

Nan Pao Resins Chemical Co., Ltd.

**Standalone Financial Statements for the
Years Ended December 31, 2023 and 2022 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying standalone financial statements of Nan Pao Resins Chemical Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the standalone financial statements, including material accounting policy information (collectively referred to as the "standalone financial statements").

In our opinion, based on our audits and the report of other auditors (see Other Matter paragraph), the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Company as of December 31, 2023 and 2022, and its standalone financial performance and its standalone cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the report of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Company's standalone financial statements for the year ended December 31, 2023 is detailed as follows:

Authenticity of Revenue Recognition

As stated in Notes 4(m) and 24, the Company's main source of revenue is revenue from the sale of adhesives and coatings. The sales amount of some customers changed significantly in 2023. We considered the materiality of this to the standalone financial statements as well as the regulations in the auditing standards regarding the presumed significant risk in revenue recognition, and thus deemed the authenticity of revenue recognition of the aforementioned customers as a key audit matter.

The key audit procedures performed with respect to the aforementioned key audit matter are as follows:

1. We understood the design of the internal controls related to revenue recognition and tested on a sample basis its operating effectiveness.
2. We selected appropriate samples from the sales receipts of the customers mentioned above, and inspected the sales orders signed by the customers based on the revenue recognition terms, commercial invoices, bill of lading and collections of these customers to check whether the sales actually occurred.

Other Matter

Among the standalone financial statements of the Company, the standalone financial statements of some of the invested companies in using equity method were not audited by us, but were audited by other auditors. Thus, our opinion, insofar as it relates to the amounts and related information, is based solely on the report of other auditors. The total amount of investment accounted for using the equity method amounted to NT\$1,866,856 thousand and NT\$1,716,366 thousand as of December 31, 2023 and 2022, respectively, accounting for 10% and 9% of total assets, respectively. The comprehensive income in using equity method was NT\$241,185 thousand and NT\$134,332 thousand as of December 31, 2023 and 2022, respectively, accounting for 8% and 7% of total comprehensive income, respectively.

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

Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of standalone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the

Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matter that were of most significance in the audit of the standalone financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chao-Chin Yang and Chi-Chen Lee.

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 14, 2024

Notice to Readers

The accompanying standalone financial statements are intended only to present the standalone 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 standalone 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 standalone 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 standalone financial statements shall prevail.

NAN PAO RESINS CHEMICAL CO., LTD.

STANDALONE BALANCE SHEETS DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,008,836	6	\$ 685,693	4
Notes receivable (Notes 4 and 11)	195,531	1	184,664	1
Accounts receivable (Notes 4, 11 and 24)	382,805	2	398,911	2
Accounts receivable - related parties (Notes 4, 11, 24 and 32)	1,127,438	6	1,155,050	6
Other receivables (Notes 4, 11 and 32)	15,693	-	18,080	-
Inventories (Notes 4 and 12)	606,969	3	579,674	3
Other current assets (Note 18)	20,749	-	17,823	-
Total current assets	3,358,021	18	3,039,895	16
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	121,929	1	69,536	1
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	1,664,892	9	4,186,079	22
Financial assets at amortized cost - non-current (Notes 4, 9 and 10)	13,703	-	14,332	-
Investments accounted for using the equity method (Notes 4 and 13)	10,243,511	56	8,826,750	46
Property, plant and equipment (Notes 4 and 14)	2,789,471	15	2,662,699	14
Right-of-use assets (Notes 4 and 15)	14,787	-	37,124	-
Investment properties (Notes 4 and 16)	17,760	-	17,760	-
Other intangible assets (Notes 4 and 17)	24,732	-	26,656	-
Deferred tax assets (Notes 4 and 26)	204,224	1	165,551	1
Net defined benefit assets - non-current (Notes 4 and 22)	54,588	-	31,736	-
Other non-current assets (Note 18)	9,643	-	48,904	-
Total non-current assets	15,159,240	82	16,087,127	84
TOTAL	<u>\$ 18,517,261</u>	<u>100</u>	<u>\$ 19,127,022</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 19)	\$ 1,180,342	6	\$ 1,210,866	6
Contract liabilities - current (Note 24)	13,416	-	5,517	-
Notes payable (Note 20)	128	-	317	-
Accounts payable (Notes 20 and 32)	708,431	4	725,328	4
Other payables (Notes 21 and 32)	1,193,134	7	490,922	3
Current tax liabilities (Note 26)	443,732	2	224,166	1
Lease liabilities - current (Notes 4 and 15)	5,646	-	10,378	-
Current portion of long-term borrowings (Note 19)	105,239	1	104,318	1
Other current liabilities (Notes 21, 24 and 32)	21,409	-	23,144	-
Total current liabilities	3,671,477	20	2,794,956	15
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 19)	581,420	3	885,819	5
Deferred tax liabilities (Notes 4 and 26)	1,077,399	6	865,911	4
Lease liabilities - non-current (Notes 4 and 15)	9,499	-	27,217	-
Other non-current liabilities	253	-	1,093	-
Total non-current liabilities	1,668,571	9	1,780,040	9
Total liabilities	5,340,048	29	4,574,996	24
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 23)				
Share capital - ordinary shares	1,205,707	7	1,205,707	6
Capital surplus	2,124,891	11	2,115,333	11
Retained earnings				
Legal reserve	1,565,289	8	1,388,123	7
Special reserve	313,321	2	313,321	2
Unappropriated earnings	7,029,050	38	5,982,451	31
Total retained earnings	8,907,660	48	7,683,895	40
Other equity	938,955	5	3,547,091	19
Total equity	13,177,213	71	14,552,026	76
TOTAL	<u>\$ 18,517,261</u>	<u>100</u>	<u>\$ 19,127,022</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 14, 2024)

NAN PAO RESINS CHEMICAL CO., LTD.

STANDALONE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 32)	\$ 5,975,982	100	\$ 6,212,303	100
OPERATING COSTS (Notes 12, 22 and 32)	<u>3,790,087</u>	<u>63</u>	<u>4,539,629</u>	<u>73</u>
GROSS PROFIT	2,185,895	37	1,672,674	27
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	(296,982)	(5)	(232,454)	(4)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>232,454</u>	<u>4</u>	<u>119,117</u>	<u>2</u>
REALIZED GROSS PROFIT	<u>2,121,367</u>	<u>36</u>	<u>1,559,337</u>	<u>25</u>
OPERATING EXPENSES (Notes 25 and 32)				
Selling and marketing expenses	477,568	8	533,725	9
General and administrative expenses	351,482	6	307,303	5
Research and development expenses	231,940	4	184,224	3
Expected credit loss	<u>5,311</u>	<u>-</u>	<u>9,475</u>	<u>-</u>
Total operating expenses	<u>1,066,301</u>	<u>18</u>	<u>1,034,727</u>	<u>17</u>
PROFIT FROM OPERATIONS	<u>1,055,066</u>	<u>18</u>	<u>524,610</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 25)				
Interest income	10,799	-	1,962	-
Other income	400,354	7	487,686	8
Other gains and losses	14,171	-	82,487	1
Finance costs	(35,119)	(1)	(37,176)	-
Share of profit of subsidiaries and associates	<u>1,460,831</u>	<u>25</u>	<u>947,245</u>	<u>15</u>
Total non-operating income and expenses	<u>1,851,036</u>	<u>31</u>	<u>1,482,204</u>	<u>24</u>
PROFIT BEFORE INCOME TAX	2,906,102	49	2,006,814	32
INCOME TAX EXPENSE (Notes 4 and 26)	<u>477,887</u>	<u>8</u>	<u>265,355</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>2,428,215</u>	<u>41</u>	<u>1,741,459</u>	<u>28</u>

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NAN PAO RESINS CHEMICAL CO., LTD.

STANDALONE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 22, 23 and 26)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 2,057	-	\$ 36,772	1
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(2,525,925)	(42)	(2,082,312)	(34)
Share of other comprehensive loss of subsidiaries accounted for using the equity method	(3,547)	-	(8,796)	-
Income tax related to items that will not be reclassified subsequently to profit or loss	(411)	-	(7,355)	-
	<u>(2,527,826)</u>	<u>(42)</u>	<u>(2,061,691)</u>	<u>(33)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(96,930)	(2)	371,345	6
Share of other comprehensive (loss) income of subsidiaries accounted for using the equity method	(1,885)	-	8,875	-
Income tax related to items that may be reclassified subsequently to profit or loss	19,763	-	(76,044)	(1)
	<u>(79,052)</u>	<u>(2)</u>	<u>304,176</u>	<u>5</u>
Other comprehensive loss for the year, net of income tax	<u>(2,606,878)</u>	<u>(44)</u>	<u>(1,757,515)</u>	<u>(28)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (178,663)</u>	<u>(3)</u>	<u>\$ (16,056)</u>	<u>-</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 20.14</u>		<u>\$ 14.44</u>	
Diluted	<u>\$ 20.08</u>		<u>\$ 14.39</u>	

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

(With Deloitte & Touche auditors' report dated March 14, 2024)

(Concluded)

NAN PAO RESINS CHEMICAL CO., LTD.

**STANDALONE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

	Retained Earnings					Other Equity		Total Other Equity	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2022	\$ 1,205,707	\$ 2,101,673	\$ 1,300,961	\$ 313,321	\$ 5,021,383	\$ (644,475)	\$ 5,979,277	\$ 5,334,802	\$ 15,277,847
Appropriation of 2021 earnings (Note 23)									
Legal reserve	-	-	87,162	-	(87,162)	-	-	-	-
Cash dividends distributed by the Company - \$6 per share	-	-	-	-	(723,425)	-	-	-	(723,425)
Arising from the difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	10,852	-	-	-	-	-	-	10,852
Changes in ownership interests in subsidiaries	-	1,330	-	-	-	-	-	-	1,330
Issuance of employee share options by subsidiaries	-	1,478	-	-	-	-	-	-	1,478
Net profit for the year ended December 31, 2022	-	-	-	-	1,741,459	-	-	-	1,741,459
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	30,196	304,176	(2,091,887)	(1,787,711)	(1,757,515)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	1,771,655	304,176	(2,091,887)	(1,787,711)	(16,056)
BALANCE AT DECEMBER 31, 2022	1,205,707	2,115,333	1,388,123	313,321	5,982,451	(340,299)	3,887,390	3,547,091	14,552,026
Appropriation of 2022 earnings (Note 23)									
Legal reserve	-	-	177,166	-	(177,166)	-	-	-	-
Cash dividends distributed by the Company - \$10 per share	-	-	-	-	(1,205,708)	-	-	-	(1,205,708)
Arising from the difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	(195)	-	-	-	-	-	-	(195)
Changes in ownership interests in subsidiaries	-	6,618	-	-	-	-	-	-	6,618
Issuance of employee share options by subsidiaries	-	3,135	-	-	-	-	-	-	3,135
Net profit for the year ended December 31, 2023	-	-	-	-	2,428,215	-	-	-	2,428,215
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	1,258	(79,052)	(2,529,084)	(2,608,136)	(2,606,878)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	2,429,473	(79,052)	(2,529,084)	(2,608,136)	(178,663)
BALANCE AT DECEMBER 31, 2023	<u>\$ 1,205,707</u>	<u>\$ 2,124,891</u>	<u>\$ 1,565,289</u>	<u>\$ 313,321</u>	<u>\$ 7,029,050</u>	<u>\$ (419,351)</u>	<u>\$ 1,358,306</u>	<u>\$ 938,955</u>	<u>\$ 13,177,213</u>

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

(With Deloitte & Touche audit report dated March 14, 2024)

NAN PAO RESINS CHEMICAL CO., LTD.

STANDALONE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,906,102	\$ 2,006,814
Adjustments for:		
Depreciation expenses	217,743	154,871
Amortization expenses	8,340	7,795
Expected credit loss recognized on trade receivables	5,311	9,475
Net (gain) loss on fair value changes of financial assets at fair value through profit or loss	(18,327)	6,599
Finance costs	35,119	37,176
Interest income	(10,799)	(1,962)
Dividend income	(389,158)	(476,491)
Share of profit of subsidiaries and associates	(1,460,831)	(947,245)
Loss on disposal of property, plant and equipment	237	-
Gain on disposal of associates accounted for using the equity method	-	(26,523)
Write-down of inventories	6,545	-
Unrealized gain on the transactions with subsidiaries	296,982	232,454
Realized gain on the transactions with subsidiaries	(232,454)	(119,117)
Net gain on foreign currency exchange	(537)	-
Gain on lease modification	(111)	-
Changes in operating assets and liabilities		
Notes receivable	(10,867)	53,191
Accounts receivable	10,795	(3,882)
Accounts receivable - related parties	27,612	(276,047)
Other receivables	2,387	1,772
Inventories	(33,840)	102,206
Other current assets	(2,926)	8,465
Contract liabilities	7,899	(9,133)
Notes payable	(189)	33
Accounts payable	(16,897)	(119,528)
Other payables	64,771	40,268
Other current liabilities	(1,735)	(2,619)
Net defined benefit plans	(20,795)	(33,165)
Cash generated from operations	1,390,377	645,407
Interest received	10,799	1,962
Interest paid	(34,572)	(34,671)
Income tax paid	(66,154)	(79,862)
Net cash generated from operating activities	<u>1,300,450</u>	<u>532,836</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(4,738)	(13,487)
Net decrease in financial assets at amortized cost	629	18
Purchase of financial assets at fair value through profit or loss	(35,000)	(40,000)

(Continued)

NAN PAO RESINS CHEMICAL CO., LTD.

STANDALONE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
Financial assets at fair value through profit or loss return of investment	\$ 934	\$ -
Acquisitions of investments accounted for using the equity method	(401,307)	(40,000)
Proceeds from capital reduction of investments accounted for using the equity method	-	59,000
Proceeds from disposal of non-current assets held for sale	-	405,000
Payments for property, plant and equipment	(306,835)	(567,361)
Proceeds from disposal of property, plant and equipment	300	976
Payments for intangible assets	(5,399)	(9,910)
Dividends received	<u>774,153</u>	<u>820,529</u>
Net cash generated from investing activities	<u>22,737</u>	<u>614,765</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	5,676,383	8,187,339
Repayments of short-term borrowings	(5,706,907)	(8,303,172)
Proceeds from long-term borrowings	300,000	2,975,000
Repayments of long-term borrowings	(604,318)	(3,654,800)
Increase in other payables	644,805	-
Repayment of the principal portion of lease liabilities	(7,886)	(6,495)
Cash dividends paid	(1,205,708)	(723,425)
Acquisition of additional interest in subsidiaries	(96,413)	(2,500)
Cash inflows from simple consolidation	<u>-</u>	<u>82,549</u>
Net cash used in financing activities	<u>(1,000,044)</u>	<u>(1,445,504)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	323,143	(297,903)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>685,693</u>	<u>983,596</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,008,836</u>	<u>\$ 685,693</u>

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

(With Deloitte & Touche auditors' report dated March 14, 2024)

(Concluded)

NAN PAO RESINS CHEMICAL CO., LTD.

