the relevant currency, there would be an equal and opposite impact on profit before income tax and the balances below would be negative.

	<b>USD Impact</b>		
	<b>For the Nine Months Ended</b>		
	<b>September 30</b>		
	<b>2020</b>	<b>2019</b>	
Profit or loss	\$ <u>8,729</u>	\$ <u>14,778</u>	(i)
	<b>VND Impact</b>		
	<b>For the Nine Months Ended</b>		
	<b>September 30</b>		
	<b>2020</b>	<b>2019</b>	
Profit or loss	\$ <u>6,898</u>	\$ <u>7,423</u>	(ii)

i. This was mainly attributable to the exposure on outstanding cash and cash equivalents, accounts receivable and payables and borrowings in USD that were not hedged. The change was mainly attributable to decrease of accounts receivable in USD.

ii. This was mainly attributable to decrease of outstanding cash and cash equivalents, accounts receivable and payables in VND that were not hedged.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Fair value interest rate risk			
Financial assets	\$ 1,036,701	\$ 787,978	\$ 748,926
Financial liabilities	515,994	499,581	500,168
Cash flow interest rate risk			
Financial assets	3,453,138	3,621,382	3,112,048
Financial liabilities	3,183,502	3,249,191	3,063,578

Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming that the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 0.25% higher/lower and all other variables were held constant, the Group's profit before tax for the nine months ended September 30, 2020 and 2019 would have decreased/increased by NT\$5,969 thousand and NT\$5,744 thousand, respectively; the change would be mainly attributable to variable-rate bank borrowings.

c) Other price risk

The Group was exposed to equity price risk through its investments in domestic unlisted shares. As there is no open market quotation for such equity pricing, the price risk is immaterial.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which could cause a financial loss to the Group due to the failure of a counterparty to discharge its obligation, could at most amount to the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

Since the counterparties of the Group are all creditworthy business organizations, there is no anticipated material credit risk. The Group also continues to evaluate the financial status of clients for accounts receivable.

The Group's concentration of credit risk in accounts receivable was set out as follows:

	<b>September 30, 2020</b>		<b>December 31, 2019</b>		<b>September 30, 2019</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Group A	\$ 246,077	8	\$ 371,342	11	\$ 387,836	11

### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents and liquid financial assets deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group's working capital and the credit line which the Group has obtained are sufficient to support future operational needs, so there is no liquidity risk due to the inability to raise funds to fulfill contractual obligations.

#### a) Liquidity and interest rate risk table for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

#### September 30, 2020

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 2,612,898	\$ 3,018	\$ -
Lease liabilities	66,597	169,629	388,752
Fixed interest rate liabilities	85,461	-	-
Variable interest rate liabilities	<u>1,502,295</u>	<u>1,312,296</u>	<u>354,279</u>
	<u>\$ 4,267,251</u>	<u>\$ 1,484,943</u>	<u>\$ 743,031</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>6-10 Years</b>	<b>11-20 Years</b>	<b>Over 21 Years</b>
Lease liabilities	<u>\$ 66,597</u>	<u>\$ 169,629</u>	<u>\$ 155,007</u>	<u>\$ 177,757</u>	<u>\$ 55,988</u>

December 31, 2019

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 2,761,803	\$ 3,680	\$ -
Lease liabilities	68,704	173,513	424,260
Variable interest rate liabilities	<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>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>6-10 Years</b>	<b>11-20 Years</b>	<b>Over 21 Years</b>
Lease liabilities	<u>\$ 68,704</u>	<u>\$ 173,513</u>	<u>\$ 161,879</u>	<u>\$ 206,392</u>	<u>\$ 55,989</u>

September 30, 2019

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 2,803,546	\$ 3,788	\$ -
Lease liabilities	68,790	169,982	433,244
Variable interest rate liabilities	<u>1,611,711</u>	<u>1,490,588</u>	<u>-</u>
	<u>\$ 4,484,047</u>	<u>\$ 1,664,358</u>	<u>\$ 433,244</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>6-10 Years</b>	<b>11-20 Years</b>	<b>Over 21 Years</b>
Lease liabilities	<u>\$ 68,790</u>	<u>\$ 169,982</u>	<u>\$ 161,134</u>	<u>\$ 212,450</u>	<u>\$ 59,660</u>

The amounts included for variable interest rate instruments for both non-derivative financial assets and liabilities would change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.



b) Financing facilities

	September 30, 2020	December 31, 2019	September 30, 2019
Unsecured bank overdraft facilities reviewed annually and payable at call:			
Amount used	\$ 2,718,237	\$ 2,958,649	\$ 2,749,833
Amount unused	<u>6,362,203</u>	<u>5,050,215</u>	<u>4,508,699</u>
	<u>\$ 9,080,440</u>	<u>\$ 8,008,864</u>	<u>\$ 7,258,532</u>
Secured bank overdraft facilities:			
Amount used	\$ 595,525	\$ 386,460	\$ 406,965
Amount unused	<u>225,874</u>	<u>158,742</u>	<u>162,768</u>
	<u>\$ 821,399</u>	<u>\$ 545,202</u>	<u>\$ 569,733</u>

### 32. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are the related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

Name of Related Party	Related Party Category
Total Acrylic Polymer Industry (Tapi) Corporation	Associate
Pou Chen Corporation and Subsidiaries	Investors with significant influence

b. Sale of goods

Related Party Category	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Investors with significant influence	\$ <u>232,586</u>	\$ <u>384,040</u>	\$ <u>767,179</u>	\$ <u>1,082,799</u>

The sales prices were not significantly different from those with third parties. The credit term is 30 to 105 days, which is not significantly different from that for non-related parties.

c. Purchases of goods

Related Party Category	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Associate	\$ <u>4,379</u>	\$ <u>11,219</u>	\$ <u>10,642</u>	\$ <u>18,375</u>

There were no comparable purchase prices of similar products with third parties. The payment term is 30 days to 45 days, which is not significantly different from that for non-affiliates.

d. Receivables from related parties

<b>Line Item</b>	<b>Related Party Category / Name</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Accounts receivable from related parties	Investors with significant influence Pou Chen Corporation and its subsidiaries	<u>\$ 246,077</u>	<u>\$ 371,342</u>	<u>\$ 387,836</u>

The outstanding accounts receivable from related parties are unsecured.

e. Payables to related parties

<b>Line Item</b>	<b>Related Party Category</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Accounts payable	Associate	<u>\$ 1,380</u>	<u>\$ 1,427</u>	<u>\$ 5,976</u>
Other payables	Investors with significant influence	<u>\$ 126</u>	<u>\$ 127</u>	<u>\$ 130</u>

The outstanding accounts payable to related parties are unsecured.

f. Others - refund liabilities

<b>Line Item</b>	<b>Related Party Category / Name</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Other current liabilities	Investors with significant influence Pou Chen Corporation and its subsidiaries	<u>\$ 82,077</u>	<u>\$ 70,356</u>	<u>\$ 68,566</u>

g. Compensation of key management personnel

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 16,464	\$ 19,580	\$ 43,711	\$ 47,993
Post-employment benefits	<u>489</u>	<u>482</u>	<u>1,476</u>	<u>6,704</u>
	<u>\$ 16,953</u>	<u>\$ 20,062</u>	<u>\$ 45,187</u>	<u>\$ 54,697</u>

The remuneration of directors and key executives, as determined by the remuneration committee, was based on industry standards, the performance of individuals and the Company and the related reasonable determination of future risks.

