



Stock Code
4766

NAN PAO RESINS CHEMICAL CO., LTD.

Handbook for the 2020 Annual General Shareholders' Meeting

Meeting time: 10 a.m., June 16, 2020

Venue: No. 12, Nanhaipu, Nanhai Vil., Xigang Dist., Tainan City

Notice to readers

This English version handbook is a translation of the Chinese version. This translation is intended for reference only and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

Table of Contents

I. Meeting Procedures	1
II. Meeting Agenda	2
1. Report Items.....	3
2. Ratification.....	4
3. Election.....	5
4. Other Proposals.....	6
5. Extraordinary Motions.....	6
III. Attachments	7
Attachment 1: Business Report for 2019.....	7
Attachment 2: Inspection Report of Audit Committee for 2019.....	10
Attachment 3: Financial Statements and Auditors' Report for 2019.....	11
Attachment 4: 2019 Earnings Distribution Plan.....	31
Attachment 5: List of Candidates of Directors.....	32
Attachment 6: Plan to remove the non-competition restriction of Candidates of Directors.....	34
IV. Appendices	38
Appendix 1: Rule of Procedures of Shareholders' Meeting.....	38
Appendix 2: Articles of Incorporation.....	45
Appendix 3: Procedure for Election of Directors.....	49
Appendix 4: Shareholdings of All Directors.....	51

Chapter I. Meeting Procedures

- I. Call the Meeting to Order
- II. Chairman's Remarks
- III. Report Items
- IV. Ratification
- V. Election
- VI. Other Proposals
- VII. Extraordinary Motions
- VIII. Meeting Adjournment

Chapter II. Meeting Agenda

Meeting time: 10 a.m., June 16, 2020

Venue: No. 12, Nanhaipu, Nanhai Vil., Xigang Dist., Tainan City

Chairman: Wu, Cheng-Hsien

- I. Report Items
 1. Business Report for 2019
 2. Inspection Report of Audit Committee for 2019
 3. Remuneration distribution to employees and directors for 2019

- II. Ratification
 1. Business Report and Financial Statements for 2019
 2. Distribution of 2019 profits

- III. Election
 1. Board of Directors election (Includes independent directors)

- IV. Other Proposals
 1. To remove the non-competition restriction of Board of Directors

- V. Extraordinary Motions

- VI. Meeting Adjournment

I. Report Items

Item 1: Business Report for 2019

Explanation: Please refer to Attachment 1 on Page 7 to 9.

Item 2: Inspection Report of Audit Committee for 2019

Explanation: Please refer to Attachment 2 on Page 10.

Item 3: Remuneration distribution to employees and directors for 2019

Explanation: (1) Pursuant to Article 25 of the Company's Articles of Incorporation, the Company allocates 2% to 6% of employees' remuneration and no more than 3% of directors' compensation before deducting the portions of employees and directors' remuneration from the pretax profit of the year.

(2) The 2019 remuneration to employees is proposed to be NT\$42,000 thousands, whilst remuneration to directors is proposed to be NT\$20,000 thousands. The remuneration would be distributed in cash.

II. Ratification

Item 1: Business Report and Financial Statements for 2019 (Proposed by the Board of Directors)

Explanation: (1)The Company's 2019 Financial Statements have been audited by independent auditors, Mr. Hung Ju Liao and Mr. Chun Chi Kung, of Deloitte & Touche, with an unqualified opinion with other matter paragraph report. Please refer to Attachment 3 on Pages 11 to 30.

(2)The Financial Statements were approved by the Board of Directors on March 26, 2020. Hereto present the Financial Statements and Business Report to the Shareholders' Meeting for recognition.

Resolution:

Item 2: Distribution of 2019 profits (Proposed by the Board of Directors)

Explanation: (1)The Company's 2019 net income after tax is NT\$1,228,200,103. The Company propose to draft Earnings Distribution Plan according to Article 26 of the Company's Articles of Incorporation. Please refer to Attachment 4 on Page 31.

(2)The Company proposes to pay a cash dividend of NT\$6 per share, and cumulative cash dividend payout will be NT\$723,424,680.

(3)After recognition from the Shareholders' Meeting, the Board of Directors will be delegated to determine the ex-dividend date, the distribution date, and relevant subsequent matters.