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

2. APPROVAL OF FINANCIAL STATEMENTS

The standalone financial statements were approved by the Company's board of directors on March 14, 2024.

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

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

The initial application of the amendments to the IFRS Accounting Standards endorsed and issued into effect by the FSC would not have material impact on the Company's accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
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 IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

- d. Presentation reclassification

The management of the Company considers the bank deposits repatriated for restricted purpose for the use of substantial investments and financial investments in accordance with the Management, Utilization, and Taxation of Repatriated Offshore Funds Act. do not change the nature of the deposit as the entity can access those amounts on demand. The management concludes that the presentation of cash and cash equivalents is more appropriate, and therefore, has changed the presentation of the standalone balance sheets and standalone statements of cash flows. The financial assets at amortized cost were reclassified to cash and cash equivalents with a carrying amount of \$21,078 thousand and \$509,655 thousand on December 31, 2022, and January 1, 2022. The impact on cash flows for the year ended December 31, 2022 was as follows:

	Adjustments
Net cash used in investing activities	\$ <u>488,577</u>
Net decrease in cash and cash equivalents	\$ <u>488,577</u>

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

The standalone financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The standalone financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit assets 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 the 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 the assets or liabilities.

When preparing these standalone financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the standalone financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the standalone basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in these standalone financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the standalone financial statements of the Company, transactions in currencies other than the Company's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items denominated in foreign currencies and measured at historical cost are stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting standalone financial statements, the functional currencies of the Company's foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, supplies, goods, work in progress, finished goods and semi-finished goods, and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries/equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any

excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profit or loss resulting from downstream transactions is eliminated in full only in the standalone financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the standalone financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture. The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation.

Property, plant and equipment in the course of construction are measured at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Samples produced when testing whether an item of property, plant and equipment is functioning properly before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those samples and the cost of those samples are recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment properties

Investment properties are land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

For a transfer of classification from property, plant and equipment to investment properties, the deemed cost of an item of property for subsequent accounting is its carrying amount at the end of owner-occupation.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of property, plant and equipment, right-of-use asset, investment properties and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use, investment properties and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost and equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends and interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 31.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, accounts receivable (including related parties), other receivables, and investments in debt instruments, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Company always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 365 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

m. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods comes from sales of adhesives and coatings. Sales of adhesives and coatings are recognized as revenue when reaching trade terms or after accepting because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. Advance receipts are recognized as a contract liability until trade terms have been reached.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

n. Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which includes the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the standalone balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which include fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the

scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the standalone balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Government grants

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

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend 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 Company 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.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur or when the plan amendment or curtailment occurs. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

Management reviews the estimates and underlying assumptions 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.

The accounting policies adopted by the Company do not involve material accounting judgements and estimation.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash on hand	\$ 917	\$ 1,097
Checking accounts and demand deposits	946,509	684,596
Cash equivalents (investments with original maturities within 3 months)		
Time deposits	61,410	-
	<u>\$ 1,008,836</u>	<u>\$ 685,693</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Limited partnership	<u>\$ 121,929</u>	<u>\$ 69,536</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	December 31	
	2023	2022
Emerging market shares	\$ 20,296	\$ 13,951
Unlisted shares	<u>1,644,596</u>	<u>4,172,128</u>
	<u>\$ 1,664,892</u>	<u>\$ 4,186,079</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 Company's strategy of holding these investments for long-term purposes.

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

9. FINANCIAL ASSETS AT AMORTIZED COST - NON-CURRENT

	December 31	
	2023	2022
Refundable deposits	\$ 13,703	\$ 14,332

Refer to Note 10 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

	December 31	
	2023	2022
Financial assets at amortized cost - non-current	\$ 13,703	\$ 14,332

The Company 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 Company considers the historical default loss rates, 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 Company did not make any provision for expected credit losses with respect to financial assets at amortized cost as of December 31, 2023 and 2022.

11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE (INCLUDING RELATED PARTIES), AND OTHER RECEIVABLES

	December 31	
	2023	2022
<u>Notes receivable</u>		
At amortized cost		
Notes receivable - operating	\$ 195,531	\$ 184,664
<u>Accounts receivable (including related parties)</u>		
At amortized cost		
Gross carrying amount	\$ 1,525,604	\$ 1,564,011
Less: Allowance for impairment loss	15,361	10,050
	\$ 1,510,243	\$ 1,553,961
<u>Other receivables</u>		
Gross carrying amount	\$ 15,693	\$ 18,080

a. Notes receivable

As of December 31, 2023 and 2022, the notes receivable analyzed by the Company based on the past due days were not overdue, and the Company did not measure any loss allowance for notes receivable.

b. Accounts receivable (including related parties)

The average credit period of sales of goods was 15 days to 150 days, and no interest was charged on accounts receivable. In order to minimize credit risk, the management of the Company 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 Company reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for accounts receivable 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 the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off a accounts receivable 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 accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Company's provision matrix.

December 31, 2023

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 365 Days	Over 365 Days	Total
Expected credit loss rate	0.03%	0.58%-4.06%	8%-21%	28%-47%	60%-100%	100%	
Gross carrying amount	\$ 1,266,291	\$ 230,638	\$ 9,458	\$ 7,161	\$ 2,742	\$ 9,314	\$ 1,525,604
Loss allowance (Lifetime ECLs)	(106)	(234)	(1,117)	(2,956)	(1,634)	(9,314)	(15,361)
Amortized cost	<u>\$ 1,266,185</u>	<u>\$ 230,404</u>	<u>\$ 8,341</u>	<u>\$ 4,205</u>	<u>\$ 1,108</u>	<u>\$ -</u>	<u>\$ 1,510,243</u>

December 31, 2022

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 365 Days	Over 365 Days	Total
Expected credit loss rate	0.01%	0.2%-1.2%	3%-7%	8%-32%	37%-83%	100%	
Gross carrying amount	\$ 1,237,229	\$ 312,490	\$ 3,247	\$ 934	\$ 813	\$ 9,298	\$ 1,564,011
Loss allowance (Lifetime ECLs)	(35)	(121)	(49)	(216)	(331)	(9,298)	(10,050)
Amortized cost	<u>\$ 1,237,194</u>	<u>\$ 312,369</u>	<u>\$ 3,198</u>	<u>\$ 718</u>	<u>\$ 482</u>	<u>\$ -</u>	<u>\$ 1,553,961</u>

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

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 10,050	\$ 757
Net remeasurement	5,311	9,475
Amounts written off	<u>-</u>	<u>(182)</u>
Balance at December 31	<u>\$ 15,361</u>	<u>\$ 10,050</u>

12. INVENTORIES

	December 31	
	2023	2022
Goods	\$ 2,711	\$ 4,058
Finished goods and semi-finished goods	246,737	266,691
Work in progress	41,238	38,213
Raw materials and supplies	<u>316,283</u>	<u>270,712</u>
	<u>\$ 606,969</u>	<u>\$ 579,674</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 was \$3,789,850 thousand and \$4,539,629 thousand, respectively. The cost of goods sold included inventory write-downs of \$6,545 thousand for the years ended December 31, 2023.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2023	2022
Investments in subsidiaries	\$ 10,213,199	\$ 8,787,464
Investments in associates	<u>30,312</u>	<u>39,286</u>
	<u>\$ 10,243,511</u>	<u>\$ 8,826,750</u>

a. Investments in subsidiaries

	December 31	
	2023	2022
Name of Subsidiaries		
Nan Pao Overseas Holdings Ltd.	\$ 4,661,123	\$ 4,197,273
Fuqing Nan Pao Investment Ltd.	229,243	205,806
Thai Nan Pao Investment Ltd.	183,783	180,082
Nan Pao Resins India Pvt Ltd.	49,307	26,290
Nan Pao Materials Vietnam Co., Ltd.	1,446,069	1,184,074
Nan Pao Advanced Materials Vietnam Co., Ltd.	676,151	533,699
Nan Pao Chemical Co., Ltd.	186,742	182,125
ITLS International Development Co., Ltd.	261,409	253,385
Phymed Bio-Tec Co., Ltd.	13,896	16,778

(Continued)

	December 31	
	2023	2022
Nan Pao Application Material Co., Ltd.	\$ 8,640	\$ 8,619
Biorich Biotechnology Co., Ltd.	15,030	10,877
Prince Pharmaceutical Co., Ltd.	416,610	365,372
Nan Pao Advanced Materials Co., Ltd.	11,108	10,995
PT. Indo Nan Pao Resins Chemical Co., Ltd.	234,814	237,621
All Saints Enterprises Ltd.	206,339	214,432
Ongoing Profits Ltd.	272,038	233,246
Profit Land Ltd.	866,792	840,024
Nan Pao Philippines Export Inc.	16,680	14,952
Nan Pao Fine Materials Co., Ltd.	30,565	21,418
Nan Pao Resins Chemical (Bangladesh) Co., Ltd.	4,615	752
FlexUP Technologies Corp.	31,908	4,284
Earnest Wealth Co., Ltd.	45,461	45,360
Nan Pao Resins (HK) Ltd.	307,518	-
Nan Pao Resins International Ltd.	9,340	-
Nan Pao Materials Resins India Private Limited	<u>28,018</u>	<u>-</u>
	<u>\$ 10,213,199</u>	<u>\$ 8,787,464</u>
		(Concluded)

	Proportion of Ownership and Voting Rights	
	December 31	
	2023	2022
Name of Subsidiaries		
Nan Pao Overseas Holdings Ltd.	100%	100%
Fuqing Nan Pao Investment Ltd.	100%	100%
Thai Nan Pao Investment Ltd.	100%	100%
Nan Pao Resins India Pvt Ltd.	100%	100%
Nan Pao Materials Vietnam Co., Ltd.	100%	100%
Nan Pao Advanced Materials Vietnam Co., Ltd.	100%	100%
Nan Pao Chemical Co., Ltd.	100%	100%
ITLS International Development Co., Ltd.	100%	100%
Phymed Bio-Tec Co., Ltd.	100%	100%
Nan Pao Application Material Co, Ltd.	100%	100%
Biorich Biotechnology Co., Ltd.	57.1%	57.1%
Prince Pharmaceutical Co., Ltd.	49.53%	50.51%
Nan Pao Advanced Materials Co., Ltd.	70%	70%
PT. Indo Nan Pao Resins Chemical Co., Ltd.	49%	49%
All Saints Enterprises Ltd.	54.53%	54.53%
Ongoing Profits Ltd.	32.18%	32.18%
Profit Land Ltd.	73.75%	73.75%
Nan Pao Philippines Export Inc.	100%	100%
Nan Pao Fine Materials Co., Ltd.	55%	55%
Nan Pao Resins Chemical (Bangladesh) Co., Ltd.	100%	100%
FlexUP Technologies Corp.	100%	96.87%
Earnest Wealth Co., Ltd.	51.11%	51.11%
Nan Pao Resins (HK) Ltd.	100%	-
Nan Pao Resins International Ltd.	100%	-
Nan Pao Materials Resins India Private Limited	100%	-

Refer to Note 35 for details of the indirect investments in subsidiaries.

b. Investment in associates

	December 31	
	2023	2022
Investments in associates		
Associates that are not individually material	\$ <u>30,312</u>	\$ <u>39,286</u>

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

	For the Year Ended December 31	
	2023	2022
The Company's share of:		
Net loss and total comprehensive income (loss) for the year	\$ <u>(8,974)</u>	\$ <u>(714)</u>

The Company has significant influence on the Company due to the Company acquired 25.93% of the shares of Perfect & Outstanding Technology Inc. for a total of \$40,000 thousand in cash in August and December 2022. In July 2023, the Group did not subscribe to the issuance of ordinary share for cash of Perfect & Outstanding Technology Inc. resulting in a decrease in the shareholding ratio from 25.93% to 22.9%

14. PROPERTY, PLANT AND EQUIPMENT

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

Land improvements	3-15years
Buildings	2-55years
Machinery	2-30years
Transportation equipment	2-20years
Miscellaneous equipment	2-20years

Refer to Table 10 for the detailed information of changes in property, plant and equipment.

No impairment assessment was performed for the year ended December 31, 2023 and 2022 as there were no indications of impairment.

As of December 31, 2023 and 2022, all of the Company's property, plant and equipment were not pledged as collateral.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	Buildings	Machinery	Total
<u>Cost</u>			
Balance at January 1, 2023	\$ 62,972	\$ 142	\$ 63,114
Additions	589	-	589
Disposition	<u>(21,408)</u>	<u>(142)</u>	<u>(21,550)</u>
Balance at December 31, 2023	<u>\$ 42,153</u>	<u>\$ -</u>	<u>\$ 42,153</u>
<u>Accumulated Depreciation</u>			
Balance at January 1, 2023	\$ 25,923	\$ 67	\$ 25,990
Depreciation expenses	7,880	4	7,884
Disposition	<u>(6,437)</u>	<u>(71)</u>	<u>(6,508)</u>
Balance at December 31, 2023	<u>\$ 27,366</u>	<u>\$ -</u>	<u>\$ 27,366</u>
Carrying amount at December 31, 2023	<u>\$ 14,787</u>	<u>\$ -</u>	<u>\$ 14,787</u>
<u>Cost</u>			
Balance at January 1, 2022	\$ 43,485	\$ 341	\$ 43,826
Acquired by summary consolidation	20,351	263	20,614
Additions	1,052	-	1,052
Disposition	<u>(1,916)</u>	<u>(462)</u>	<u>(2,378)</u>
Balance at December 31, 2022	<u>\$ 62,972</u>	<u>\$ 142</u>	<u>\$ 63,114</u>
<u>Accumulated Depreciation</u>			
Balance at January 1, 2022	\$ 17,389	\$ 286	\$ 17,675
Acquired by summary consolidation	3,988	187	4,175
Depreciation expenses	6,462	56	6,518
Disposition	<u>(1,916)</u>	<u>(462)</u>	<u>(2,378)</u>
Balance at December 31, 2022	<u>\$ 25,923</u>	<u>\$ 67</u>	<u>\$ 25,990</u>
Carrying amount at December 31, 2022	<u>\$ 37,049</u>	<u>\$ 75</u>	<u>\$ 37,124</u>

b. Lease liabilities

	December 31, 2023	December 31, 2022
<u>Carrying amount</u>		
Current	<u>\$ 5,646</u>	<u>\$ 10,378</u>
Non-current	<u>\$ 9,499</u>	<u>\$ 27,217</u>

Range of discount rate for lease liabilities was as follows:

	December 31, 2023	December 31, 2022
Buildings	0.81%-1.78%	0.77%-1.14%
Machinery	-	0.76%

c. Other lease information

	For the Year Ended December 31	
	2023	2022
Expenses relating to short-term leases	\$ 599	\$ 126
Expenses relating to low-value asset leases	\$ 1,812	\$ 1,709
Total cash outflow for leases	\$ 10,560	\$ 8,578

The Company's leases of certain buildings and equipment qualify as short-term leases and low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

16. INVESTMENT PROPERTIES

	Land
Balance at December 31, 2022 and 2023	\$ 17,760

Investment properties measured at fair value were both \$78,764 thousand as of December 31, 2023 and 2022. For investment properties not valued by any independent valuer, the Company's management determined their fair values with reference to the closing prices of similar properties in the vicinity of the Company's investment properties.