### 33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	September 30, 2020	December 31, 2019	September 30, 2019
Property, plant and equipment, net	\$ 597,529	\$ 133,495	\$ 110,016
Pledged deposit (recognized as financial assets at amortized cost - current)	22,252	25,141	25,355
Right-of-use assets	<u>16,725</u>	<u>17,674</u>	<u>17,835</u>
	<u>\$ 636,506</u>	<u>\$ 176,310</u>	<u>\$ 153,206</u>

### 34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to disclosures in other notes, significant commitments and contingencies of the Group as of September 30, 2020, December 31 and September 30, 2019 were as follows:

- a. As of September 30, 2020, December 31 and September 30, 2019, the unused letters of credit of the Group for purchasing raw materials and equipment were \$97,827 thousand, \$86,319 thousand and \$90,610 thousand, respectively.
- b. Unrecognized commitments were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Acquisition of property, plant and equipment	\$ 726,407	\$ 723,115	\$ 761,689
Acquisition of raw material	<u>92,253</u>	<u>46,084</u>	<u>35,485</u>
	<u>\$ 818,660</u>	<u>\$ 769,199</u>	<u>\$ 797,174</u>

- c. 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 Nan Pao Chemical Co., Ltd.

Based on the ruling of the Changhua District Court, He Kui Chemical Company argued for ownership of machinery and equipment in the plant. Based on the aforementioned litigation, He Kui Chemical Company filed for an indemnity lawsuit against Nan Pao Chemical Co., Ltd. for damage caused by use of machinery and equipment, and sought for indemnity of \$53,102 thousand. 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 1990s and early 2000s, with surplus value under \$53,102 thousand. The Company has appropriated a liability reserve of \$38,445 thousand based on the remaining value. (recognized as other non-current liabilities).

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

### 35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

(In Thousands of New Taiwan Dollars and Foreign Currencies)

September 30, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 36,418	29.10 (USD:NTD)	\$ 1,059,758
USD	8,108	6.8101 (USD:CNY)	235,955
USD	7,047	14,697 (USD:IDR)	205,058
USD	6,053	7.752 (USD:HKD)	176,164
VND	701,305,948	0.000043 (VND:USD)	879,475
<u>Financial liabilities</u>			
Monetary items			
USD	14,837	29.16 (USD:NTD)	432,654
USD	1,863	6.8101 (USD:CNY)	54,201
USD	5,567	7.752 (USD:HKD)	162,011
USD	4,390	14,697 (USD:IDR)	127,749
USD	956	1.3853 (USD:AUD)	27,434
VND	150,572,170	0.000043 (VND:USD)	189,648

December 31, 2019

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 56,328	29.98 (USD:NTD)	\$ 1,688,763
USD	10,279	6.9762 (USD:CNY)	314,694
USD	8,611	13,752 (USD:IDR)	264,078
USD	6,004	7.79 (USD:HKD)	185,090
HKD	26,252	0.1284 (HKD:USD)	104,615
VND	712,097,294	0.000043 (VND:USD)	952,606

Financial liabilities

Monetary items			
USD	5,307	30.0085 (USD:NTD)	159,269
USD	2,369	6.9835 (USD:CNY)	72,613
USD	4,571	7.789 (USD:HKD)	140,928
USD	6,016	13,752 (USD:IDR)	184,508
USD	3,746	23,207 (USD:VND)	116,321
USD	4,504	1.4273 (USD:AUD)	134,761
VND	95,161,905	0.000043 (VND:USD)	127,669

September 30, 2019

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 47,299	31.04 (USD:NTD)	\$ 1,468,154
USD	10,962	7.0729 (USD:CNY)	340,259
USD	7,631	13,919 (USD:IDR)	236,864
USD	6,035	7.84 (USD:HKD)	187,323
VND	662,307,459	0.00004304 (VND:USD)	884,727

(Continued)

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 5,614	31.016 (USD:NTD)	\$ 174,139
USD	2,698	7.0621 (USD:CNY)	83,628
USD	4,588	7.8383 (USD:HKD)	142,350
USD	6,766	13,919 (USD:IDR)	210,002
USD	4,660	1.4806 (USD:AUD)	144,641
VND	106,230,112	0.000043 (VND:USD)	142,423
			(Concluded)

The Group is mainly exposed to the USD. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between the respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

Functional Currency	For the Three Months Ended September 30, 2020		For the Three Months Ended September 30, 2019	
	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Gain
USD	29.455 (USD:NTD)	\$ 1,884	31.197 (USD:NTD)	\$ 3,736
NTD	1 (NTD:NTD)	(18,317)	1 (NTD:NTD)	2,347
CNY	4.24 (CNY:NTD)	(18,760)	4.441 (CNY:NTD)	8,291
SGD	21.436 (SGD:NTD)	(1,087)	22.69 (SGD:NTD)	108
AUD	21.052 (AUD:NTD)	2,439	21.38 (AUD:NTD)	(2,821)
IDR	0.00200 (IDR:NTD)	3,876	0.00223 (IDR:NTD)	(113)
VND	0.001271 (VND:NTD)	739	0.00122 (VND:NTD)	348
Others		1,188		2,204
		<u>\$ (28,038)</u>		<u>\$ 14,100</u>

Functional Currency	For the Nine Months Ended September 30, 2020		For the Nine Months Ended September 30, 2019	
	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Gain
USD	29.819 (USD:NTD)	\$ 171	31.054 (USD:NTD)	\$ (2,339)
NTD	1 (NTD:NTD)	(29,911)	1 (NTD:NTD)	24,153
CNY	4.254 (CNY:NTD)	(11,194)	4.52 (CNY:NTD)	9,240
SGD	21.452 (SGD:NTD)	73	22.76 (SGD:NTD)	56
AUD	20.194 (AUD:NTD)	(3,136)	21.71 (AUD:NTD)	(3,670)
IDR	0.00206 (IDR:NTD)	7,167	0.00221 (IDR:NTD)	(1,829)
VND	0.001282 (VND:NTD)	147	0.00134 (VND:NTD)	(238)
Others		<u>2,201</u>		<u>7,152</u>
		<u>\$ (34,482)</u>		<u>\$ 32,525</u>

### 36. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 3)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisitions of individual real estate at cost of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposals of individual real estate at a price of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
- 9) Trading in derivative instruments (None)
- 10) Intercompany relationships and significant intercompany transactions (Table 9)

b. Information on investments (Table 6)

- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income or loss of investee, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income and limit on the amount of investment the mainland China area (Table 7)
  - 2) Significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses as follows (Table 8):
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
    - c) The amount of property transactions and the amount of the resultant gains or losses
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
    - e) The highest balance during the period, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds
    - f) Other transactions with material effect on profit or loss for the period or on the financial position, such as the rendering or receipt of services
  - d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

### **37. SEGMENT INFORMATION**

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments were as follows:



## Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

	Taiwan	Mainland China	Vietnam	Australia	Other Regions	Adjustments and Write-off	Total
<b><u>For the nine months ended</u></b>							
<b><u>September 30, 2020</u></b>							
Revenue							
Revenue from external customers	\$ 2,234,660	\$ 3,902,896	\$ 2,642,047	\$ 1,420,689	\$ 890,270	\$ -	\$ 11,090,562
Inter segment revenues	<u>1,480,790</u>	<u>785,825</u>	<u>370,294</u>	<u>6,237</u>	<u>22,845</u>	<u>(2,665,991)</u>	<u>-</u>
Total revenue	<u>\$ 3,715,450</u>	<u>\$ 4,688,721</u>	<u>\$ 3,012,341</u>	<u>\$ 1,426,926</u>	<u>\$ 913,115</u>	<u>\$ (2,665,991)</u>	<u>\$ 11,090,562</u>
Segment income	<u>\$ 323,870</u>	<u>\$ 211,956</u>	<u>\$ 331,860</u>	<u>\$ 36,438</u>	<u>\$ 68,340</u>	<u>\$ 34,117</u>	\$ 1,006,581
Interest revenue							36,166
Other income							110,896
Other gains and losses							(37,321)
Finance costs							(45,644)
Share of profit of associates accounted for using the equity method							33,405
Profit before tax							<u>\$ 1,104,083</u>
<b><u>For the nine months ended</u></b>							
<b><u>September 30, 2019</u></b>							
Revenue							
Revenue from external customers	\$ 2,516,829	\$ 4,619,057	\$ 2,886,829	\$ 1,457,117	\$ 1,108,886	\$ -	\$ 12,588,718
Intersegment revenues	<u>1,950,618</u>	<u>928,694</u>	<u>490,464</u>	<u>13,472</u>	<u>24,284</u>	<u>(3,407,532)</u>	<u>-</u>
Total revenue	<u>\$ 4,467,447</u>	<u>\$ 5,547,751</u>	<u>\$ 3,377,293</u>	<u>\$ 1,470,589</u>	<u>\$ 1,133,170</u>	<u>\$ (3,407,532)</u>	<u>\$ 12,588,718</u>
Segment income	<u>\$ 371,788</u>	<u>\$ 273,505</u>	<u>\$ 462,365</u>	<u>\$ 14,426</u>	<u>\$ 98,648</u>	<u>\$ (3,222)</u>	\$ 1,217,510
Interest revenue							25,605
Other income							94,750
Other gains and losses							39,013
Finance costs							(52,178)
Share of profit of associates accounted for using the equity method							21,542
Profit before tax							<u>\$ 1,346,242</u>

Segment profit represents the profit before tax earned by each segment without non-operating income and expense and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

The decision of the Group's chief operating decision maker is based on the operating results of the different segments. Information on classified assets and liabilities from different business activities are not evaluated, and only the operating results of the reportable segments are shown.

**NAN PAO RESINS CHEMICAL CO., LTD CORPORATION AND SUBSIDIARIES**

**FINANCING PROVIDED TO OTHERS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed (Note 5)	Interest Rate (%)	Nature of Financing (Note 1)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
													Item	Item		
0	Nan Pao Resins Chemical Co., Ltd	RLA Polymers (M) Sdn. Bhd.	Other accounts receivable-related parties	Yes	\$ 90,750	\$ -	\$ -	4.2	2	\$ -	Operating turnover	\$ -	-	\$ -	\$ 1,904,582	\$ 3,809,164
1	Nan Pao Group Holdings Ltd.	RLA Polymers (M) Sdn. Bhd.	Other accounts receivable-related parties	Yes	90,750	-	-	2.75	2	-	Operating turnover	-	-	-	3,826,537	3,826,537

Note 1: The nature of financing is numbered as follows:

1. Has business relationship
2. Short-term financing needs

Note 2: The Company's regulations regarding the procedures for financing provided to others are as follows:

1. The aggregate financing limit is 40% of the Company's net value.
2. The financing limit for each borrower is as follows:
  - (1) For financing provided to counterparties that have business relationships with the Company, the financing limit for each borrower should not exceed the higher of the total sales or purchase amount between the two parties for the most recent year, and the financing limit should not exceed the aggregate financing limit.
  - (2) For financing provided to those with short-term financing needs, the financing limit for each borrower should not exceed 20% of the Company's net value.

Note 3: The regulations regarding the procedures for financing provided by the subsidiaries directly or indirectly owned by the Company to others are set out below:

1. The aggregate financing limit is 100% of the lender's net value.
2. The financing limit for each borrower is as follows:
  - (1) For financing provided to counterparties that have business relationships with the Company, the financing limit for each borrower should not exceed the higher of the total sales or purchase amount between the two parties for the most recent year, and the financing limit should not exceed the aggregate financing limit.
  - (2) For financing provided to those with short-term financing needs, the financing limit for each borrower should not exceed 20% of the Company's net value.

Note 4: For foreign companies which the Company directly or indirectly owns 100% of their voting shares, both the aggregate financing limit and financing limit for each borrower should not exceed the net value of the borrower.

Note 5: Eliminated during the preparation of the consolidated financial statements.