(4)The shareholder's distribution ratios is based on the total number of outstanding shares on the date of the Board of Directors' resolution. In the event of any change to the total number of outstanding shares, it is proposed that the Shareholders' Meeting grants the Board full authority to handle all relevant matters.

Resolution:

III. Election

Item 1: Board of Directors election (Includes independent directors) (Proposed by the Board of Directors)

Explanation: (1)The term of the company’s Board of Directors will be expired on May 15, 2020. The duty of the Board of Directors is extended to the office of newly elected directors, according to Article 195 of the Company Law.

(2)According to the Articles of Incorporation, the board of directors has 5 to 9 seats, with a three-year term, which can be continued via election. Three seats are reserved for independent directors, who together form the Audit committee. Election of directors shall adopt nomination system. Shareholders shall elect the directors from the List of Candidates of Directors. Term of period of newly elected directors is starting from June 16, 2020 to June 15, 2023.

(3)Please refer to Attachment 5 on Page 32 to 33 for the List of Candidates of Directors, their shareholding and educational background.

(4)Please refer to Appendix 3 on Page 49 to 50 for “Procedure for Election of Directors”.

Resolution:

IV. Other Proposals

Item 1: To remove the non-competition restriction of Board of Directors (Proposed by the Board of Directors)

Explanation: (1) Article 209 of Company Law stipulates that “For behaviors of their own or others within the company’s business scope, the Directors shall explain their importance of their conducts during the Shareholders’ Meeting and obtain its approval.”

(2) Some newly elected members of the Board of Directors (including Independent Directors) have invested in or are managing other companies with identical or similar business scope of the company, in addition to being directors or supervisors of those companies. It is proposed for the 2020 Shareholders’ Meeting approval to remove the non-competition restriction on newly elected directors according to Article 209 of the Company Law.

(3) Please refer to Attachment 6 on Page 34 to 37 for “Plan to remove the non-competition restriction of Candidates of Directors”.

Resolution:

V. Extraordinary Motions

VI. Meeting Adjournment

Chapter III. Attachments

Attachment 1

Nan Pao Resins Chemical Co., Ltd. Business Report for 2019

I. Review of Business Performance in 2019

1. Results of business plan

The total consolidated revenue of 2019 was NT\$ 17.11 billion, an increase of 6.81% from the previous year; the total gross profit was NT\$4.72 billion, an increase of 23.90% from the previous year; the operating profit was NT\$ 1,682 million, an increase of 86.68% from the previous year; the net income was NT\$ 1,315 million, an increase of 83.53% from the previous year; Earning Per Share after taxes was NT\$10.19.

Unit : NT\$, 000 (EPS lists in dollars)

Item	Year	2019		2018		Varieties	
		Amount	%	Amount	%	Amount	%
Net Operating Revenue		17,113,546	100	16,022,220	100	1,091,326	6.81
Gross Profit		4,717,529	28	3,807,414	24	910,115	23.90
Operating Profit		1,682,029	10	901,010	6	781,019	86.68
Pre-tax Income		1,792,682	11	1,035,812	7	756,870	73.07
Net Income		1,315,224	8	716,630	5	598,594	83.53
Net Income attributed to	Shareholders	1,228,200	7	672,775	4	555,425	82.56
	Not Controlling Interest	87,024	1	43,855	1	43,169	98.44
Earnings Per Share(dollar)		10.19		6.15		4.04	65.69

2. Budget Implementation : The Company did not release financial forecasts, so there is no analysis data of budget implementation.

3. Analysis of Financial Revenue and Expenditure and Profitability

Unit : NT\$,000 ; %

Item	2019	2018
Cash inflow from operating	1,863,989	155,920
Cash outflow from investing	(1,335,454)	(688,274)
Cash inflow from fundraising	(327,022)	307,123
Return on Assets (%)	7.63	4.67
Return on Equity (%)	12.58	7.76
Profit before tax to capital stock (%)	148.68	85.91
Net Profit Margin (%)	7.69	4.47

4. Research and Development

The Company is active in industry-university cooperative research, pursuing continuously growth and innovation improvement, and invests 2% to 3% of the revenue every year on R&D costs, for the training and specialization of the qualified personnel. The R&D expenses in 2019 was 2.61% of the revenue. Our chemists and engineers overcome difficulties and strive for more the latest innovations to develop the high value added of new products. We grows the competitive advantages and creates the new value for the Company; we aims at “environment-protection, energy-saving and carbon reduction” as the most recent research directions. The most research foundation bases on the applications of high polymer and synthesis and develop the new products and technologies of the environmental friendly products; the mid-long term goal is to integrate research resources and core abilities of the group, aiming at biomass polyurethane foam, fluoride-free water repellent and low melting point polyester. We devote in developing innovative manufacturing processes and materials to drive us towards sustainable operation, focus on upgrading the products to contribute on slow down global warming and environmental impacts, cutting carbon emission from the manufacturing processes and the wastes towards to a better living place.