These investment properties were not pledged as collateral.

17. OTHER INTANGIBLE ASSETS

	Computer Software	Others	Total
<u>Cost</u>			
Balance at January 1, 2023	\$ 58,267	\$ 22,300	\$ 80,567
Additions	5,399	-	5,399
Transfers from property, plant and equipment	1,280	-	1,280
Balance at December 31, 2023	\$ 64,946	\$ 22,300	\$ 87,246

(Continued)

	Computer Software	Others	Total
<u>Accumulated amortization</u>			
Balance at January 1, 2023	\$ 45,238	\$ 8,673	\$ 53,911
Amortization expenses	6,110	2,230	8,340
Transfers from property, plant and equipment	<u>263</u>	<u>-</u>	<u>263</u>
Balance at December 31, 2023	<u>\$ 51,611</u>	<u>\$ 10,903</u>	<u>\$ 62,514</u>
Carrying amount at December 31, 2023	<u>\$ 13,335</u>	<u>\$ 11,397</u>	<u>\$ 24,732</u>
<u>Cost</u>			
Balance at January 1, 2022	\$ 49,086	\$ 22,300	\$ 71,386
Additions	9,910	-	9,910
Disposition	<u>(729)</u>	<u>-</u>	<u>(729)</u>
Balance at December 31, 2022	<u>\$ 58,267</u>	<u>\$ 22,300</u>	<u>\$ 80,567</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2022	\$ 40,402	\$ 6,443	\$ 46,845
Amortization expenses	5,565	2,230	7,795
Disposition	<u>(729)</u>	<u>-</u>	<u>(729)</u>
Balance at December 31, 2022	<u>\$ 45,238</u>	<u>\$ 8,673</u>	<u>\$ 53,911</u>
Carrying amount at December 31, 2022	<u>\$ 13,029</u>	<u>\$ 13,627</u>	<u>\$ 26,656</u> (Concluded)

Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	2-5years
Others	10years

18. OTHER ASSETS

	December 31	
	2023	2022
<u>Current</u>		
Prepaid expenses	\$ 19,228	\$ 14,335
Prepayments	200	1,815
Others	<u>1,321</u>	<u>1,673</u>
	<u>\$ 20,749</u>	<u>\$ 17,823</u>
<u>Non-Current</u>		
Prepayments for equipment	<u>\$ 9,643</u>	<u>\$ 48,904</u>

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2023	2022
<u>Unsecured borrowings</u>		
Unsecured bank loans	\$ <u>1,180,342</u>	\$ <u>1,210,866</u>

The ranges of interest rates of short-term borrowings were as follows:

	December 31	
	2023	2022
Unsecured bank loans	1.60%-1.90%	1.45%-1.90%

b. Long-term borrowings

	December 31	
	2023	2022
Unsecured bank loans (Note)	\$ 686,659	\$ 990,137
Decrease: Current portion of long-term borrowings	<u>105,239</u>	<u>104,318</u>
	<u>\$ 581,420</u>	<u>\$ 885,819</u>

Note: Long-term borrowings mentioned above will expire in December 2025, and payments of interest and principal are made on schedule. As of December 31, 2023 and 2022, was 1.15%-1.80% and 1.03%-1.85% per annum, respectively.

20. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31	
	2023	2022
<u>Notes Payable</u>		
Operating	\$ <u>128</u>	\$ <u>317</u>
<u>Accounts Payable</u>		
Operating	\$ <u>708,431</u>	\$ <u>725,328</u>

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

21. OTHER LIABILITIES

	December 31	
	2023	2022
Other payables		
Payables for salaries and bonuses	\$ 225,988	\$ 193,050
Payables for compensation of employees	67,600	52,000
Payables for purchases of equipment	34,250	42,161
Payables for annual leave	22,984	24,674
Payables for remuneration of directors	28,600	22,000
Payables for repair expenses	13,798	16,025
Payables for export and import expenses	9,898	11,986
Payables for hydro and gas	14,428	11,369
Payables for professional service fees	14,090	11,025
Payables for commission	17,685	10,852
Payables for labor and health insurance	9,860	9,731
Payables for shipping expenses	7,168	7,768
Payables to related parties - financing provided	644,805	-
Others	<u>81,980</u>	<u>78,281</u>
	<u>\$ 1,193,134</u>	<u>\$ 490,922</u>
Other liabilities		
Refund liabilities	\$ 15,533	\$ 20,509
Others	<u>5,876</u>	<u>2,635</u>
	<u>\$ 21,409</u>	<u>\$ 23,144</u>

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Company's defined benefit plans are as follows:

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ 285,896	\$ 319,949
Fair value of plan assets	<u>(340,484)</u>	<u>(351,685)</u>
Net defined benefit assets	<u>\$ (54,588)</u>	<u>\$ (31,736)</u>

Movements in net defined benefit assets were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2022	<u>\$ 359,179</u>	<u>\$ (320,978)</u>	<u>\$ 38,201</u>
Service cost			
Past service cost	(1,832)	-	(1,832)
Current service cost	2,029	-	2,029
Net interest expense (income)	<u>2,479</u>	<u>(2,278)</u>	<u>201</u>
Recognized in profit or loss	<u>2,676</u>	<u>(2,278)</u>	<u>398</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(25,528)	(25,528)
Actuarial gain - changes in financial assumptions	(13,762)	-	(13,762)
Actuarial gain - changes in demographic assumptions	(1)	-	(1)
Actuarial loss - experience adjustments	<u>2,519</u>	<u>-</u>	<u>2,519</u>
Recognized in other comprehensive income	<u>(11,244)</u>	<u>(25,528)</u>	<u>(36,772)</u>
Contributions from the employer	<u>-</u>	<u>(21,534)</u>	<u>(21,534)</u>
Benefits paid	<u>(30,662)</u>	<u>18,633</u>	<u>(12,029)</u>
Balance at December 31, 2022	<u>319,949</u>	<u>(351,685)</u>	<u>(31,736)</u>
Service cost			
Past service cost	(1,183)	-	(1,183)
Current service cost	1,423	-	1,423
Net interest expense (income)	<u>3,901</u>	<u>(4,413)</u>	<u>(512)</u>
Recognized in profit or loss	<u>4,141</u>	<u>(4,413)</u>	<u>(272)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,005)	(3,005)
Actuarial loss - changes in financial assumptions	1,037	-	1,037
Actuarial gain - experience adjustments	<u>(89)</u>	<u>-</u>	<u>(89)</u>
Recognized in other comprehensive income	<u>948</u>	<u>(3,005)</u>	<u>(2,057)</u>
Contributions from the employer	<u>-</u>	<u>(15,749)</u>	<u>(15,749)</u>
Benefits paid	<u>(39,142)</u>	<u>34,368</u>	<u>(4,774)</u>
Balance at December 31, 2023	<u>\$ 285,896</u>	<u>\$ (340,484)</u>	<u>\$ (54,588)</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2023	2022
Operating costs	\$ (132)	\$ 200
Selling and marketing expenses	(10)	71
General and administrative expenses	(64)	70
Research and development expenses	<u>(66)</u>	<u>57</u>
	<u>\$ (272)</u>	<u>\$ 398</u>

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	December 31	
	2023	2022
Discount rates	1.2%	1.25%
Expected rates of salary increase	2.5%	2.5%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2023	2022
Discount rates		
0.25% increase	\$ <u>(5,098)</u>	\$ <u>(5,937)</u>
0.25% decrease	\$ <u>5,242</u>	\$ <u>6,109</u>
Expected rates of salary increase		
0.25% increase	\$ <u>5,162</u>	\$ <u>6,019</u>
0.25% decrease	\$ <u>(5,047)</u>	\$ <u>(5,879)</u>

The above sensitivity analysis may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2023	2022
Expected contributions to the plans for the next year	\$ <u>16,956</u>	\$ <u>18,437</u>
Average duration of the defined benefit obligation	7 years	7 years

23. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2023	2022
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	\$ <u>2,000,000</u>	\$ <u>2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>120,571</u>	<u>120,571</u>
Shares issued	\$ <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

	December 31	
	2023	2022
<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
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	10,659	10,854
Employee share options	44,083	44,083
Expired employee share options	135	135
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in subsidiaries (2)	<u>29,810</u>	<u>20,057</u>
	\$ <u>2,124,891</u>	\$ <u>2,115,333</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

Proposal for profit distribution or offsetting of losses of the Company should be made at the end of each quarter of the fiscal year. The profit distribution in cash shall be resolved by the board of directors in accordance with Article 228-1 and Article 240-5 of the Company Act which should be submitted in the shareholders' meeting.

Under the dividends policy as set forth in the Articles, when the Company distributed profit, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit (This shall not apply if the accumulated legal reserve has reached the Company's paid-in capital), setting aside or 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 compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 25-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. The profit can be distributed as cash dividends or stock dividends, and the issuance of cash dividends takes precedence over the payment of stock dividends. In principle, stock dividends are limited to 80% of the total dividends distributed.

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.

The special reserve is appropriated and reversed from the prior by the Company under the Rules.

The appropriations of earnings for 2022 and 2021, which were resolved by the board of directors in March 2023 and resolved in the shareholders' meetings in June 2022, respectively, were as follows:

	Appropriation of earnings		Dividends per share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$ 177,166	\$ 87,162		
Cash dividends	1,205,708	723,425	\$ 10	\$ 6

The appropriation of earnings for 2023, which was proposed by the Company's board of directors in March 2024 was as follows:

	Appropriation of earnings	Dividends per share (NT\$)
Legal reserve	\$ 242,947	
Cash dividends	1,808,562	\$ 15

The above appropriation for cash dividends has been resolved by the Company's board of directors and the rest are pending the resolution of the shareholder meeting scheduled to be held in June 2024.

d. Special reserve

On the initial application of IFRS Accounting Standards, 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 the translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ (340,299)	\$ (644,475)
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	(77,167)	295,301
Share from subsidiaries accounted for using the equity method	(1,885)	8,875
Other comprehensive (loss) income for the year	<u>(79,052)</u>	<u>304,176</u>
Balance at December 31	<u>\$ (419,351)</u>	<u>\$ (340,299)</u>

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

	For the Year Ended December 31	
	2023	2022
Balance at January 1	<u>\$ 3,887,390</u>	<u>\$ 5,979,277</u>
Recognized for the year		
Unrealized loss - equity instruments	(2,525,925)	(2,082,312)
Share from subsidiaries accounted for using the equity method	<u>(3,159)</u>	<u>(9,575)</u>
Other comprehensive loss for the year	<u>(2,529,084)</u>	<u>(2,091,887)</u>
Balance at December 31	<u>\$ 1,358,306</u>	<u>\$ 3,887,390</u>

24. REVENUE

a. Disaggregation of revenue

	For the Year Ended December 31	
	2023	2022
Adhesives	\$ 4,939,490	\$ 5,162,363
Coatings	604,050	579,253
Others	<u>432,442</u>	<u>470,687</u>
	<u>\$ 5,975,982</u>	<u>\$ 6,212,303</u>

b. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Accounts receivable (including related parties)	\$ <u>1,525,604</u>	\$ <u>1,564,011</u>	\$ <u>1,277,776</u>
Contract liabilities - current			
Sale of goods	\$ <u>13,416</u>	\$ <u>5,517</u>	\$ <u>14,650</u>

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

25. NET PROFIT

a. Interest income

	For the Year Ended December 31	
	2023	2022
Bank deposits	\$ <u>10,799</u>	\$ <u>1,962</u>

b. Other income

	For the Year Ended December 31	
	2023	2022
Dividend income	\$ 389,158	\$ 476,491
Rental income	449	1,488
Others	<u>10,747</u>	<u>9,707</u>
	\$ <u>400,354</u>	\$ <u>487,686</u>

c. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Net foreign exchange (losses) gains	\$ (970)	\$ 62,726
Gain on disposal of associates	-	26,523
Fair value changes of financial assets mandatorily classified as at FVTPL	18,327	(6,599)
Others	<u>(3,186)</u>	<u>(163)</u>
	\$ <u>14,171</u>	\$ <u>82,487</u>

d. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	\$ 34,856	\$ 36,928
Interest on lease liabilities	<u>263</u>	<u>248</u>
	<u>\$ 35,119</u>	<u>\$ 37,176</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
An analysis of depreciation by function		
Operating costs	\$ 144,667	\$ 125,843
Operating expenses	<u>73,076</u>	<u>29,028</u>
	<u>\$ 217,743</u>	<u>\$ 154,871</u>
An analysis of amortization by function		
Operating costs	\$ 420	\$ 420
Operating expenses	<u>7,920</u>	<u>7,375</u>
	<u>\$ 8,340</u>	<u>\$ 7,795</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits		
Salaries	\$ 811,924	\$ 783,911
Labor and health insurance	63,972	59,702
Others	<u>59,233</u>	<u>50,560</u>
	<u>935,129</u>	<u>894,173</u>
Post-employment benefits		
Defined contribution plans	24,223	22,224
Defined benefit plans (see Note 22)	<u>(272)</u>	<u>398</u>
	<u>23,951</u>	<u>22,622</u>
	<u>\$ 959,080</u>	<u>\$ 916,795</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 304,684	\$ 281,200
Operating expenses	<u>654,396</u>	<u>635,595</u>
	<u>\$ 959,080</u>	<u>\$ 916,795</u>

g. Compensation of employees

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors at rates of 2% to 6% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for the years ended December 31, 2023 and 2022, which were approved by the Company's board of directors in March 2024 and 2023, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2023	2022
Compensation of employees	2.25%	2.5%
Remuneration of directors	0.95%	1.06%

Amount

	For the Year Ended December 31	
	2023	2022
	Cash	Cash
Compensation of employees	\$ 67,600	\$ 52,000
Remuneration of directors	28,600	22,000

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 compensation of employees and remuneration of directors for 2022 and 2021 that were resolved by the board of directors in March 2023 and 2022, respectively, and the amounts of compensation of employees and remuneration of directors recognized in the consolidated financial statements, are as shown below:

	For the Year Ended December 31			
	2022		2021	
	Compensation of employees	Remuneration of directors	Compensation of employees	Remuneration of directors
Amounts approved in the board of directors' meeting	\$ 52,000	\$ 22,000	\$ 36,960	\$ 16,000
Amounts recognized in the annual financial statements	<u>52,000</u>	<u>22,000</u>	<u>36,960</u>	<u>17,600</u>
Differences	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,600)</u>

The differences for the year ended December 31, 2021 were adjusted to profit and loss for the year ended December 31, 2022.