TABLE 2

**NAN PAO RESINS CHEMICAL CO., LTD. CORPORATION AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2 & 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2 & 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	
		Name	Relationship(N ote 1)											
0	Nan Pao Resins Chemical Co., Ltd.	Phytomed Bio-tec Co., Ltd.	2	\$ 1,904,582	\$ 10,000	\$ 10,000	\$ 2,400	\$ -	0.11	\$ 6,666,037	Y	N	N	
		Nan Pao Philippines Export, Inc	2	1,904,582	15,125	14,550	-	-	0.15	6,666,037	Y	N	N	
		ITLS International Development Co., Ltd.	2	1,904,582	20,000	20,000	1,792	-	0.21	6,666,037	Y	N	N	
		Nan Pao Resins (HK) Limited (Note 5)	2	1,904,582	24,319	24,319	2,462	-	0.25	6,666,037	Y	N	N	
		Nan Pao Resins (Vietnam) Enterprise Ltd. (Note 5)	2	1,904,582	24,319	23,414	8,037	-	0.25	6,666,037	Y	N	N	
		Eastlion Enterprises Limited (Note 4)	2	1,904,582	25,319	-	-	-	-	-	6,666,037	Y	N	N
		Nan Pao Resins (HK) Limited (Note 4)	2	1,904,582	25,319	-	-	-	-	-	6,666,037	Y	N	N
		Nan Pao Resins (Vietnam) Enterprise Ltd. (Note 4)	2	1,904,582	25,319	-	-	-	-	-	6,666,037	Y	N	N
		Nan Pao Advanced Materials Vietnam Co., Ltd.	2	1,904,582	30,250	29,100	-	-	-	0.31	6,666,037	Y	N	N
		Nan Pao Resins Chemical Philippines Inc.	2	1,904,582	30,250	29,100	14,550	-	-	0.31	6,666,037	Y	N	N
		Nan Pao Resins International Ltd.	2	1,904,582	75,625	72,750	-	-	-	0.76	6,666,037	Y	N	N
		Nan Pao Group Holdings Ltd.	2	1,904,582	90,750	58,200	-	-	-	0.61	6,666,037	Y	N	N
		RLA Polymers (M) Sdn. Bhd.	2	1,904,582	90,750	87,300	82,935	-	-	0.92	6,666,037	Y	N	N
		Nan Pao Resins (HK) Limited	2	1,904,582	136,125	130,950	-	-	-	1.38	6,666,037	Y	N	N
		RLA Polymers Pty Ltd.	2	1,904,582	151,250	145,500	89,075	-	-	1.53	6,666,037	Y	N	N
		Fuqing Nan Pao Resins Co., Limited (Note 5)	2	1,904,582	24,319	23,414	4,871	-	-	0.25	6,666,037	Y	N	Y
		Nan Pao Resins (China) Co., Ltd. (Note 5)	2	1,904,582	24,319	23,414	-	-	-	0.25	6,666,037	Y	N	Y
		Nan Pao Resins (Fo Shan) Co., Ltd. (Note 5)	2	1,904,582	24,319	23,414	-	-	-	0.25	6,666,037	Y	N	Y
		Nan Pao Resins (China) Co., Ltd. (Note 4)	2	1,904,582	25,319	-	-	-	-	-	6,666,037	Y	N	Y
		Nan Pao Resins (Fo Shan) Co., Ltd. (Note 4)	2	1,904,582	25,319	-	-	-	-	-	6,666,037	Y	N	Y
		Fuqing Nan Pao Resins Co., Limited (Note 4)	2	1,904,582	25,319	-	-	-	-	-	6,666,037	Y	N	Y
		Progroups Technology co. Ltd.	2	1,904,582	10,000	10,000	-	-	-	0.11	6,666,037	Y	N	N
		PT. Indo Nan Pao Resins Chemical (Note 4)	2	1,904,582	25,319	-	-	-	-	-	6,666,037	Y	N	N
		PT. Indo Nan Pao Resins Chemical (Note 5)	2	1,904,582	24,319	23,414	-	-	-	0.25	6,666,037	Y	N	N
		RLA Polymers (M) Sdn. Bhd	2	1,904,582	120,080	116,400	-	-	-	1.22	6,666,037	Y	N	N
		Nan Pao New Materials (Huaian) Co., Ltd.	2	1,904,582	129,000	128,070	-	-	-	1.34	6,666,037	Y	N	Y
		1	NP Australia Pty Ltd.	RLA Polymers Pty Ltd.	2	128,862	106,208	101,504	20,715	-	15.8	451,017	N	N

Note 1: Relationships between the endorser/guarantor and endorsee/guarantee are 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 limit on endorsement/guarantee given on behalf of each party is 20% of the Company's net value at the end of the period, while the aggregate endorsement/guarantee limit is 70% of the Company's net value.

Note 3: The limit on endorsement/guarantee given by subsidiaries directly or indirectly owned by the Company on behalf of each party is 20% of the endorsee company's net value at the end of the period, while the aggregate endorsement limit is 70% of the endorsee company's net value.

Note 4: The credit limit of letter of credit is USD837,000 shared by 7 subsidiaries. The balance of the company's endorsement / guarantee for subsidiaries is also USD837,000. Therefore, maximum total actual borrowing amount of each subsidiary is limited to USD837,000.

Note 5: The credit limit of letter of credit is USD804,600 shared by 6 subsidiaries. The balance of the company's endorsement / guarantee for subsidiaries is also USD804,600. Therefore, maximum total actual borrowing amount of each subsidiary is limited to USD804,600.

**TABLE 3****NAN PAO RESINS CHEMICAL CO., LTD. CORPORATION AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****SEPTEMBER 30, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Nan Pao Resins Chemical Co., Ltd.	Dairen Chemical Corp. - publicly owned company	None	Financial assets at fair value through other comprehensive income - non-current	6,515,606	\$ 711,815	2	\$ 711,815	
	Hua Chi Venture Capital Co., Ltd. - privately-issued equity	"	"	94,737	2,607	1	2,607	
	Hsin Sheng Photovaltaic Co., Ltd. - privately-issued equity	"	"	2,049,200	6,862	11	6,862	
	Revivegen Environmental Technology Co., Ltd. - privately-issued equity	"	"	395,957	13,787	2	13,787	
	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>\$ 746,537</u>		<u>\$ 746,537</u>	
Nan Pao Chemical Company Ltd.	Ace Chemical Corp. -privately-issued equity	None	Financial assets at fair value through other comprehensive income - non-current	893,265	<u>\$ 8,457</u>	10	<u>\$ 8,457</u>	

Note 1: The marketable securities listed in the table above refer to the shares, bonds, beneficiary certificates and marketable securities derived from the above accounts which fall within the scope of IFRS 9: Financial Instruments.

Note 2: Please see Tables 6 and 7 for information on investments in subsidiaries and associates.

**TABLE 4****NAN PAO RESINS CHEMICAL CO., LTD. CORPORATION AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount (Note)	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note)	% of Total	
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Subsidiary	Sale	\$ (734,706)	23	Telegraphic transfer within 90 days	Similar to general transactions	Similar to general transactions	\$ 437,476	35	
	PT Indo Nan Pao Resins Chemical Co., Ltd.	Subsidiary	Sale	(204,481)	6	Telegraphic transfer within 90 days	Similar to general transactions	Similar to general transactions	74,590	6	
	Nan Pao Materials Vietnam Co., Ltd.	Subsidiary	Sale	(105,981)	3	Telegraphic transfer within 90 days	Similar to general transactions	Similar to general transactions	56,413	5	
	Nan Pao Resins (HK) Limited	Subsidiary	Sale	(129,870)	4	Telegraphic transfer within 90 days	Similar to general transactions	Similar to general transactions	52,059	4	
Nan Pao Resins (Vietnam) Enterprise Ltd.	Nan Pao Resins International Ltd.	Same ultimate Parent Company	Sale	(195,665)	10	Telegraphic transfer within 60 ~ 90 days	Similar to general transactions	Similar to general transactions	74,662	14	
Nan Pao Resins (Dong-Guan) Co., Ltd.	Nan Pao Resins (HK) Limited	Same ultimate Parent Company	Processing Revenue	(231,486)	100	Payment within 30 days	No comparable produce sales for comparison	No third-party transaction for comparison	-	-	
Nan Pao Resins International Ltd.	Pou Chen Group and subsidiaries	Investors with significant influence	Sale	(288,453)	100	Payment within 90~105 days	Similar to general transactions	Similar to general transactions	102,153	100	
PT. Indo Nan Pao Resins Chemical Co., Ltd.	Pou Chen Group and subsidiaries	Investors with significant influence	Sale	(232,651)	35	Telegraphic transfer within 90 days	Similar to general transactions	Similar to general transactions	74,681	39	

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

**NAN PAO RESINS CHEMICAL CO., LTD. CORPORATION AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Subsidiary	\$ 437,476	2.83	\$ -	Not applicable	\$ 73,098	\$ -
Nan Pao Resins International Ltd.	Pou Chen Corporation and its subsidiaries	Investors with significant influence	102,153	3.72	49,997	Under collection	28,250	146

Note 1: Except for investors with significant influence, they would be written off during the preparation of the consolidated financial statements.