II. Outline of 2020 Business Plan

Outlook for the COVID-19 pandemic outbreak in begging of 2020, we can reasonably to have foreseen the impacts of the original business plan. Our business plan is more conservative than usual, however we continuously dedicates to the current markets, integrates all of the resources, expands manufacturing bases and layouts new territories. The main manufacturing and sales policies are listed as follows:

- (1) Key contributors to top line growth were footwear adhesives and non-woven adhesives, we have foreseen the price range of such products are more likely maintain stable. Our footwear adhesives business growth was driven by market share gains with Tier 1 International brands and with Chinese domestic brands; the momentum for specialty adhesives grew with hot melt glue for domestic China consumer applications spurring growth. Applications are diapers, home appliances and pressure-sensitive adhesives.
- (2) The Company builds on carbon fiber composite substrate as the further development, and plan to establish a joint venture operating site of establish carbon fiber composite substrate manufacturing in Jiangsu Province, China. Compound injection will be used to mate plastic parts to the Company’s carbon fiber composite substrate which is a positive and stable developing factor.
- (3) In response to the pandemic, the Company planned out the off-site production policy for multiple raw materials in different manufactures and countries, meanwhile strengthening the management on suppliers to build a resilient supply chain.

III. The impacts of future developing policies from external competition, legal and macroeconomics

In the future prospect in 2020, although facing the economy uncertainty, we will stand on our business corner stone of “leading, integrity, teamwork and efficiency” as our guideline to build the business, we will implement corporate governance and corporate social responsibility on managing, manufacturing, environmental protecting and society caring, also stick with our quality policy “quality first, technological leadership and service oriented”. We continuously pursue technology innovations and pay attention on changes of the trends of national and international laws and regulations, in order to minimize the impact from external unfavorable factors to sustain the business growth and profit.

Facing an increasingly severe impact made by global warming and environmental pollution, the Company has already invested significant resources to develop water-based, low-pollutant products for many years, working toward a green chemical industry. We continuously improve our green product R&D and production technologies and reduce the quantities of organic solvents and the consumption of hazardous chemical substances. Nan Pao adopts the circular economy as the R&D design concept and launched “Innovative recycled upper”, ”Biomass materials” and “Thermoplastic carbon fiber composites” in 2018, which those either use the recycled materials or the end products can be recycled and back into a new manufacturing processes to meet the goal of circular economy. Nan Pao also shoulders the mission and faith of environmental protection. We continue to monitor and reduce carbon emissions and wastewater solid waste volume, strive to protect the environment, and implement standard environmental management systems.

In order to fit in the ever-changing business environment, Nan Pao adheres to “innovation” and “continuous improvement” as the foundation to remain the sustainability in order to become indispensable strategic partners in many industries, and uphold dependability and openness and transparency throughout our business. We expect ourselves to continuously deliver excellent business results and create a better value to give back to the support from shareholders.

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

Attachment 2

Nan Pao Resins Chemical Co., Ltd. Inspection Report of Audit Committee

To: 2020 General Shareholders' Meeting

The Audit Committee has duly inspected and approved the Company's business report, financial statements and earning distribution plan for 2019 prepared and proposed by the Board of Directors, with the financial statements having been audited by independent auditors, Mr. Hung Ju Liao and Mr. Chun Chi Kung, of Deloitte & Touche and issued certification of financial reports. The Audit Committee considered that the business reports, financial statements and earning distribution plan as proposed are fairly present the Company's financial position and results, hereby submit this report pursuant to Article 14 of Securities and Exchange Act and Article 219 of the Company Act.

Nan Pao Resins Chemical Co., Ltd.