Information on the compensation of employees 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. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2023	2022
Foreign exchange gains	\$ 102,632	\$ 206,208
Foreign exchange losses	<u>(103,602)</u>	<u>(143,482)</u>
	<u>\$ (970)</u>	<u>\$ 62,726</u>

26. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	\$ 307,635	\$ 207,863
Income tax on unappropriated earnings	10,282	-
Adjustments for prior years	<u>(32,197)</u>	<u>(39,375)</u>
	<u>285,720</u>	<u>168,488</u>
Deferred tax		
In respect of the current year	<u>192,167</u>	<u>96,867</u>
	<u>\$ 477,887</u>	<u>\$ 265,355</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2023	2022
Profit before income tax	<u>\$ 2,906,102</u>	<u>\$ 2,006,814</u>
Income tax expense calculated at the statutory rate	\$ 581,220	\$ 401,363
Non-deductible expenses in determining taxable income	8,726	13,710
Unrecognizable income in determining taxable income	(12,312)	(15,045)
Tax-exempt income	(77,832)	(95,298)
Income tax on unappropriated earnings	10,282	-
Adjustments for prior years	<u>(32,197)</u>	<u>(39,375)</u>
	<u>\$ 477,887</u>	<u>\$ 265,355</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	\$ 19,763	\$ (76,044)
Remeasurement of defined benefit plans	<u>(411)</u>	<u>(7,355)</u>
	<u>\$ 19,352</u>	<u>\$ (83,399)</u>

c. Current tax liabilities

	December 31	
	2023	2022
Income tax payable	<u>\$ 443,732</u>	<u>\$ 224,166</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Write-downs of inventories	\$ 22,222	\$ 1,309	\$ -	\$ 23,531
Refund liabilities	4,102	(995)	-	3,107
Payables for annual leave	4,935	(338)	-	4,597
Unrealized gross profit	46,490	12,906	-	59,396
Exchange differences on translating the financial statements of foreign operations	85,074	-	19,763	104,837
Others	<u>2,728</u>	<u>6,028</u>	<u>-</u>	<u>8,756</u>
	<u>\$ 165,551</u>	<u>\$ 18,910</u>	<u>\$ 19,763</u>	<u>\$ 204,224</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Foreign investment income	\$ 627,795	\$ 207,872	\$ -	\$ 835,667
Provision for land appreciation tax	231,769	-	-	231,769
Defined benefit obligations	<u>6,347</u>	<u>3,205</u>	<u>411</u>	<u>9,963</u>
	<u>\$ 865,911</u>	<u>\$ 211,077</u>	<u>\$ 411</u>	<u>\$ 1,077,399</u>

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Write-downs of inventories	\$ 29,729	\$ (7,507)	\$ -	\$ 22,222
Refund liabilities	4,662	(560)	-	4,102
Payables for annual leave	4,589	346	-	4,935
Defined benefit obligations	7,641	(286)	(7,355)	-
Unrealized gross profit	23,823	22,667	-	46,490
Exchange differences on translating the financial statements of foreign operations	161,118	-	(76,044)	85,074
Others	155	2,573	-	2,728
	<u>\$ 231,717</u>	<u>\$ 17,233</u>	<u>\$ (83,399)</u>	<u>\$ 165,551</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Foreign investment income	\$ 520,277	\$ 107,518	\$ -	\$ 627,795
Provision for land appreciation tax	231,769	-	-	231,769
Defined benefit obligations	-	6,347	-	6,347
	<u>\$ 752,046</u>	<u>\$ 113,865</u>	<u>\$ -</u>	<u>\$ 865,911</u>

- e. Amount of temporary differences related to investment and unrecognized deferred income tax liabilities

As of December 31, 2023 and 2022, the taxable temporary differences related to the investment of subsidiaries and unrecognized deferred income tax liabilities are both of \$202,248 thousand.

- f. Income tax assessments

The income tax returns of the Company through 2021 have been assessed by the tax authorities.

27. EARNINGS PER SHARE

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

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2023	2022
Net Profit for the year of the Company	<u>\$ 2,428,215</u>	<u>\$ 1,741,459</u>

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

	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	120,571	120,571
Effect of potentially dilutive ordinary shares		
Compensation of employees	<u>328</u>	<u>456</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>120,899</u>	<u>121,027</u>

The Company may settle the compensation of employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are 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.

28. ACQUISITION OF SUBSIDIARIES

The Company obtained control of Changshu Yu Bo Polymer Materials Co., Ltd. in April 2023, refer to Note 31 of the Company's consolidated financial statements for the year ended December 31, 2023.

29. PARTIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES –WITHOUT LOSS OF CONTROL

- a. In February 2023, the Company did not subscribe the issuance of ordinary shares in the amount of RMB \$3,380 thousand for cash of Nan Pao New Materials (Huaian) Co., Ltd. in accordance with the shareholding ratio, decreasing its shareholding ratio from 95.24% to 90.91%. In January 2022, the Company did not subscribe the issuance of ordinary shares in the amount of RMB 3,184 thousand for cash of Nan Pao New Materials (Huaian) Co., Ltd. in accordance with the shareholding ratio, decreasing its shareholding ratio from 100% to 95.24%.
- b. In February 2023, the Company did not subscribe the issuance of ordinary shares in the amount of \$90,000 thousand for cash of Prince Pharmaceutical Co., Ltd. in accordance with the shareholding ratio, decreasing its shareholding ratio from 50.51% to 50.10%. In addition, Prince Pharmaceutical Co., Ltd. exercised 412 thousand employee share options in October 2023, decreasing the shareholding ratio from 50.10% to 49.53%.
- c. The Company acquired FlexUP Technologies Corp. 3.13% interests in June 2023, and the shareholding ratio was increased from 96.87% to 100% after acquisition.
- d. The Company acquired minority shareholdings of Progroups Technology Co., Ltd. in September 2022, resulting in an increase in the shareholding ratio from 91.99% to 100%.
- e. The Company repurchased and retired 32.32% shareholdings of Greatwill Materials (HK) Ltd. in September 2022, resulting in an increase in Nan Pao Group Holdings Ltd.'s shareholding ratio from 67.68% to 100%. In addition, Greatwill Materials (HK) Ltd. transferred 28.45% shareholdings to external shareholder of Foshan Nan Pao Advanced Materials Co., Ltd., resulting in an decrease in the shareholding ratio from 88.03% to 59.58%. The amount received and paid for the transaction is the same, and the change have not affect the shareholding ratio of Foshan Nan Pao Advanced Materials Co., Ltd. by the Company.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries. Refer to Note 32 of the Company's consolidated financial statements for the year ended December 31, 2023 for related information.

30. CAPITAL MANAGEMENT

The Company has to maintain large capital for plants and equipment expansion, therefore the Company manages its capital to ensure that the Company 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 Company 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

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Limited partnership	\$ -	\$ -	\$ 121,929	\$ 121,929
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Emerging market shares	\$ 20,296	\$ -	\$ -	\$ 20,296
Unlisted shares	-	-	1,644,596	1,644,596
	<u>\$ 20,296</u>	<u>\$ -</u>	<u>\$ 1,644,596</u>	<u>\$ 1,664,892</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Limited partnership	\$ -	\$ -	\$ 69,536	\$ 69,536
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Emerging market shares	\$ 13,951	\$ -	\$ -	\$ 13,951
Unlisted shares	-	-	4,172,128	4,172,128
	<u>\$ 13,951</u>	<u>\$ -</u>	<u>\$ 4,172,128</u>	<u>\$ 4,186,079</u>

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

Financial assets at FVTPL

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 69,536	\$ 36,135
Recognized in profit or loss (included in other gains and losses)	18,327	(6,599)
Purchases	35,000	40,000
Return of investment	<u>(934)</u>	<u>-</u>
Balance at December 31	<u>\$ 121,929</u>	<u>\$ 69,536</u>

Financial assets at FVTOCI

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 4,172,128	\$ 6,254,904
Recognized in other comprehensive loss (included in unrealized valuation loss on financial assets at FVTOCI)	(2,527,532)	(2,082,312)
Purchases	-	13,487
Transfers out of Level 3	<u>-</u>	<u>(13,951)</u>
Balance at December 31	<u>\$ 1,644,596</u>	<u>\$ 4,172,128</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

- a) The market approach is used to estimate the fair values of some of the 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 net value of company.
- b) The asset approach is used to estimate the fair values of some of the unlisted shares, 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) Limited partnership are valued on the basis of their net worth.

c. Categories of financial instruments

	December 31	
	2023	2022
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 2,744,006	\$ 2,456,730
Financial assets at FVTPL - Mandatorily classified as at FVTPL	121,929	69,536
Financial assets at FVTOCI - Equity instruments	1,664,892	4,186,079
<u>Financial liabilities</u>		
Amortized cost (2)	3,768,694	3,417,570

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

d. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, notes receivable, accounts receivable, notes payable, accounts payable, borrowings and lease liabilities. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Company through internal risk reports that 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 Company are reviewed by the board of directors based on relevant regulations and the internal control system. The Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company'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 price (see (c) below).

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company entered into foreign currency denominated sales and purchases, which expose the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the year are set out in Note 34.

Sensitivity analysis

The Company is mainly exposed to the USD.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan Dollar (NTD, 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 pre-tax profit and other equity associated with the NTD weakening 1% against the relevant currency. For a 1% strengthening of the NTD against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2023	2022
Profit or loss	\$ 6,212	\$ 13,891

This was mainly attributable to the exposure on outstanding foreign monetary items in USD that were cash and cash equivalents, accounts receivable, accounts payable and other payables. The Company's sensitivity to foreign currency decreased during the current year mainly due to the increase of other payables in USD.

b) Interest rate risk

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

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

	December 31	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 75,113	\$ 14,332
Financial liabilities	915,145	587,595
Cash flow interest rate risk		
Financial assets	875,132	648,289
Financial liabilities	967,001	1,651,003

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for both derivative and non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. If interest rates had been 0.25% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2023 and 2022 would decrease/increase by \$2,418 thousand and \$4,128 thousand, respectively, which was mainly a result of variable-rate borrowings.

c) Other price risk

The Company was exposed to equity price risk through its investments in 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 Company. At the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation, could be equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

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

Because the customer base of the Company is large and unrelated with each other, the concentration of credit risk is not high.

As of December 31, 2023 and 2022, the maximum amount of credit risk that the Company provides endorsements / guarantees is \$156,154 thousand and \$217,348 thousand, respectively.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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 Company's working capital and the credit line which the Company 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 tables for non-derivative financial liabilities

The following tables details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were 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 were based on the agreed upon 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 year.

December 31, 2023

	Less than 1 Year	1-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 1,917,226	\$ -	\$ -
Lease liabilities	5,777	9,655	-
Fixed interest rate liabilities	907,433	-	-
Variable interest rate liabilities	388,766	595,826	-
Financial guarantee contracts	<u>156,154</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,375,356</u>	<u>\$ 605,481</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	<u>\$ 5,777</u>	<u>\$ 9,655</u>	<u>\$ -</u>

December 31, 2022

	Less than 1 Year	1-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 1,237,076	\$ -	\$ -
Lease liabilities	10,787	27,190	476
Fixed interest rate liabilities	503,939	51,182	-
Variable interest rate liabilities	821,606	856,897	-
Financial guarantee contracts	<u>217,348</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,790,756</u>	<u>\$ 935,269</u>	<u>\$ 476</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	<u>\$ 10,787</u>	<u>\$ 27,190</u>	<u>\$ 476</u>

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the year.

b) Financing facilities

	December 31	
	2023	2022
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	\$ 1,999,827	\$ 2,334,792
Amount unused	<u>5,348,420</u>	<u>5,483,714</u>
	<u>\$ 7,348,247</u>	<u>\$ 7,818,506</u>

32. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed as follows.

a. Related party name and category

Related Party Name	Related Party Category
Nan Pao Chemical Co. Ltd.	Subsidiary
Nan Pao Fine Materials Co., Ltd.	Subsidiary
ITLS International Development Co., Ltd.	Subsidiary
Nan Pao Philippines Export Inc.	Subsidiary
Phymed Bio-Tec Co., Ltd.	Subsidiary
Biorich Biotechnology Co., Ltd.	Subsidiary
Nan Pao Advanced Materials Co., Ltd.	Subsidiary

(Continued)

Related Party Name	Related Party Category
Fuqing Nan Pao Resins Co., Ltd.	Subsidiary
Nan Pao New Materials (Huaian) Co., Ltd.	Subsidiary
Thai Nanpao Resins Chemical Co., Ltd.	Subsidiary
Nan Pao Materials Vietnam Co., Ltd.	Subsidiary
PT. Indo Nan Pao Resins Chemical Co., Ltd.	Subsidiary
Foshan Nan Pao Advanced Materials Co., Ltd.	Subsidiary
Nan Pao Resins (Foshan) Co., Ltd.	Subsidiary
Nan Pao Resins (HK) Ltd.	Subsidiary
Dongguan Jiaqin Electronics Co., Ltd.	Subsidiary
Nan Pao Resins (China) Co., Ltd.	Subsidiary
Nan Pao Advanced Materials Vietnam Co., Ltd.	Subsidiary
RLA Polymers Pty Ltd.	Subsidiary
Nan Pao Resins (Vietnam) Enterprise Ltd.	Subsidiary
Nan Pao Group Holdings Ltd.	Subsidiary
Nan Pao Resins Chemical Philippines, Inc.	Subsidiary
Nan Pao Resins International Ltd.	Subsidiary
RLA Polymers (M) SDN BHD	Subsidiary
Prince Pharmaceutical Co., Ltd.	Subsidiary
Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Subsidiary
Changshu Yu Bo Polymer Materials Co., Ltd.	Subsidiary
Pou Chen Corporation and Subsidiaries	Investors with significant influence
Opulence Optronics Co., Ltd.	The Company is an executive of the Company
Apogee Optocom Co., Ltd.	Other related party
Nan Pao Resins Private Welfare Charity Foundation	Other related party
Yu Po Chemical Co., Ltd.	Other related party

(Concluded)