TABLE 6

**NAN PAO RESINS CHEMICAL CO., LTD. CORPORATION AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				Ending Balance	Beginning Balance	Number of Shares	%	Carrying Amount			
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Chemical Company Ltd.	No.12, Nanhaipu, Nanhai Vil., Xigang Dist., Tainan City	Trading of chemical substances	\$ 300,000	\$ 300,000	15,000,000	100	\$ 156,512	\$ 2,727	\$ 5,567	
	Nan Pao Application Material Co., Ltd.	No.12, Nanhaipu, Nanhai Vil., Xigang Dist., Tainan City	Trading of chemical substances	60,000	60,000	200,000	100	9,326	(57)	(57)	
	Nan Pao Electronic Material Company	No.510, Zhongshan Rd., Xigang Dist, Tainan City	Production and trading of electronic materials	63,540	63,540	4,000,000	100	49,911	350	350	
	ITLS International Development Co., Ltd.	3F, No.356, Sec.1, NeiHu Rd., Taipei	Trading of construction materials and chemical substances	755,000	755,000	30,500,000	100	279,012	(346)	(346)	
	Prince Pharmaceutical Co., Ltd.	9F, No. 107, Sec.3, Chung-Shin Rd., Sanchung Dist., New Taipei City	Manufacturing, packaging, and processing of raw materials for various pharmaceutical and health food	324,683	324,683	16,767,305	50.51	345,954	(14,506)	(12,589)	
	Phytomed Bio-tec Co., Ltd.	No.12, Nanhaipu, Nanhai Vil., Xigang Dist., Tainan City	R&D and trading of health food	16,000	16,000	600,000	100	2,602	(1,275)	(1,275)	
	Nan Pao Fine Materials Co., Ltd.	No.217, Xinxing St., 4 Neighborhood, Qingan Vil., Xigang Dist., Tainan City	Production and trading of adhesives and chemicals	-	-	-	-	-	-	-	
	Biorich Biotechnology Co., Ltd.	3F, No.356, Sec.1, NeiHu Rd., Taipei	R&D, production, and trading of new high protein business and health food	64,121	64,121	391,462	57.1	7,790	2,003	1,144	
	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	7,551	5,013	3,509	
	Progroup Technology Co., Ltd.	No.12, Nanhaipu, Nanhai li., Xigang Dist., Tainan City	Trading of Waterborne PU Resin	70,814	70,814	459,950	91.99	72,047	(538)	(494)	
	Total Acrylic Polymer Industry (TAPI) Corporation	12F., No. 117, Sec. 2, Chongqing N. Rd., Datong Dist., Taipei City	Production and trading of chemical materials including adhesives and resins	120,000	120,000	1,500,000	30	353,062	111,350	33,405	
	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	208,789	19,457	19,457	
	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	171,932	3,777	3,777	
	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	25,637	(2,396)	(2,396)	
	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	938,241	95,186	99,033	
	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	394,880	(1,352)	(1,352)	
	Nan Pao Overseas Holdings Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	2,071,057	2,103,010	68,300,502	100	3,751,396	242,585	240,976	
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General investment	186,588	186,588	983,333	73.75	711,342	88,059	62,558	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting 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	208,902	(5,769)	(3,146)	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	Ongoing Profits Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	46,426	46,426	1,560,000	32.18	233,604	199,048	65,167	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting 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	215,709	56,732	27,799	Nan Pao Resins Chemical Co., Ltd. and related companies hold 67.5% of voting shares
	Nan Pao Philippines Export Inc.	Lot IL-2 Subic Bay Gateway Park Phase II, Subic Bay Freeport Zone	Trading of adhesives	14,993	-	25,750	100	14,821	(455)	(455)	
ITLS International Development Co., Ltd.	ITLS Holding Pte. Ltd.	Blk 1049, Eunoz Avenue 6, #01-132, Singapore 409628	General investment	545,462	545,462	24,064,549	100	138,125	(2,589)		
	Aftek Materials Vietnam Co., Ltd.	No. 16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and trading of construction materials	49,172	-	-	70	33,231	(4,572)		
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	132,696	132,696	10,000	100	209,251	19,473		
				(USD 4,560,000)	(USD 4,560,000)						

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				Ending Balance	Beginning Balance	Number of Shares	%	Carrying Amount			
Thai Nan Pao Investment Ltd.	Thai Nanpao Resins Chemical Co., Ltd.	412 Kor Soi, 1cBangpoo Industrial Tumbon Preaksa Ampur Muang Samutprakarn 10280, Thailand	Production and trading of adhesives	\$ 162,344 (USD 5,578,821)	\$ 162,344 (USD 5,578,821)	21,197,000	100	\$ 126,661	\$ 3,755		
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	2,133,045 (USD 73,300,502)	1,987,545 (USD 68,300,502)	68,300,502	100	3,826,537	242,669		
ITLS Holding Pte. Ltd.	ITLS (Malaysia) SDN BHD	Lot 75289, Lebuhraya Pasir Gudang, Mukim Plentong (PermasJaya) , 81750 Masai, Johor, Malaysia	Production and trading of construction materials	29,888 (USD 1,027,092)	29,888 (USD 1,027,092)	3,250,000	100	21,312	-		
	PT. ITLS Indonesia	Jl. Pajajaran Raya No. 44, Kel. Gandasari, Kec. Jatiuwung, Tangerang-15137 Indonesia	Production and trading of construction materials	73,670 (USD 2,531,620)	73,670 (USD 2,531,620)	2,437,109	100	18,913	(1,077)		
	ITLS Vietnam Co., Ltd.	No.16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and trading of construction materials	126,686 (USD 4,353,487)	126,686 (USD 4,353,487)	-	100	73,565	(1,392)		
	ITLS-SB SDN BHD	Lot 75289, Lebuhraya Pasir Gudang, Mukim Plentong (PermasJaya) , 81750 Masai, Johor, Malaysia	Production and trading of hardware and construction materials	19,743 (SGD 928,632)	19,743 (SGD 928,632)	2,000,000	100	18,066	-		
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	36,666 (USD 1,260,000)	36,666 (USD 1,260,000)	7,172	67.68	378,358	52,057		
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General investment	54,930 (USD 1,887,627)	54,930 (USD 1,887,627)	350,000	26.25	256,833	88,059	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares	
	Nan Pao Resins (Holdings) Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	612,674 (USD 21,054,073)	758,174 (USD 26,054,073)	10,000	100	463,536	42,938		
	All Saints Enterprises Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	155,192 (USD 5,333,075)	155,192 (USD 5,333,075)	4,547,451	45.47	174,194	(5,769)	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares	
	NP Australia Pty. Ltd.	Collins Square Tower Five Level 22, 727 Collins Street, Docklands VIC 3008	General investment	522,315 (AUD 25,214,354)	522,315 (AUD 25,214,354)	25,214,354	100	644,310	14,387		
	Ongoing Profits Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	111,651 (USD 3,836,817)	111,651 (USD 3,836,817)	3,287,546	67.82	534,054	199,048	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares	
	Treasure Wealth (HK) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	134,151 (USD 4,610,000)	134,151 (USD 4,610,000)	4,610	100	161,712	7,926		
	Goldford Investments Ltd.	Creque Building, P.O. Box 116, Road Town, Tortola, British Virgin Islands	General investment	17,019 (USD 584,844)	17,019 (USD 584,844)	486,000	100	89,486	9,145		
	Nan Pao Resins Chemical Philippines, Inc.	Road 22 Phase 11, Cogevo Village, Antipolo City, Philippines	Trading of adhesives	6,111 (USD 210,000)	6,111 (USD 210,000)	9,000	100	59,682	5,827		
	Nan Pao Resins International Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Trading of chemical substances and related products	751 (HKD 200,000)	751 (HKD 200,000)	1,000	100	22,463	6,930		
	Nan Pao Resins (HK) Limited	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Production and trading of adhesives	349,200 (USD 12,000,000)	110,580 (USD 3,800,000)	-	100	325,866	(9,562)		
Profit Land Ltd.	Giant Profit Development Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	232,800 (USD 8,000,000)	232,800 (USD 8,000,000)	10,000	100	969,351	88,065		
Nan Pao Resins (Holdings) Ltd.	Eastlion Enterprises Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	260,157 (USD 8,940,100)	586,077 (USD 20,140,100)	20,240	100	340,604	31,477		
	Nan Pao Resins Development Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	87,300 (USD 3,000,000)	87,300 (USD 3,000,000)	3,000	100	115,985	11,454		
All Saints Enterprises Ltd.	Great Mount Enterprises Ltd.	Unit 2102, 21/F The Broadway, No., 54-62 Lockhart, Road, Wanchai, Hong Kong	General investment	291,000 (USD 10,000,000)	291,000 (USD 10,000,000)	10,000	100	378,919	(5,771)		
NP Australia Pty Ltd.	RLA Polymers Pty. Ltd.	Collins Square Tower Five Level 22, 727 Collins Street, Docklands VIC 3008	Production and trading of construction materials and chemical substances	338,366 (AUD 16,334,344)	338,366 (AUD 16,334,344)	11,152,080	100	461,971	34,806		
Ongoing Profits Ltd.	Rising Sun Associates Ltd.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Island	General investment	141,064 (USD 4,847,546)	141,064 (USD 4,847,546)	3,000,000	100	785,764	199,056		
Treasure Wealth (HK) Ltd.	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	133,569 (USD 4,590,000)	133,569 (USD 4,590,000)	-	50	154,802	15,858		
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	2,060 (IDR 1,040,625,000)	2,060 (IDR 1,040,625,000)	1,040,625	18.5	88,835	56,732	Nan Pao Resins Chemical Co., Ltd. and related companies hold 67.5% of voting 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	99,179 (USD 3,408,217)	99,179 (USD 3,408,217)	-	100	782,918	199,044		
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 construction materials and chemical substances	123,706 (AUD 5,971,801)	123,706 (AUD 5,971,801)	18,415,500	100	178,005	1,281		

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

Note 2: Please refer to Table 7 for information on investees in mainland China.



**NAN PAO RESINS CHEMICAL CO., LTD. CORPORATION AND SUBSIDIARIES**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Main Businesses and Products	Paid-in Capital (Note 4)	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020 (Note 4)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2020 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2020	Accumulated Repatriation of Investment Income as of September 30, 2020
					Outward	Inward						
Nan Pao Resins (China) Co., Ltd.	Production and trading of adhesives and coatings	\$ 291,000 (USD 10,000,000)	(2) Great Mount Enterprises Ltd.	\$ 313,987 (USD 10,789,932)	\$ -	\$ -	\$ 313,987 (USD 10,789,932)	\$ (5,769)	100	\$ (5,769) (2)B.	\$ 378,784	\$ -
Fuqing Nan Pao Resins Co., Limited	Production and trading of adhesives	132,696 (USD 4,560,000)	(2) Wealth Castle Development Ltd.	145,209 (USD 4,990,000)	-	-	145,209 (USD 4,990,000)	19,582	100	19,582 (2)B.	208,351	134,553
Nan Pao Resins (Dong-Guan) Co., Ltd.	Processing of adhesive products	78,570 (USD 2,700,000)	(2) Eastlion Enterprises Ltd.	73,968 (USD 2,541,860)	-	-	73,968 (USD 2,541,860)	14,978	100	14,978 (2)B.	133,686	-
Dongguan Jia Chin Electronics Co., Ltd.	Production and trading of coatings and advanced resin	87,300 (USD 3,000,000)	(2) Nan Pao Resins Development Ltd.	89,182 (USD 3,064,683)	-	-	89,182 (USD 3,064,683)	11,455	100	11,455 (2)B.	115,969	-
Foshan Nan Pao Advanced Materials Co., Ltd.	Production and trading of adhesives	43,650 (USD 1,500,000)	(2) Greatwill Materials (HK) Ltd. and Nan Pao Resins (Fo Shan) Co., Ltd.	-	-	-	-	52,575	68	35,753 (2)B.	380,157	-
Nan Pao Resins (Fo Shan) Co., Ltd.	Production and trading of adhesives	232,800 (USD 8,000,000)	(2) Giant Profit Development Ltd.	226,620 (USD 7,787,627)	-	-	226,620 (USD 7,787,627)	88,066	100	88,066 (2)B.	968,381	245,298
Foshan Nan Pao Cheng Hung Advanced Materials Technology Co., Ltd.	Trading of footwear materials	21,345 (RMB 5,000,000)	(3) Nan Pao Resins (Fo Shan) Co., Ltd.	-	-	-	-	651	51	332 (2)B.	15,310	-
Gangyi Electronic (Dongguan) Co., Ltd. (Note 5)	Production and trading of magnetic covers, magnetic rings, iron cores and electronic components	-	(2) Qang Yi Electronic Factory Company Ltd.	11,640 (USD 400,000)	-	-	11,640 (USD 400,000)	-	-	-	-	-
Nanpao Advanced Investment Co., Ltd.	General investment	835,170 (USD 28,700,000)	(2) Nan Pao Group Holdings Ltd.	544,170 (USD 18,700,000)	291,000 (USD 10,000,000)	-	835,170 (USD 28,700,000)	(7,457)	100	(7,457) (2)B.	786,935	-
Nan Pao (Kunshan) E-commerce Ltd.	Agency of online business and general merchandise	145,500 (USD 5,000,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	6,071	100	6,071 (2)B.	95,425	-
Nantong Nanpao Resins Materials Co., Ltd.	Production and trading of adhesives	160,050 (USD 5,500,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	(3,690)	100	(3,690) (2)B.	143,043	-
Nan Pao Resins (Yunan) Co., Ltd.	Production and trading of adhesives	232,800 (USD 8,000,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	(1,344)	100	(1,344) (2)B.	232,624	-
Nanpao New Materials (Huaian) Co., Ltd.	Production and trading of carbon fiber	291,000 (USD 10,000,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	(5,277)	100	(5,277) (2)B.	294,684	-

Accumulated Outward Remittance for Investments in Mainland China as of September 30, 2020 (Note 4)	Investment Amount Authorized by the Investment Commission, MOEA (Note 4)	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 3)
\$ 1,695,776 (USD 58,274,102)	\$ 2,023,883 (USD 69,549,260)	\$ 5,713,746

Note 1: The methods of investment in mainland China are divided into the following three categories (indicate the category number):

- (1) Direct investment in mainland China.
- (2) Investment in mainland China through companies in a third region (please specify investee company in third region).
- (3) Other methods

Note 2: Recognized in the investment gain (loss) column in the current period:

- (1) If the Company is still in the preparation stage, and there is still no investment gain or loss, it should be disclosed
- (2) The basis for recognition of investment gain (loss) which falls under the following 3 categories should be disclosed:
  - A. The financial statements were audited by an international accounting firm that has a business relationship with an accounting firm in the ROC.
  - B. The financial statements were audited by the CPA of the parent company in the ROC.
  - C. Others.