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Subsidiary		
Nan Pao Resins (Vietnam) Enterprise Ltd.	\$ 1,344,400	\$ 1,496,339
PT. Indo Nan Pao Resins Chemical Co., Ltd.	649,323	439,901
Others	1,276,292	1,364,669
Investors with significant influence	46,057	53,522
Other related party	<u>14,449</u>	<u>94</u>
	<u>\$ 3,330,521</u>	<u>\$ 3,354,525</u>

The sales prices were not significantly different from those with third parties. The credit term is 45 days to 90 days, which is not significantly different from that for non-related parties.

c. Purchases of goods

Related Party Category	For the Year Ended December 31	
	2023	2022
Subsidiary	<u>\$ 73,196</u>	<u>\$ 66,760</u>

There were no comparable purchase prices of similar products with third parties. The purchase prices were not significantly different from those with third parties. The payment term is 30 days to 90 days, which is not significantly different from that for non-affiliates.

d. Receivables from related parties (excluding loans to related parties)

Line Item	Related Party Category / Name	December 31	
		2023	2022
Accounts receivable - related parties	Subsidiary		
	Nan Pao Resins (Vietnam) Enterprise Ltd.	\$ 549,086	\$ 503,276
	Nan Pao Materials Vietnam Co., Ltd.	122,029	133,358
	PT. Indo Nan Pao Resins Chemical Co., Ltd.	217,252	123,868
	Others	220,279	383,419
	Investors with significant influence	9,590	11,030
	Other related party	<u>9,202</u>	<u>99</u>
		<u>\$ 1,127,438</u>	<u>\$ 1,155,050</u>
Other receivables	Subsidiary	<u>\$ 250</u>	<u>\$ 205</u>

The outstanding accounts receivable from related parties are unsecured.

e. Payables to related parties (excluding loans from related parties)

Line Item	Related Party Category	December 31	
		2023	2022
Accounts payable	Subsidiary	<u>\$ 16,782</u>	<u>\$ 18,167</u>
Other payables	Subsidiary	<u>\$ 3,162</u>	<u>\$ 1,159</u>

The outstanding accounts payable to related parties are unsecured.

f. Refund liabilities

Line Item	Related Party Category / Name	December 31	
		2023	2022
Refund liabilities (included in other current liabilities)	Investors with significant influence		
	Pou Chen Corporation and Subsidiaries	<u>\$ 2,983</u>	<u>\$ 4,121</u>

- g. Loans from related parties

Related Party Category / Name	December 31	
	2023	2022
Subsidiary		
Nan Pao Group Holdings Ltd.	\$ 644,805	\$ -

- h. Endorsements and guarantees

Endorsements and guarantees provided by the Company

Related Party Category	December 31	
	2023	2022
Subsidiary		
Amount endorsed	\$ 1,244,279	\$ 1,069,005
Amount utilized	\$ 156,154	\$ 217,348

- i. Remuneration of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 79,650	\$ 61,722
Post-employment benefits	14,831	7,338
	\$ 94,481	\$ 69,060

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

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Company at December 31, 2023 and 2022 were as follows:

- a. As of December 31, 2023 and 2022, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$132,573 thousand and \$132,695 thousand, respectively.
- b. Unrecognized commitments were as follows:

	December 31	
	2023	2022
Acquisition of property, plant and equipment	\$ 34,212	\$ 114,091

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 46,006	30.71	\$ 1,412,609
Non-monetary items			
Investments accounted for using the equity method			
USD (Note)	274,672	30.71	8,433,807
IDR	153,945,259	0.00198	304,812
VND	554,711,770	0.00127	702,656

Financial liabilities

Monetary items			
USD	25,763	30.72	791,370

December 31, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 46,200	30.71	\$ 1,418,812
Non-monetary items			
Investments accounted for using the equity method			
USD (Note)	237,443	30.71	7,291,863
IDR	134,768,050	0.00198	266,841
VND	431,537,461	0.00130	561,549

Financial liabilities

Monetary items			
USD	973	30.71	29,751

Note: The difference between the amounts of investments accounted for using the equity method is the unrealized gross profit.

The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

For the Year Ended December 31				
Foreign Currency	2023		2022	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains
USD	31.155 (USD:NTD)	\$ (1,433)	29.805 (USD:NTD)	\$ 61,567
Others		<u>463</u>		<u>1,159</u>
		<u>\$ (970)</u>		<u>\$ 62,726</u>

35. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 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 or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices 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)

b. Information on investees (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 of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 7)

- 2) Any of the following 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 (Table 8):
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
 - 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 year and the purposes
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year 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 9)

TABLE 1

NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMEBR 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the period	Ending Balance	Actual Amount Borrowed	Interest Rate(%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 4)	Aggregate Financing Limit (Note 4)
													Item	Value		
1	Nan Pao Group Holdings Ltd.	Nan Pao Resins Chemical Co., Ltd.	Other receivables from related party	Yes	\$ 680,925	\$ 644,805	\$ 644,805	-	Demand of short-term financing	\$ -	Operating capital	\$ -	None	\$ -	\$ 4,768,248	\$ 4,768,248

Note 1: Foreign currency above is translated into NTD at the exchange rates of the end of the month.

Note 2: The aggregate limit for borrowers is 40% of the Company’s net value as stated in the financial statements. The upper limits for each borrower are:
1. For individual entity having business relationship with the Company, shall not exceed the total transaction amount between the parties during the period in 12 months prior to the time or the aggregate limit aforementioned.
2. For individual entity having borrow needs short-term financing, shall not exceed the 20% of the Company’s net value.

Note 3: Subsidiaries engage in financing provided to others with the same limit as the parent company, but the net value is based on the lender’s net value.

Note 4: Both the aggregate limit and upper limit for each borrower between foreign subsidiaries held 100% by the Company directly or indirectly shall not exceed the lender’s net value.

TABLE 2

NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMEBR 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 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 (Notes 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 (Note 1)										
0	Nan Pao Resins Chemical Co., Ltd.	Nan Pao Group Holdings Ltd.	2	\$ 2,635,443	\$ 64,850	\$ 30,705	\$ -	\$ -	0.23	\$ 6,588,607	Y	N	N
		Nan Pao Resins Chemical Philippines, Inc.	2	2,635,443	32,425	30,705	-	-	0.23	6,588,607	Y	N	N
		Nan Pao Philippines Export Inc.	2	2,635,443	16,213	15,353	7,062	-	0.12	6,588,607	Y	N	N
		RLA Polymers (M) SDN BHD	2	2,635,443	64,850	61,410	-	-	0.47	6,588,607	Y	N	N
		RLA Polymers (M) SDN BHD	2	2,635,443	129,700	122,820	54,427	-	0.93	6,588,607	Y	N	N
		RLA Polymers Pty Ltd.	2	2,635,443	211,300	-	-	-	-	6,588,607	Y	N	N
		Nan Pao Advanced Investment Co., Ltd.	2	2,635,443	176,880	173,080	-	-	1.31	6,588,607	Y	N	Y
		Nan Pao New Materials (Huaian) Co., Ltd.	2	2,635,443	222,250	216,350	1,038	-	1.64	6,588,607	Y	N	Y
		Nan Pao New Materials (Huaian) Co., Ltd.	2	2,635,443	88,900	86,540	32,922	-	0.66	6,588,607	Y	N	Y
		Nan Pao New Materials (Huaian) Co., Ltd.	2	2,635,443	133,350	108,175	16,481	-	0.82	6,588,607	Y	N	Y
		Nan Pao New Materials (Huaian) Co., Ltd.	2	2,635,443	88,900	86,540	8,345	-	0.66	6,588,607	Y	N	Y
		Changshu Yu Bo Polymer Materials Co., Ltd.	2	2,635,443	92,862	90,867	4,695	-	0.69	6,588,607	Y	N	Y
		Changshu Yu Bo Polymer Materials Co., Ltd.	2	2,635,443	92,862	90,867	28,454	-	0.69	6,588,607	Y	N	Y
		Changshu Yu Bo Polymer Materials Co., Ltd.	2	2,635,443	92,862	90,867	2,730	-	0.69	6,588,607	Y	N	Y
		Nan Pao Fine Materials Co., Ltd.	2	2,635,443	20,000	20,000	-	-	0.15	6,588,607	Y	N	N
		Nan Pao Fine Materials Co., Ltd.	2	2,635,443	20,000	20,000	-	-	0.15	6,588,607	Y	N	N

Note 1: Relationships between the endorser/guarantor and endorsee/guarantee are as follows:

1. Companies with business relationship.
2. The Company directly and indirectly holds more than 50 percent of the voting rights in a company.
3. A company that directly and indirectly holds more than 50 percent of the voting rights in the Company.
4. The Company directly and indirectly holds more than 90 percent of the voting rights between companies.
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 individual corporation is 20% of the Company's net value at the end of the period, while the aggregate endorsement/guarantee limit is 50% of the Company's net value.

Note 3: The subsidiaries directly and indirectly invested by the Company shall not endorse/guarantee to individual corporation.

TABLE 3**NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2023****(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	December 31, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Nan Pao Resins Chemical Co., Ltd.	CDIB - Innolux Limited Partnership	None	Financial assets at fair value through profit or loss - non-current	-	<u>\$ 121,929</u>	9	<u>\$ 121,929</u>	
Nan Pao Resins Chemical Co., Ltd.	Dairen Chemical Corp. - publicly owned company	None	Financial assets at fair value through other comprehensive income - non-current	10,424,970	\$ 1,639,075	2	\$ 1,639,075	
	Hua Chi Venture Capital Co., Ltd. - privately-issued equity	"	"	7,895	1,987	1	1,987	
	Opulence Optronics Co., Ltd. - privately-issued equity	"	"	877,208	3,534	8	3,534	
	Revivegen Co., Ltd. - emerging stock	"	"	570,107	20,296	1	20,296	
	Contact Organics Pty Ltd - privately-issued equity	"	"	2,902	-	17	-	
					<u>\$ 1,664,892</u>		<u>\$ 1,664,892</u>	
Nan Pao Chemical Co., Ltd.	Ace Chemical Corp. -privately-issued equity	None	Financial assets at fair value through other comprehensive income - non-current	1,249,915	<u>\$ 17,220</u>	10	<u>\$ 17,220</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 refer to Tables 6 and 7 for information on investments in subsidiaries and associates.

TABLE 4

NAN PAO RESINS CHEMICAL CO., LTD. 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 YEAR ENDED DECEMEBR 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/ Sales	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	Sales	\$ 1,344,177	23	Payment within 90 days	Similar to general transactions	Similar to general transactions	\$ 549,086	32	
	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Subsidiary	Sales	649,323	11	Payment within 90 days	Similar to general transactions	Similar to general transactions	217,252	13	
	Nan Pao Materials Vietnam Co., Ltd.	Subsidiary	Sales	470,649	8	Payment within 90 days	Similar to general transactions	Similar to general transactions	122,029	7	
	Nan Pao Advanced Materials Vietnam Co., Ltd.	Subsidiary	Sales	317,841	5	Payment within 90 days	Similar to general transactions	Similar to general transactions	77,468	5	
	Nan Pao Resins (Foshan) Co., Ltd.	Subsidiary	Sales	201,422	3	Payment within 90 days	Similar to general transactions	Similar to general transactions	59,298	3	
Nan Pao Resins (Dongguan) Co., Ltd.	Nan Pao Resins (HK) Ltd.	Same ultimate Parent Company	Processing Revenue	261,265	100	Payment within 90 days	No comparable product sales for comparison	No third-party transaction for comparison	81,487	100	
Nan Pao Advanced Materials Vietnam Co., Ltd.	Nan Pao Resins International Ltd.	Same ultimate Parent Company	Sales	377,117	42	Payment within 90 days	Similar to general transactions	Similar to general transactions	172,979	62	
Nan Pao Resins (Foshan) Co., Ltd.	Pou Chen Corporation and Subsidiaries	Investors with significant influence	Sales	129,996	7	Payment within 45 days	Similar to general transactions	Similar to general transactions	30,653	6	
	Fuqing Nan Pao Resins Co., Ltd.	Same ultimate Parent Company	Sales	105,047	6	Payment within 90 days	Similar to general transactions	Similar to general transactions	33,662	7	
PT. Indo Nan Pao Resins Chemical Co., Ltd.	Pou Chen Corporation and Subsidiaries	Investors with significant influence	Sales	436,351	25	Telegraphic transfer within 90 days	Similar to general transactions	Similar to general transactions	174,941	37	
Nan Pao Resins (Vietnam) Enterprise Ltd.	Pou Chen Corporation and Subsidiaries	Investors with significant influence	Sales	329,450	10	Telegraphic transfer within 90 days	Similar to general transactions	Similar to general transactions	65,137	9	
Nan Pao Materials Vietnam Co., Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Same ultimate Parent Company	Sales	227,202	11	Payment within 90 days	Similar to general transactions	Similar to general transactions	78,248	14	
	Pou Chen Corporation and Subsidiaries	Investors with significant influence	Sales	190,716	10	Telegraphic transfer within 90 days	Similar to general transactions	Similar to general transactions	45,081	8	
	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Same ultimate Parent Company	Sales	132,143	7	Payment within 90 days	Similar to general transactions	Similar to general transactions	52,034	10	

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

TABLE 5

NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMEBR 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance (Note)	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	\$ 549,086	2.55	\$ -	Not applicable	\$ 236,554	\$ -
	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Subsidiary	217,252	3.81	-	Not applicable	119,474	-
PT. Indo Nan Pao Resins Chemical Co., Ltd.	Nan Pao Materials Vietnam Co., Ltd.	Subsidiary	122,029	3.69	-	Not applicable	41,238	-
	Pou Chen Corporation and Subsidiaries	Investors with significant influence	174,941	2.64	-	Not applicable	77,804	97
Nan Pao Advanced Materials Vietnam Co., Ltd.	Nan Pao Resins International Ltd.	Same ultimate Parent Company	172,979	4.22	-	Not applicable	83,113	-