Note 3: The Company's investment limit in mainland China is calculated as follows:  
\$9,522,910×60%=\$5,713,746

Note 4: Relevant amounts are calculated based on the exchange rate of US\$1 = NT\$29.10 at the end of the period.  
Relevant amounts are calculated based on the exchange rate of CNY 1 = NT\$4.269 at the end of the period.

Note 5: Gangyi Electronic (Dongguan) Co., Ltd. has completed its liquidation procedures in October 2017 but its share proceeds have not been remitted to Taiwan; hence, it has not been deducted from the investment amount authorized by the Investment Commission, MOEA.

**NAN PAO RESINS CHEMICAL CO., LTD. CORPORATION AND SUBSIDIARIES**

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Counterparty	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Unrealized Gain (Note)
			Purchase/Sale	Amount (Note)	% to Total	% to Total	Unit Price	Payment Terms	Ending Balance (Note)	% to Total	
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Fo Shan) Co., Ltd.	Subsidiary	Sales	\$ (70,525)	(2)	Payment within 90 days	Similar to general transactions	Similar to general transactions	\$ 35,354	3	\$ 5,550
Foshan Nan Pao Advanced Materials Co., Ltd.	Nan Pao Resins Chemical Co., Ltd.	Ultimate parent company	Sales	(33,367)	(2)	Payment within 30 days	Similar to general transactions	Similar to general transactions	4,910	1	-
	Greatwill Materials (HK) Ltd.	Same ultimate Parent Company	Sales	(57,051)	(4)	Payment within 90 days	Similar to general transactions	Similar to general transactions	10,418	2	-
	Nan Pao Resins India Pvt Ltd.	Same ultimate Parent Company	Sales	(23,656)	(2)	Payment within 90 days	Similar to general transactions	Similar to general transactions	6,995	1	-
	Nan Pao Resins (Fo Shan) Co., Ltd.	Same ultimate Parent Company	Sales	(33,559)	(2)	Payment within 90 days	Similar to general transactions	Similar to general transactions	15,078	3	-
Nan Pao Resins (Dong-Guan) Co., Ltd.	Nan Pao Resins (HK) Limited	Same ultimate Parent Company	Processing Revenue	(231,486)	(100)	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 Parent Company	Sales	(58,883)	(6)	Payment within 90 days	Similar to general transactions	Similar to general transactions	26,900	7	-
	Nan Pao Resins (China) Co., Ltd.	Same ultimate Parent Company	Sales	(31,846)	(3)	Payment within 90 days	Similar to general transactions	Similar to general transactions	18,411	5	-
Fuqing Nan Pao Resins Co., Limited	Nan Pao Resins (China) Co., Ltd.	Same ultimate Parent Company	Sales	(76,561)	(28)	Payment within 90 days	Similar to general transactions	Similar to general transactions	37,108	35	-

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

## NAN PAO RESINS CHEMICAL CO., LTD. CORPORATION AND SUBSIDIARIES

### INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 (Amounts in Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship(Not e 1)	Transaction Details			
				Financial Statement Accounts	Amount(Note 2)	Payment Terms	% of Total Sales or Assets
0	Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins ( Vietnam ) Enterprise Ltd.	1	Accounts receivable - related parties	\$ 437,476		2
				Sales revenue	734,706	Calculated based on general transaction prices, telegraphic transfer within 90 days	7
		Nan Pao Resins ( Fo Shan ) Co., Ltd.	1	Accounts receivable - related parties	35,354		-
				Sales revenue	70,525	Calculated based on general transaction prices, telegraphic transfer within 90 days	1
		PT. Indo Nan Pao Resins Chemical Co., Ltd.	1	Accounts receivable - related parties	74,590		-
				Sales revenue	204,481	Calculated based on general transaction prices, telegraphic transfer within 90 days	2
		Nan Pao Resins ( HK ) Limited	1	Accounts receivable - related parties	52,059		-
				Sales revenue	129,870	Calculated based on general transaction prices, telegraphic transfer within 90 days	1
				Purchase	16,844	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Foshan Nan Pao Advanced Materials Co., Ltd.	1	Purchase	33,367	Calculated based on general transaction prices, telegraphic transfer within 30 days	-
		Nan Pao Materials Vietnam Co., Ltd.	1	Accounts receivable - related parties	56,413		-
				Sales revenue	105,981	Calculated based on general transaction prices, telegraphic transfer within 90 days	1
		ITLS International Development Co., Ltd.	1	Accounts receivable - related parties	12,232		-
				Sales revenue	34,467	Calculated based on general transaction prices, payment collected 90 days from date of invoice	-
		Nan Pao Advanced Materials Co., Ltd.	1	Sales revenue	24,685	Calculated based on general transaction prices, payment collected 90 days from date of invoice	-
1	Nan Pao Resins ( Vietnam ) Enterprise Ltd.	Progroup Technology Co., Ltd.	1	Sales revenue	12,618	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		PT. Indo Nan Pao Resins Chemical Co., Ltd.	3	Sales revenue	30,934	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Nan Pao Resins International Ltd.	3	Accounts receivable - related parties	74,662		-
				Sales revenue	195,665	Calculated based on general transaction prices, telegraphic transfer within 90 days	2
		Nan Pao Resins ( HK ) Limited	3	Accounts payable - related parties	18,063		-
				Purchase	53,828	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
2	Nan Pao Resins (Fo Shan) Co., Ltd.	Progroup Technology Co., Ltd.	3	Purchase	23,818	No prices for similar products available for comparison, telegraphic transfer within 90 days	-
		Fuqing Nan Pao Resins Co., Limited	3	Accounts receivable - related parties	26,900		-
				Sales revenue	58,883	Calculated based on general transaction prices, payment collected 90 days from date of invoice	1
		Foshan Nan Pao Advanced Materials Co., Ltd.	3	Accounts payable - related parties	15,078		-
				Purchase	33,559	Calculated based on general transaction prices, payment made 90 days from date of invoice	-
				Nan Pao Resins ( China ) Co., Limited	3	Accounts receivable - related parties	18,411
				Sales revenue	31,846	Calculated based on general transaction prices, payment collected 90 days from date of invoice	-
3	Nan Pao Resins ( HK ) Limited	Nan Pao Resin ( HK ) Limited	3	Sales revenue	17,653	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Nan Pao Resins (Dongguan) Co., Ltd.	3	Accounts payable - related parties	97,674	No prices for similar products available for comparison, payment made 30 days from the date of the invoice	1
				Processing fee	231,486	No prices for similar products available for comparison, payment made 30 days from the date of the invoice	2
		Nan Pao Resins Chemical Philippines, Inc.	3	Accounts receivable-related parties	21,394	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
				Sales revenue	20,524	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		PT. Indo Nan Pao Resins Chemical Co., Ltd.	3	Sales revenue	29,325	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
4	Nan Pao Resins (China) Co., Limited	Nan Pao materials Vietnam Co., Ltd.	3	Accounts receivable-related parties	18,063	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
				Sales revenue	51,754	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Fuqing Nan Pao Resins Co., Limited	3	Accounts payable - related parties	37,108		-
				Purchase	76,561	No prices for similar products available for comparison, telegraphic transfer within 90 days	1
		Foshan Nan Pao Advanced Materials Co., Ltd.	3	Sales revenue	23,656	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
				Sales revenue	57,051	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
6	Nan Pao Materials Vietnam Co., Ltd.	Nan Pao Resins International Ltd.	3	Accounts receivable - related parties	33,309		-
				Sales revenue	86,372	Calculated based on general transaction prices, telegraphic transfer within 60-90 days	1
		Nan Pao Chemical Company Ltd.	3	Purchase	25,301	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
7	ITLS (Malaysia) SDN BHD	PT. Indo Nan Pao Resins Chemical Co., Ltd.	3	Sales revenue	25,286	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		ITLS Holding Pte. Ltd.	3	Other accounts receivable - related parties	20,955		-
8	ITLS-SB SDN BHD	ITLS Holding Pte. Ltd.	3	Other accounts receivable - related parties	19,171		-