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

TABLE 6

NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMEBR 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			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 Co., Ltd.	No.519, Zhongshan Rd., Xigang Dist, Tainan City	Trading of chemical substances	\$ 300,000	\$ 300,000	15,000,000	100	\$ 186,742	\$ 7,776	\$ 7,776	
	Nan Pao Application Material Co., Ltd.	No.519, Zhongshan Rd., Xigang Dist, Tainan City	Trading of chemical substances	60,000	60,000	200,000	100	8,640	21	21	
	ITLS International Development Co., Ltd.	3F, No.356, Sec.1, NeiHu Rd., Taipei	Trading of construction materials and chemical substances	696,000	696,000	24,600,000	100	261,409	16,159	20,564	
	Prince Pharmaceutical Co., Ltd.	No. 168, Keyun S. Rd., Kendi Vil., Huwei Township, Yunlin County	Manufacturing, packaging, and processing of raw materials for various pharmaceutical and health food	365,600	324,683	18,131,198	49.53	416,610	15,309	7,631	
	Phymed Bio-Tec Co., Ltd.	No.519, Zhongshan Rd., Xigang Dist, Tainan City	R&D and trading of health food	34,000	34,000	2,400,000	100	13,896	(2,882)	(2,882)	
	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	15,030	8,644	4,936	
	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	11,108	8,195	5,737	
	Nan Pao Fine Materials Co., Ltd.	No.217, Xinxing St., Qingan Vil., Xigang Dist., Tainan City	Production and trading of adhesives and chemicals	13,750	13,750	1,375,000	55	30,565	49,152	17,155	
	FlexUP Technologies Corp.	No. 10, Ln. 99, Nanhai St., Nanhai Vil., Xigang Dist., Tainan City	Trading of chemical substances	39,863	19,546	18,880,000	100	31,908	16,118	7,502	
	Perfect & Outstanding Technology Inc.	No.320-17 and 18, Xiaoxinying, Xiaoxin Vil., Shanhua Dist., Tainan City	Production and trading of renewable energy	40,000	40,000	2,500,000	22.9	30,312	(27,192)	(8,974)	
	Fuqing Nan Pao Investment Ltd.	Visitra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	166,699	166,699	4,990,000	100	229,243	27,326	27,326	
	Thai Nan Pao Investment Ltd.	Visitra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	169,909	169,909	5,282,000	100	183,783	1,879	1,879	
	Nan Pao Resins India Pvt Ltd.	204, Abhishek, off New Link Road, Andheri(W), Mumbai 400053, India	Trading of adhesives	42,299	16,499	6,200,000	100	49,307	(835)	(835)	
	Nan Pao Materials Resins India Private Limited	ROOM No.6, FLAT NO.3-D, FRONT BLOCK, 188 P H ROAD, Kilpauk, Perambur Purasawalkam, Chennai-600010, Tamil Nadu, India	Trading of adhesives	30,750	-	8,076,000	100	28,018	(1,839)	(1,839)	
	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	1,446,069	296,435	287,087	
	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	676,151	161,136	161,136	
	Nan Pao Overseas Holdings Ltd.	Visitra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	2,386,015	2,386,015	78,056,502	100	4,661,123	551,180	565,250	
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General investment	186,588	186,588	983,333	73.75	866,792	271,209	199,643	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	All Saints Enterprises Ltd.	Visitra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	143,375	143,375	5,452,549	54.53	206,339	(8,463)	(4,615)	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	Ongoing Profits Ltd.	Visitra 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	272,038	397,875	128,763	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	44,754	39,276	5,390,000	49	234,814	200,511	98,250	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	14,993	25,750,000	100	16,680	1,237	1,237	
	Nan Pao Resins Chemical (Bangladesh) Co., Ltd.	House No, 42 5 th floors, Lake drive Road, Sector 7, Ulttara, Dhaka	Trading of adhesives	13,571	4,193	284,425	100	4,615	(5,309)	(5,309)	
	Earnest Wealth Co., Ltd.	Level 2, Lotenau Centre Building, Vaea Street, Apia, Samoa	General investment	42,958	42,958	920,000	51.11	45,461	2,000	1,023	
	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	6,804	-	1,000	100	9,340	1,367	2,479	
	Nan Pao Resins (HK) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Production and trading of adhesives	363,753	-	13,400,000	100	307,518	(32,399)	(60,110)	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				Ending Balance	Beginning Balance	Number of Shares	%	Carrying Amount			
ITLS International Development Co., Ltd.	ITLS Holding Pte. Ltd.	8 Boon Lay Way, #09-14, 8 @ Tradehub 21, Singapore 609964	General investment	\$ 502,822	\$ 502,822	22,064,549	100	\$ 85,312	\$ (2,481)		
	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	-	-	-	(576)		
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	140,015 (USD 4,560,000)	140,015 (USD 4,560,000)	10,000	100	228,494	27,508		
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	171,298 (USD 5,578,821)	171,298 (USD 5,578,821)	21,197,000	100	133,676	(37)		
Earnest Wealth Co., Ltd.	Apex Polytech Co., Ltd.	Lot T29-15A Street 7, Protrade International Industrial Park, An Tay Commune, Ben Cat Town, Binh Duong, Vietnam.	Production and trading of adhesives	66,016 (USD 2,150,000)	66,016 (USD 2,150,000)	-	100	64,999	2,029		
Nan Pao Overseas Holdings Ltd.	Nan Pao Group Holdings Ltd.	Vistra (Cayman) Limited P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KYI-1205 Cayman Islands	General investment	2,396,725 (USD 78,056,502)	2,396,725 (USD 78,056,502)	78,056,502	100	4,768,248	551,158		
ITLS Holding Pte. Ltd.	PT. ITLS Indonesia	Jl. Pajajaran Raya No. 44, Kel. Gandasari, Kec. Jatiuwung, Tangerang-15137 Indonesia	Production and trading of construction materials	77,733 (USD 2,531,620)	77,733 (USD 2,531,620)	2,437,109	100	13,620	(468)		
	ITLS Vietnam Co., Ltd.	No.16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and trading of construction materials	133,674 (USD 4,353,487)	133,674 (USD 4,353,487)	-	100	68,587	(1,702)		
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	38,688 (USD 1,260,000)	38,688 (USD 1,260,000)	7,172	100	544,665	64,358		
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General investment	57,690 (USD 1,887,627)	57,690 (USD 1,887,627)	350,000	26.25	313,713	271,209		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	646,465 (USD 21,054,073)	646,465 (USD 21,054,073)	10,000	100	401,382	44,310		
	All Saints Enterprises Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	163,752 (USD 5,333,075)	163,752 (USD 5,333,075)	4,547,451	45.47	172,056	(8,463)		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	633,897 (AUD 30,214,354)	633,897 (AUD 30,214,354)	30,214,354	100	941,163	97,405		
	Ongoing Profits Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	117,809 (USD 3,836,817)	117,809 (USD 3,836,817)	3,287,546	67.82	673,497	397,875		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	141,550 (USD 4,610,000)	141,550 (USD 4,610,000)	4,610	100	167,885	801		
	Goldford Investments Ltd.	Creque Building, P.O. Box 116, Road Town, Tortola, British Virgin Islands	General investment	17,958 (USD 584,844)	17,958 (USD 584,844)	486,000	100	127,026	32,351		
	Nan Pao Resins Chemical Philippines, Inc.	Road 22 Phase 11, Cogeo Village, Antipolo City, Philippines	Trading of adhesives	6,448 (USD 210,000)	6,448 (USD 210,000)	9,000	100	90,438	10,894		
	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	-	786 (HKD 200,000)	-	-	-	1,367		Shares were fully resold during the period to Nan Pao Resins Chemical Co., Ltd.
	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	-	534,267 (USD 17,400,000)	-	-	-	(32,399)		Shares were fully resold during the period to Nan Pao Resins Chemical Co., Ltd.
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	245,640 (USD 8,000,000)	245,640 (USD 8,000,000)	10,000	100	1,185,363	270,978		
Nan Pao Resins (Holdings) Ltd.	Eastlion Enterprises Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	170,109 (USD 5,540,100)	170,109 (USD 5,540,100)	20,240	100	225,571	25,617		
	Nan Pao Resins Development Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	92,115 (USD 3,000,000)	92,115 (USD 3,000,000)	3,000	100	168,427	18,618		
All Saints Enterprises Ltd.	Great Mount Enterprises Ltd.	Unit 2102, 21/F The Broadway, No., 54-62 Lockhart, Road, Wanchai, Hong Kong	General investment	307,050 (USD 10,000,000)	307,050 (USD 10,000,000)	10,000	100	374,237	(8,430)		
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	447,595 (AUD 21,334,344)	447,595 (AUD 21,334,344)	16,552,080	100	822,548	100,526		
Ongoing Profits Ltd.	Rising Sun Associates Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	148,844 (USD 4,847,546)	148,844 (USD 4,847,546)	3,000,000	100	991,624	397,946		

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				Ending Balance	Beginning Balance	Number of Shares	%	Carrying Amount			
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	\$ 140,936 (USD 4,590,000)	\$ 140,936 (USD 4,590,000)	-	50	\$ 159,187	\$ 1,607		Nan Pao Resins Chemical Co., Ltd. and related companies hold 67.5% of voting shares
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	4,029 (IDR 2,035,000,000)	2,060 (IDR 1,040,625,000)	2,035,000	18.5	115,082	200,512		
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	104,649 (USD 3,408,217)	104,649 (USD 3,408,217)	-	100	988,921	397,919		
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	125,288 (AUD 5,971,801)	125,288 (AUD 5,971,801)	18,415,500	100	192,667	8,559		

(Concluded)

Note 1: Only the amount of profit or loss recognized by the Company for each subsidiary directly invested and each investee company using the equity method should be shown, other information can be exempted.

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

TABLE 7

NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMEBR 31, 2023
(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, 2023 (Note 4)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outward	Inward						
Nan Pao Resins (China) Co., Ltd.	Production and trading of adhesives and coatings	\$ 307,050 (USD 10,000,000)	(2) Great Mount Enterprises Ltd.	\$ 331,305 (USD 10,789,932)	\$ -	\$ -	\$ 331,305 (USD 10,789,932)	\$ (8,425)	100	\$ (8,425) (2)B.	\$ 374,107	\$ -
Fuqing Nan Pao Resins Co., Ltd.	Production and trading of adhesives	140,015 (USD 4,560,000)	(2) Wealth Castle Development Ltd.	153,218 (USD 4,990,000)	-	-	153,218 (USD 4,990,000)	27,653	100	27,653 (2)B.	228,069	199,974
Nan Pao Resins (Dongguan) Co., Ltd.	Processing of adhesive products	82,904 (USD 2,700,000)	(2) Eastlion Enterprises Ltd.	78,048 (USD 2,541,860)	-	-	78,048 (USD 2,541,860)	28,793	100	28,793 (2)B.	179,070	-
Dongguan Jiaqin Electronics Co., Ltd.	Production and trading of coatings and advanced resins	92,115 (USD 3,000,000)	(2) Nan Pao Resins Development Ltd.	94,101 (USD 3,064,683)	-	-	94,101 (USD 3,064,683)	18,618	100	18,618 (2)B.	168,410	-
Foshan Nan Pao Advanced Materials Co., Ltd.	Production and trading of adhesives	104,045 (RMB 24,000,000)	(2) Greatwill Materials (HK) Ltd. and Nan Pao Resins (Foshan) Co., Ltd.	-	-	-	-	109,126	60.47	65,988 (2)B.	549,709	-
Nan Pao Resins (Foshan) Co., Ltd.	Production and trading of adhesives	245,640 (USD 8,000,000)	(2) Giant Profit Development Ltd.	239,119 (USD 7,787,627)	-	-	239,119 (USD 7,787,627)	270,970	100	270,970 (2)B.	1,184,340	726,104
Goaden Nan Pao Materials Technology Co., Ltd.	Trading of footwear materials	21,676 (RMB 5,000,000)	(3) Nan Pao Resins (Foshan) Co., Ltd.	-	-	-	-	293	51	149 (2)B.	12,062	-
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.	12,282 (USD 400,000)	-	-	12,282 (USD 400,000)	-	-	-	-	-
Nan Pao Advanced Investment Co., Ltd.	General investment	905,798 (USD 29,500,000)	(2) Nan Pao Group Holdings Ltd.	905,798 (USD 29,500,000)	-	-	905,798 (USD 29,500,000)	(47,763)	100	(47,763) (2)B.	674,068	-
Nan Pao (Kunshan) Electronic Commerce Co., Ltd.	Online business agency and general merchandise trading	46,058 (USD 1,500,000)	(3) Nan Pao Advanced Investment Co., Ltd.	-	-	-	-	(110)	100	(110) (2)B.	5,327	-
Nantong Nanpao Resins Materials Co., Ltd. (Note 6)	Production and trading of adhesives	-	(3) Nan Pao Advanced Investment Co., Ltd.	-	-	-	-	-	-	-	-	-
Nan Pao Resins (Yunan) Co., Ltd. (Note 7)	Production and trading of adhesives	-	(3) Nan Pao Advanced Investment Co., Ltd.	-	-	-	-	-	-	-	-	-
Nan Pao New Materials (Huaian) Co., Ltd.	Production and trading of carbon fiber	337,754 (USD 10,999,965)	(3) Nan Pao Advanced Investment Co., Ltd.	-	-	-	-	(26,925)	90.91	(24,680) (2)B.	180,766	-
Nan Pao Optoelectronic Materials (Kunshan) Co., Ltd.	Production and trading of adhesives and chemical substances	24,564 (USD 800,000)	(3) Nan Pao Advanced Investment Co., Ltd.	-	-	-	-	(2,519)	100	(2,519) (2)B.	12,590	-
Nan Pao Fine Chemical Materials (Anhui) Co., Ltd.	Production and trading of coatings and chemical substances	151,169 (USD 4,923,267)	(3) Nan Pao Advanced Investment Co., Ltd.	-	-	-	-	(3,155)	100	(3,155) (2)B.	148,511	-
Changshu Yu Bo Polymer Materials Co., Ltd.	Production and trading of adhesives and chemical substances	175,937 (USD 5,729,900)	(3) Nan Pao Advanced Investment Co., Ltd.	-	-	-	-	7,684	70	(12,963) (2)B.	437,615	-

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023 (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)
\$ 1,813,870 (USD 59,074,102)	\$ 2,886,469 (USD 94,006,490)	\$ 7,906,328

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:

$\$13,177,213 \times 60\% = \$7,906,328$

Note 4: Relevant amounts are calculated based on the exchange rate of US\$1 = NT\$30.705 at the end of the period.

Relevant amounts are calculated based on the exchange rate of CNY 1 = NT\$4.327 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.

Note 6: Nantong Nan Pao Resins Materials Co., Ltd. had been liquidated in December 2022. 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.

Note 7: Nan Pao Resins (Yunan) Co., Ltd. had been liquidated in June 2022. 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.

TABLE 8

NAN PAO RESINS CHEMICAL CO., LTD. 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 YEAR ENDED DECEMEBR 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Counterparty	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Unrealized Gain (Note)
			Purchases/Sales	Amount (Note)	% to Total	Payment Terms			Unit Price	Payment Terms	
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Foshan) Co., Ltd.	Subsidiary	Sales	\$ (201,422)	(3)	Payment within 90 days	Similar to general transactions	Similar to general transactions	\$ 59,298	3	\$ 14,005
Nan Pao Resins (Dongguan) Co., Ltd.	Nan Pao Resins (HK) Ltd.	Same ultimate Parent Company	Processing Revenue	(261,265)	(100)	Payment within 90 days	No comparable product sales for comparison	No third-party transaction for comparison	81,487	100	-
Foshan Nan Pao Advanced Materials Co., Ltd.	Nan Pao Resins India Pvt Ltd.	Same ultimate Parent Company	Sales	(26,054)	(1)	Payment within 90 days	Similar to general transactions	Similar to general transactions	5,380	1	-
	Nan Pao Resins (Foshan) Co., Ltd.	Same ultimate Parent Company	Sales	(53,547)	(2)	Payment within 90 days	Similar to general transactions	Similar to general transactions	16,039	2	-
	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Same ultimate Parent Company	Sales	(14,771)	(1)	Payment within 90 days	Similar to general transactions	Similar to general transactions	4,377	1	-
Nan Pao Resins (Foshan) Co., Ltd.	Fuqing Nan Pao Resins Co., Ltd.	Same ultimate Parent Company	Sales	(105,047)	(6)	Payment within 90 days	Similar to general transactions	Similar to general transactions	33,662	7	-
	Nan Pao Resins (China) Co., Ltd.	Same ultimate Parent Company	Sales	(12,684)	(1)	Payment within 90 days	Similar to general transactions	Similar to general transactions	4,056	1	-
Fuqing Nan Pao Resins Co., Ltd.	Pou Chen Corporation and Subsidiaries	Investors with significant influence	Sales	(129,996)	(7)	Payment within 45 days	Similar to general transactions	Similar to general transactions	30,653	6	-
	Nan Pao Resins (China) Co., Ltd.	Same ultimate Parent Company	Sales	(57,123)	(14)	Payment within 90 days	Similar to general transactions	Similar to general transactions	9,731	10	-
	Nan Pao Resins (Foshan) Co., Ltd.	Same ultimate Parent Company	Sales	(35,491)	(9)	Payment within 90 days	Similar to general transactions	Similar to general transactions	10,039	10	-

Note: The amounts, ending balances and unrealized gains were eliminated during the preparation of the consolidated financial statements.

TABLE 9**NAN PAO RESINS CHEMICAL CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Ding-Feng Investment Co., Ltd.	11,118,947	9.22%
Pou Chien Enterprise Co., Ltd.	10,920,248	9.05%
Chuan-De Investment Co., Ltd.	10,065,298	8.34%
Yue Dean Technology Corporation	9,851,000	8.17%
Guang Rong Investment Ltd.	8,868,132	7.35%
Growth Machine Development Co., Ltd.	7,850,523	6.51%
Pao-Wang Investment Co., Ltd.	7,828,068	6.49%

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 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 the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the 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.

TABLE 10

NAN PAO RESINS CHEMICAL CO., LTD.

**CHANGES IN PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMEBR 31, 2023**
(In Thousands of New Taiwan Dollars)

	Land	Land Improvement	Buildings	Machinery and equipment	Transportation equipment	Miscellaneous equipment	Construction in progress	Total
<u>Cost</u>								
Balance at January 1, 2022	\$ 970,170	\$ 21,735	\$ 454,216	\$ 1,141,494	\$ 115,027	\$ 596,817	\$ 500,258	\$ 3,799,717
Acquired by summary consolidation	-	-	693	41,365	1,476	16,863	-	60,397
Additions	-	2,428	826,558	89,514	270	112,313	(429,762)	601,321
Disposals	-	-	(82)	(23,427)	(103)	(9,449)	-	(33,061)
Balance at December 31, 2022	<u>\$ 970,170</u>	<u>\$ 24,163</u>	<u>\$ 1,281,385</u>	<u>\$ 1,248,946</u>	<u>\$ 116,670</u>	<u>\$ 716,544</u>	<u>\$ 70,496</u>	<u>\$ 4,428,374</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2022	\$ -	\$ 7,999	\$ 260,590	\$ 830,678	\$ 85,368	\$ 444,109	\$ -	\$ 1,628,744
Acquired by summary consolidation	-	-	142	15,795	525	4,201	-	20,663
Depreciation expenses	-	2,200	12,458	80,878	8,554	44,263	-	148,353
Disposals	-	-	(82)	(22,452)	(103)	(9,448)	-	(32,085)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 10,199</u>	<u>\$ 273,108</u>	<u>\$ 904,899</u>	<u>\$ 94,344</u>	<u>\$ 483,125</u>	<u>\$ -</u>	<u>\$ 1,765,675</u>
Carrying amount at December 31, 2022	<u>\$ 970,170</u>	<u>\$ 13,964</u>	<u>\$ 1,008,277</u>	<u>\$ 344,047</u>	<u>\$ 22,326</u>	<u>\$ 233,419</u>	<u>\$ 70,496</u>	<u>\$ 2,662,699</u>
<u>Cost</u>								
Balance at January 1, 2023	\$ 970,170	\$ 24,163	\$ 1,281,385	\$ 1,248,946	\$ 116,670	\$ 716,544	\$ 70,496	\$ 4,428,374
Additions	-	115	204,318	119,211	2,186	82,851	(70,496)	338,185
Disposals	-	-	-	(4,218)	-	(10,044)	-	(14,262)
Reclassification	-	-	-	80	-	(1,360)	-	(1,280)
Balance at December 31, 2023	<u>\$ 970,170</u>	<u>\$ 24,278</u>	<u>\$ 1,485,703</u>	<u>\$ 1,364,019</u>	<u>\$ 118,856</u>	<u>\$ 787,991</u>	<u>\$ -</u>	<u>\$ 4,751,017</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2023	\$ -	\$ 10,199	\$ 273,108	\$ 904,899	\$ 94,344	\$ 483,125	\$ -	\$ 1,765,675
Depreciation expenses	-	2,586	49,017	88,915	8,125	61,216	-	209,859
Disposals	-	-	-	(4,218)	-	(9,507)	-	(13,725)
Reclassification	-	-	-	10	-	(273)	-	(263)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 12,785</u>	<u>\$ 322,125</u>	<u>\$ 989,606</u>	<u>\$ 102,469</u>	<u>\$ 534,561</u>	<u>\$ -</u>	<u>\$ 1,961,546</u>
Carrying amount at December 31, 2023	<u>\$ 970,170</u>	<u>\$ 11,493</u>	<u>\$ 1,163,578</u>	<u>\$ 374,413</u>	<u>\$ 16,387</u>	<u>\$ 253,430</u>	<u>\$ -</u>	<u>\$ 2,789,471</u>

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STATEMENT 1**NAN PAO RESINS CHEMICAL CO., LTD.****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Description	Amount
Cash on hand		\$ 917
Deposits		
Demand deposits		667,899
Check deposits		71,377
Foreign currency deposits (Note)	US\$ 8,235,982.15, JPY\$ 16,253,994.83, AUD\$ 12,340.52, EUR\$ 157,145.48, HKD\$ 672,951.69, RMB\$ 920,779.18 and GBP\$ 0.3	207,233
Cash equivalents		
Investments with original maturities within 3 months (Note)	US\$ 2,000,000	61,410
		<u>\$ 1,008,836</u>

Note: Foreign currency denominated assets held are converted at the exchange rate on the balance sheet date. US\$ 1=NT\$ 30.705, JPY 1=NT\$ 0.2172, AUD 1=NT\$ 20.98, EUR 1=NT\$ 33.98, HKD 1=NT\$ 3.9290, RMB 1=NT\$ 4.3270 and GBP 1=NT\$ 39.15

NAN PAO RESINS CHEMICAL CO., LTD.

**STATEMENT OF CHANGES IN FINANCIAL ASSETTS AT FAIR VALUE THROUGH PROFIT OR LOSS - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Investee Company	Balance at January 1, 2023		Additions (Note 2)		Reductions (Note 1)		Balance at December 31, 2023		Collateral
	Shares / Units	Fair Value	Shares / Units	Amount	Shares / Units	Amount	Shares / Units	Fair Value	
Limited Partnership									
CDIB - Innolux Limited Partnership	-	\$ <u>69,536</u>	-	\$ <u>53,327</u>	-	\$ <u>934</u>	-	\$ <u>121,929</u>	None

Note 1: The decrease in the year is capital reduction of investments.

Note 2: The increase in the year refers to the increase in the investment amount of NT\$35,000 thousand and gain on valuation of NT\$18,327 thousand.

STATEMENT 3**NAN PAO RESINS CHEMICAL CO., LTD.****STATEMENT OF NOTES RECEIVABLE****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

Customer Name	Amount
Unrelated parties	
Customer A	\$ 18,495
Customer B	14,070
Customer C	11,708
Others (Note)	<u>151,258</u>
	<u>\$ 195,531</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

STATEMENT 4**NAN PAO RESINS CHEMICAL CO., LTD.****STATEMENT OF ACCOUNTS RECEIVABLE****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

Customer Name	Amount
Unrelated parties	
Customer A	\$ 30,472
Customer B	26,573
Customer C	21,218
Others (Note)	<u>319,903</u>
	398,166
 Less: Allowance for impairment loss	 <u>15,361</u>
	 <u>\$ 382,805</u>
 Related parties	
Nan Pao Resins (Vietnam) Enterprise Ltd.	\$ 549,086
PT. Indo Nan Pao Resins Chemical Co., Ltd.	217,252
Nan Pao Materials Vietnam Co., Ltd.	122,029
Nan Pao Advanced Materials Vietnam Co., Ltd.	77,468
Nan Pao Resins (Foshan) Co., Ltd.	59,298
Others (Note)	<u>102,305</u>
	 <u>\$ 1,127,438</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

STATEMENT 5**NAN PAO RESINS CHEMICAL CO., LTD.****STATEMENT OF OTHER RECEIVABLES****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

Item	Description	Amount
Tax refund receivables - Business tax	Business tax refund	\$ 12,966
Other receivables - related parties	Endorsements / guarantees fee	250
Others	Contracted research expense	<u>2,477</u>
		<u>\$ 15,693</u>

STATEMENT 6**NAN PAO RESINS CHEMICAL CO., LTD.****STATEMENT OF INVENTORIES****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Market Price
Merchandise	\$ 2,711	\$ 3,219
Finished goods and semi-finished goods	246,737	384,521
Work in progress	41,238	80,314
Raw materials	306,199	306,409
Supplies	<u>10,084</u>	<u>10,084</u>
	<u>\$ 606,969</u>	<u>\$ 784,547</u>

Note: Market price is meant net realizable value.

NAN PAO RESINS CHEMICAL CO., LTD.

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Investee Company	Balance at January 1, 2023		Additions (Reductions)		Unrealized Gain (loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Balance at December 31, 2023		Fair Value	Note	Collateral
	Shares	Amount	Shares	Amount		Shares	Amount			
Emerging market shares										
Revivegen Environmental Technology Co., Ltd.	422,126	\$ 13,951	147,981	\$ 4,738	\$ 1,607	570,107	\$ 20,296	\$ 20,296	Note 3	None
Publicly owned company										
Dairen Chemical Corp.	10,424,970	4,161,054	-	-	(2,521,979)	10,424,970	1,639,075	1,639,075	Note 1	None
Unlisted shares										
Hua Chi Venture Capital Co., Ltd.	7,895	1,478	-	-	509	7,895	1,987	1,987	Note 2	None
Opulence Optronics Co., Ltd.	1,754,417	1,734	(877,209)	-	1,800	877,208	3,534	3,534	Note 4	None
Contact Organics Pty Ltd.	2,902	7,862	-	-	(7,862)	2,902	-	-	Note 1	None
		<u>\$ 4,186,079</u>		<u>\$ 4,738</u>	<u>\$ (2,525,925)</u>		<u>\$ 1,664,892</u>	<u>\$ 1,664,892</u>		

Note 1: Fair value is based on market value method used by the appraiser.

Note 2: Fair value is based on the investee company's most recent net asset value.

Note 3: Fair value is based on the average transaction price of the asset.

Note 4: The decrease in the year is investee reduction of investments to offset a deficit.

NAN PAO RESINS CHEMICAL CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Investee Company	Balance at January 1, 2023		Additions (Reductions)		Note	Gain (loss) on Investments	Cumulative Translation Adjustment	Adjustments in other comprehensive income (loss)	Balance at December 31, 2023				
	Shares	Amount	Shares	Amount					Shares	Proportion of Ownership (%)	Amount	Fair Value	Collateral
Nan Pao Overseas Holdings Ltd. (foreign company)	78,056,502	\$ 4,197,273	-	\$ (55,666)	Note 1	\$ 565,250	\$ (45,668)	\$ (66)	78,056,502	100	\$ 4,661,123	\$ 4,773,889	None
Fuqing Nan Pao Investment Ltd. (foreign company)	4,990,000	205,806	-	333	Note 2	27,326	(4,222)	-	4,990,000	100	229,243	229,243	None
Thai Nan Pao Investment Ltd. (foreign company)	5,282,000	180,082	-	730	Note 2	1,879	1,092	-	5,282,000	100	183,783	184,057	None
Nan Pao Resins India Pvt Ltd. (foreign company)	3,000,000	26,290	3,200,000	25,608	Note 12	(835)	(1,756)	-	6,200,000	100	49,307	49,307	None
Nan Pao Materials Vietnam Co., Ltd. (foreign company)	-	1,184,074	-	(20,614)	Note 4	287,087	(4,478)	-	-	100	1,446,069	1,495,240	None
Nan Pao Advanced Materials Vietnam Co., Ltd. (foreign company)	-	533,699	-	1,346	Note 2	161,136	(20,030)	-	-	100	676,151	702,656	None
Nan Pao Chemical Co. Ltd. (unlisted company)	15,000,000	182,125	-	-		7,776	-	(3,159)	15,000,000	100	186,742	186,742	None
ITLS International Development Co., Ltd. (unlisted company)	24,600,000	253,385	-	(10,655)	Note 5	20,564	(1,885)	-	24,600,000	100	261,409	262,862	None
Phymed Bio-Tec Co., Ltd. (unlisted company)	2,400,000	16,778	-	-		(2,882)	-	-	2,400,000	100	13,896	13,896	None
Nan Pao Application Material Co., Ltd. (unlisted company)	200,000	8,619	-	-		21	-	-	200,000	100	8,640	8,640	None
Biorich Biotechnology Co., Ltd. (unlisted company)	391,462	10,877	-	(783)	Note 6	4,936	-	-	391,462	57.1	15,030	15,030	None
Prince Pharmaceutical Co., Ltd. (emerging company)	16,767,305	365,372	1,363,893	43,755	Note 7	7,631	-	(148)	18,131,198	49.53	416,610	383,593	None
Nan Pao Advanced Materials Co., Ltd. (unlisted company)	350,000	10,995	-	(5,624)	Note 6	5,737	-	-	350,000	70	11,108	11,108	None
PT. Indo Nan Pao Resins Chemical Co., Ltd. (foreign company)	2,756,250	237,621	-	(99,549)	Note 8	98,250	(1,334)	(174)	2,756,250	49	234,814	304,812	None
All Saints Enterprises Ltd. (foreign company)	5,452,549	214,432	2,633,750	-		(4,615)	(3,478)	-	8,086,299	54.53	206,339	206,339	None
Ongoing Profits Ltd. (foreign company)	1,560,000	233,246	-	(88,509)	Note 9	128,763	(1,462)	-	1,560,000	32.18	272,038	319,568	None
Profit Land Ltd. (foreign company)	983,333	840,024	-	(155,637)	Note 10	199,643	(17,238)	-	983,333	73.75	866,792	881,383	None
Perfect & Outstanding Technology Inc. (unlisted company)	2,500,000	39,286	-	-		(8,974)	-	-	2,500,000	22.90	30,312	32,579	None
Nan Pao Philippines Export Inc. (foreign company)	25,750,000	14,952	-	219	Note 2	1,237	272	-	25,750,000	100	16,680	16,680	None
Nan Pao Fine Materials Co., Ltd. (unlisted company)	1,375,000	21,418	-	(8,008)	Note 6	17,155	-	-	1,375,000	55	30,565	41,986	None
Nan Pao Resins Chemical (Bangladesh) Co., Ltd. (foreign company)	125,000	752	-	9,379	Note 3	(5,309)	(207)	-	125,000	100	4,615	4,615	None
FlexUP Technologies Corp. (unlisted company)	16,352,173	4,284	2,527,827	20,122	Note 11	7,502	-	-	18,880,000	100	31,908	38,430	None
Earnest Wealth Co., Ltd. (foreign company)	920,000	45,360	-	-		1,023	(922)	-	920,000	51.11	45,461	33,807	None
Nan Pao Resins (HK) Ltd. (foreign company)	-	-	13,400,000	364,318	Note 13	(60,110)	3,310	-	13,400,000	100	307,518	310,281	None
Nan Pao Resins International Ltd. (foreign company)	-	-	1,000	6,777	Note 14	2,479	84	-	1,000	100	9,340	9,340	None
Nan Pao Materials Resins India Private Limited(foreign company)	-	-	8,076,000	30,750	Note 3	(1,839)	(893)	-	8,076,000	100	28,018	28,018	None
		<u>\$ 8,826,750</u>		<u>\$ 58,292</u>		<u>\$ 1,460,831</u>	<u>\$ (98,815)</u>	<u>\$ (3,547)</u>			<u>\$ 10,243,511</u>	<u>\$ 10,544,101</u>	