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 the preparation of the consolidated financial statements.

**TABLE 10****NAN PAO RESINS CHEMICAL CO., LTD. CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
SEPTEMBER 30, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Pou Chien Enterprise Co., Ltd.	10,920,248	9.05%
Ding-Feng Investment Co., Ltd	10,665,947	8.84%
Yue Dean Technology Corporation	10,285,000	8.53%
Chuan-De Investment Co., Ltd.	10,070,298	8.35%
Guang Rong Investment Ltd.	8,868,132	7.35%
Growth Machine Development Co., Ltd.	7,826,523	6.49%
Pao-Wang Investment Co., Ltd.	7,501,068	6.22%

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers their shareholdings to the trust, the above information will be disclosed by the individual trustee who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

**NAN PAO RESINS CHEMICAL CO., LTD. CORPORATION AND SUBSIDIARIES**

**CHANGES IN PROPERTY, PLANT AND EQUIPMENT  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars)**

	Land	Land Improvements	Buildings	Machinery and equipment	Transportation Equipment	Miscellaneous equipment	Construction in progress	Total
<u>Cost</u>								
Balance at January 1, 2020	\$ 1,186,651	\$ 11,624	\$ 1,952,850	\$ 2,583,636	\$ 236,726	\$ 772,468	\$ 525,118	\$ 7,269,073
Additions	-	2,370	480,270	152,145	17,143	127,823	(265,156)	514,595
Disposals	-	(433)	(1,716)	(48,241)	(14,638)	(26,243)	-	(91,271)
Reclassification	-	-	(121,336)	-	4,565	-	-	(116,771)
Effect of foreign currency exchange differences	(1,000)	(103)	(33,345)	(25,305)	(4,066)	(3,289)	799	(66,309)
Balance at September 30, 2020	<u>\$ 1,185,651</u>	<u>\$ 13,458</u>	<u>\$ 2,276,723</u>	<u>\$ 2,662,235</u>	<u>\$ 239,730</u>	<u>\$ 870,759</u>	<u>\$ 260,761</u>	<u>\$ 7,509,317</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2020	\$ -	\$ 5,847	\$ 732,110	\$ 1,718,441	\$ 158,958	\$ 556,825	\$ -	\$ 3,172,181
Depreciation	-	724	46,326	124,160	15,352	48,280	-	234,842
Disposals	-	(433)	(1,449)	(43,619)	(13,836)	(26,113)	-	(85,450)
Reclassification	-	-	(3,539)	-	2,502	-	-	(1,037)
Effect of foreign currency exchange differences	-	(34)	(12,327)	(23,754)	(2,705)	(2,744)	-	(41,564)
Balance at September 30, 2020	<u>\$ -</u>	<u>\$ 6,104</u>	<u>\$ 761,121</u>	<u>\$ 1,775,228</u>	<u>\$ 160,271</u>	<u>\$ 576,248</u>	<u>\$ -</u>	<u>\$ 3,278,972</u>
Balance at December 31, 2019 and January 1, 2020	<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>
Balance at September 30, 2020	<u>\$ 1,186,651</u>	<u>\$ 7,354</u>	<u>\$ 1,515,602</u>	<u>\$ 887,007</u>	<u>\$ 79,459</u>	<u>\$ 294,511</u>	<u>\$ 260,761</u>	<u>\$ 4,230,345</u>
<u>Cost</u>								
Balance at January 1, 2019	\$ 1,179,441	\$ 6,434	\$ 1,910,042	\$ 2,520,538	\$ 229,330	\$ 738,148	\$ 390,361	\$ 6,974,294
Additions	6,549	1,200	80,439	128,941	19,499	53,334	89,681	379,643
Disposals	-	-	(11,327)	(56,916)	(10,954)	(28,952)	-	(108,149)
Getting from consolidation	-	-	-	692	-	-	-	692
Effect of foreign currency exchange differences	786	61	6,826	(12,988)	738	(1,309)	87	(5,799)
Balance at September 30, 2019	<u>\$ 1,186,776</u>	<u>\$ 7,695</u>	<u>\$ 1,985,980</u>	<u>\$ 2,580,267</u>	<u>\$ 238,613</u>	<u>\$ 761,221</u>	<u>\$ 480,129</u>	<u>\$ 7,240,681</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2019	\$ -	\$ 5,645	\$ 680,901	\$ 1,638,207	\$ 154,056	\$ 543,691	\$ -	\$ 3,022,500
Depreciation	-	52	46,984	121,210	14,340	39,968	-	222,554
Disposals	-	-	(1,711)	(42,774)	(8,205)	(24,965)	-	(77,655)
Effect of foreign currency exchange differences	-	24	(1,868)	(10,543)	351	(1,021)	-	(9,321)
Balance at September 30, 2019	<u>\$ -</u>	<u>\$ 5,721</u>	<u>\$ 728,042</u>	<u>\$ 1,706,100</u>	<u>\$ 160,542</u>	<u>\$ 557,673</u>	<u>\$ -</u>	<u>\$ 3,158,078</u>
Balance at September 30, 2019	<u>\$ 1,186,776</u>	<u>\$ 1,974</u>	<u>\$ 1,257,938</u>	<u>\$ 874,167</u>	<u>\$ 78,071</u>	<u>\$ 203,548</u>	<u>\$ 480,129</u>	<u>\$ 4,082,603</u>