Note 1: The details of increase (decrease) were as follows:

Cash dividends paid	\$ (57,297)
Capital surplus increase - recognition of changes in equity of investment in subsidiaries	4,578
Adjustments of unrealized gain on downstream transactions	<u>(2,947)</u>
	<u>\$ (55,666)</u>

Note 2: The net increase for the year amount is adjustments of realized gain on transactions.

Note 3: The net increase for the year amount is addition of investments in subsidiaries

Note 4: The net decrease for the year is adjustments of unrealized gain on downstream transactions

Note 5: The details of increase (decrease) were as follows:

Cash dividends paid	\$ (11,337)
Adjustments of realized gain on downstream transactions	<u>682</u>
	<u>\$ (10,655)</u>

Note 6: The net decrease for the year is cash dividends paid.

Note 7: The details of increase (decrease) were as follows:

Addition of investments	\$ 40,917
Cash dividends paid	(2,720)
Capital surplus increase - recognition of changes in employee stock options issued by subsidiaries	3,135
Capital surplus increase - recognition of changes in equity of investment in subsidiaries	2,232
Adjustments of unrealized loss on downstream transactions	<u>191</u>
	<u>\$ 43,755</u>

Note 8: The details of increase (decrease) were as follows:

Cash dividends paid	(58,771)
Adjustments of unrealized gain on downstream transactions	<u>(40,778)</u>
	<u>\$ (99,549)</u>

Note 9: The details of increase (decrease) were as follows:

Cash dividends paid	\$ (79,478)
Adjustments of unrealized gain on downstream transactions	<u>(9,031)</u>
	<u>\$ (88,509)</u>

Note 10: The details of increase (decrease) were as follows:

Cash dividends paid	\$ (160,977)
Adjustments of realized gain on downstream transactions	<u>5,340</u>
	<u>\$ (155,637)</u>

Note 11: The details of increase (decrease) were as follows:

Addition of investments	\$ 20,317
Capital surplus decrease - actual acquisition of subsidiary difference between the price and carrying amount	<u>(195)</u>
	<u>\$ 20,122</u>

Note 12: The details of increase (decrease) were as follows:

Addition of investments	\$ 25,800
Capital surplus decrease - recognition of changes in equity of investment in subsidiaries	<u>(192)</u>
	<u>\$ 25,608</u>

Note 13: The details of increase (decrease) were as follows:

Addition of investments	\$ 363,753
Exchange gains	<u>565</u>
	<u>\$ 364,318</u>

Note 14: The details of increase (decrease) were as follows:

Addition of investments	\$ 6,804
Exchange losses	<u>(27)</u>
	<u>\$ 6,777</u>

STATEMENT 9**NAN PAO RESINS CHEMICAL CO., LTD.****STATEMENT OF SHORT-TERM BORROWINGS****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

	Maturity Date	Interest rate (%)	Balance	Credit Line	Collateral
Borrowings of unsecured loans					
Yuanta Bank	2023.10-2024.03	1.62	\$ 500,000	\$ 700,000	None
E. Sun Bank	2023.11-2024.02	1.69	300,000	400,000	None
HSBC Bank	2023.12-2024.03	1.65	200,000	767,625	None
Standard Chartered Bank	2023.11-2024.02	1.60	100,000	307,050	None
Mizuho Bank	2023.11-2024.05	1.68	80,000	767,625	None
First Commercial Bank	2023.12-2024.01	1.90	<u>342</u>	130,000	None
			<u>\$ 1,180,342</u>		

STATEMENT 10

NAN PAO RESINS CHEMICAL CO., LTD.

**STATEMENT OF NOTES PAYABLE
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Vendor Name	Amount
Chongren Vegetarian Restaurant	<u>\$ 128</u>

STATEMENT 11

NAN PAO RESINS CHEMICAL CO., LTD.

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Dairen Chemical Corp.	\$ 59,074
Others (Note)	<u>649,357</u>
	<u>\$ 708,431</u>

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

NAN PAO RESINS CHEMICAL CO., LTD.

STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Contract Period and Repayment Method		Interest rate (%)	Balance at December 31, 2023			Collateral
			Current Portion	Over 1 Year	Total	
Borrowings of unsecured loans						
Mizuho Bank	2023.12-2025.12, repaid in the due date with revolving basis within the quota	1.75	\$ -	\$ 450,000	\$ 450,000	None
DBS Bank	2023.11-2025.11, repaid in the due date with revolving basis within the quota	1.80	-	125,000	125,000	None
Taipei Fubon Bank	2020.03 – 2025.03, not with revolving basis within the quota, monthly repays the principal portion of the borrowings since March 2023	1.17	26,058	6,420	32,478	None
CTBC Bank	2019.12 – 2024.12, not with revolving basis within the quota, monthly repays the principal portion of the borrowings since January 2023	1.15	24,947	-	24,947	None
Taipei Fubon Bank	2019.12 – 2024.12, not with revolving basis within the quota, monthly repays the principal portion of the borrowings since December 2022	1.17	18,398	-	18,398	None
CTBC Bank	2019.11 – 2024.11, not with revolving basis within the quota, monthly repays the principal portion of the borrowings since December 2022	1.15	18,295	-	18,295	None
E. Sun Commercial Bank	2019.11 – 2024.11, not with revolving basis within the quota, monthly repays the principal portion of the borrowings since December 2022	1.15	17,541	-	17,541	None
			<u>\$ 105,239</u>	<u>\$ 581,420</u>	<u>\$ 686,659</u>	

STATEMENT 13**NAN PAO RESINS CHEMICAL CO., LTD.****STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

Name	Description	Leasing Period	Discount Rates (%)	Balance at year end
Buildings	Guiren Factory	2018.03.01-2028.02.28	1.05	\$ 11,643
Buildings	Taipei Office	2019.09.11-2024.09.10	1.05	1,878
Buildings	Kaohsiung Office	2020.10.25-2025.10.24	0.81	682
Buildings	Taichung Office	2022.09.30-2025.09.29	1.72	620
Buildings	Taoyuan Office	2023.02.01-2025.01.31	1.78	<u>322</u>
				<u>\$ 15,145</u>

STATEMENT 14**NAN PAO RESINS CHEMICAL CO., LTD.****STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Item	Quantities (Ton)	Amount
Adhesives	54,201	\$ 5,374,350
Coatings	5,569	644,956
Others (Note)	-	<u>36,816</u>
		6,056,122
Less : Sales returns		6,053
Sales discounts		<u>74,087</u>
Net operating revenue		<u>\$ 5,975,982</u>

Note: The amount of individual category included in others does not exceed 10% of the account balance.

STATEMENT 15**NAN PAO RESINS CHEMICAL CO., LTD.**
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Item	Amount
Merchandise, beginning of year	\$ 4,058
Add: Merchandise purchased	79,637
Less: Merchandise, end of year	2,711
Others	415
Cost of commodity transaction	<u>80,569</u>
Raw materials, beginning of year	260,683
Add: Raw materials purchased	2,803,345
Less: Raw materials, end of year	306,199
Raw materials costs of sales	231,796
Others	<u>5,950</u>
Raw materials consumption	<u>2,520,083</u>
Supplies, beginning of year	10,029
Add: Supplies purchased	217,751
Others	8
Less: Supplies, end of year	10,084
Supplies costs of sales	<u>2,061</u>
Supplies consumption	<u>215,643</u>
Direct labor	158,866
Manufacturing expenses	<u>586,169</u>
Cost input during the year	3,480,761
Add: Work in progress, beginning of year	38,213
Finished goods and semi-finished goods reworked	836,336
Less: Work in progress, end of year	<u>41,238</u>
Manufacturing cost	4,314,072
Add: Semi-finished goods, beginning of year	36,122
Semi-finished goods purchased	556
Less: Semi-finished goods, end of year	29,894
Semi-finished goods used	495,354
Others	<u>3,593</u>
Finished goods costs	3,821,909
Add: Finished goods, beginning of year	230,569
Finished goods purchased	261
Less: Finished goods, end of year	216,843
Finished goods used	340,981
Others	<u>19,034</u>
Finished goods costs of sales	<u>3,475,881</u>
Subtotal	3,556,450
Costs from sale of raw materials and supplies	233,857
Revenue from sale of scraps	(1,629)
Loss on physical count and disposal	<u>1,172</u>
The cost of inventories	<u>3,789,850</u>
Loss on disposal of property, plant and equipment	<u>237</u>
Operating Costs	<u>\$ 3,790,087</u>

STATEMENT 16**NAN PAO RESINS CHEMICAL CO., LTD.****STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Expected Credit Loss	Total
Payroll expense	\$ 237,896	\$ 187,646	\$ 132,445	\$ -	\$ 557,987
Shipping expense	39,129	76	443	-	39,648
Commission expense	24,788	-	-	-	24,788
Depreciation expense	9,331	24,524	39,221	-	73,076
Export and import expense	36,777	-	-	-	36,777
Remuneration of directors	-	28,600	-	-	28,600
Labor and health insurance expense	13,990	11,909	11,266	-	37,165
Professional service fee	4,215	34,040	4,155	-	42,410
Expected credit loss	-	-	-	5,311	5,311
Others	<u>111,442</u>	<u>64,687</u>	<u>44,410</u>	<u>-</u>	<u>220,539</u>
Total	<u>\$ 477,568</u>	<u>\$ 351,482</u>	<u>\$ 231,940</u>	<u>\$ 5,311</u>	<u>\$ 1,066,301</u>

STATEMENT 17**NAN PAO RESINS CHEMICAL CO., LTD.**
**STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31, 2023			For the Year Ended December 31, 2022		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salaries	\$ 253,937	\$ 557,987	\$ 811,924	\$ 234,123	\$ 549,788	\$ 783,911
Labor and health insurance	26,807	37,165	63,972	24,368	35,334	59,702
Post-employment benefits	8,837	15,114	23,951	8,153	14,469	22,622
Remuneration of directors	-	28,600	28,600	-	20,400	20,400
Others	15,103	15,530	30,633	14,556	15,604	30,160
	<u>\$ 304,684</u>	<u>\$ 654,396</u>	<u>\$ 959,080</u>	<u>\$ 281,200</u>	<u>\$ 635,595</u>	<u>\$ 916,795</u>
Depreciation	\$ 144,667	\$ 73,076	\$ 217,743	\$ 125,843	\$ 29,028	\$ 154,871
Amortization	420	7,920	8,340	420	7,375	7,795

Note 1: For the years ended December 31, 2023 and 2022, there were 827 and 803 employees in the Company, respectively. In addition, the Company had 4 non-employee directors for the years then ended.

Note 2: Companies whose stocks have been listed on TWSE or traded over the counter in Taipei Exchange should additionally disclose the following information:

- Average labor cost for the years ended December 31, 2023 and 2022 were NT\$1,131 thousand and NT\$1,122 thousand, respectively.
- Average salary and bonuses for the years ended December 31, 2023 and 2022 were NT\$987 thousand and NT\$981 thousand, respectively.
- The average salary and bonuses increased by 0.61% year-over-year.

Note 3: The Company has established audit committee with no supervisors.

Note 4: Remuneration policy was as follows:

- According to the Company's Article No.17, when the directors of the Company do business, it was authorized to the board of directors that they determine the remuneration based on their devoted time and contribution to the Company's operations with not exceeding the highest level (industry standard) of the Company's compensation policy. In addition, according to the Company's Article No.25, if the Company makes a profit in the year, the board of directors could decide no more than 3% of the profit as the remuneration of directors.
- According to the Company's Article No.23, the Company's managers process business based on the orders of the board of directors, and their compensation is determined with the Article 29 of "Company Act". The compensation is based on their performance and contribution to the Company's operations with market standard.
- For the directors and managers listed above, the policies, regulations, standards and structures of salary, and remuneration all are approved by the Salary and Compensation Committee in accordance with "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange".
- Employee benefits include basic fixed salary, bonus and compensation of employees. It is determined by their performance, contribution, the market value of their duty and considering the future operation risk of the Company. It is positively related to business performance of the Company. According to the Company's Article, if the Company makes a profit in the year, the Company accrued the compensation of employees at rates of 2% to 6%.