Chairman of Audit Committee : Yun Chen

March 26th, 2020

Attachment 3

(1) Consolidated Financial Statements

Independent Auditors' Report

To Nan Pao Resins Chemical Co., Ltd.:

Audit Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Key Audit Matters: Authenticity of Revenue Recognition

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

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

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

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

Other Matters

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte & Touché

CPA Liao, Hung-Ju

CPA Kung, Chun-Chi

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

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

March 26, 2020

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
December 31, 2019 and 2018

Unit: NT\$1,000

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

The attached Notes are part of the consolidated financial statements.

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

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

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

Unit: NT\$1,000

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

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

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

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

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

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

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

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

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

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

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

Unit: NT\$1,000

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

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

The attached Notes are part of the consolidated financial statements.

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

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

(2) Individual Financial Statements

Independent Auditors' Report

To Nan Pao Resins Chemical Co., Ltd.:

Audit Opinion

We have audited the accompanying individual financial statements of Nan Pao Resins Chemical Co., Ltd., which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (including a summary on significant accounting policies).

In our opinion, based on our audits and the report of other auditors (refer to the Other Matter paragraph), the accompanying individual financial statements present fairly, in all material respects, the individual financial position of Nan Pao Resins Co., Ltd as of December 31, 2018 and 2019, and the individual financial performance and 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 2019 audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Jin-Guan-Zheng-Shen-Zi No. 1090360805 issued by the Financial Supervisory Commission on February 25, 2020, and the Generally Accepted Auditing Standards; we conducted our 2018 audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Generally Accepted Auditing Standards. Our responsibilities required under said standards will be detailed in the paragraph about the external auditor's responsibility on auditing individual financial statements. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant Code of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. With the results of our auditing and other independent auditors' reports, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinions.

Key Audit Matters

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

Key audit matters of the individual financial statements of Nan Pao Resins Co., Ltd for the year ended December 31, 2019 are stated as follows:

Key Audit Matters: Authenticity of Revenue Recognition

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

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

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

For accounting policies and income segmentation on income recognition, please refer to Note 4 (13) and 23.

Other Matters

In the individual financial statements, certain investees were not audited by us but by other CPAs. Accordingly, for our findings on the aforementioned individual financial statements, the dollar amount and information related to the investees in the statements were based on audit reports from other CPAs. As of December 31, 2019 and 2018, the total assets in equity method were NT\$998,004 thousand and NT\$ 948,380 thousand respectively and accounting for both 7% of total assets. The net revenue in equity method of 2019 was NT\$2,224 thousand, and the net loss in equity method of 2018 was NT\$9,567 thousand, accounting for 0.3% and (2.4%) of the comprehensive income respectively.

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

Management is responsible for the preparation and fair representation of the individual 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 individual financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Misstatements can arise from fraud or error. If it can be reasonably expected that misstatements in individual amounts or aggregates could influence the economic decisions of users taken on the basis of these individual financial statements, then the misstatements are deemed to as material.

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

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

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

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

From the matters communicated with the governing body, we determined the key audit matters that were of most significance within the audit of the Company's individual financial statements for the year ended in December 31, 2019. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because

the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touché

CPA Liao, Hung-Ju

CPA Kung, Chun-Chi

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

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

March 26, 2020

Nan Pao Resins Chemical Co., Ltd.
Individual Balance Sheets
December 31, 2019 and 2018

Unit: NT\$1,000

Code	Asset	December 31, 2019		December 31, 2018		Code	Liabilities and Shareholders' Equity	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%			Amount	%	Amount	%
Current Assets						Current Liabilities					
1100	Cash and Cash Equivalents (Note 4 and 6)	\$ 596,617	4	\$ 828,391	6	2100	Short-Term Loans (Note 18)	\$ 710,000	5	\$ 670,000	5
1136	Financial Assets at Amortized Cost - Current (Note 4, 8 and 9)	382,835	3	-	-	2130	Contract Liability-Current (Note 23)	9,430	-	10,442	-
1150	Notes Receivable (Note 4 and 10)	180,728	1	210,017	2	2150	Notes Payable (Note 19)	10,415	-	25,072	-
1170	Accounts Receivable (Note 4, 10 and 23)	315,893	2	318,196	3	2170	Accounts Payable (Note 19 and 31)	532,446	4	607,650	5
1180	Accounts Receivable - Affiliate (Note 4, 10, 23 and 31)	614,942	4	653,955	5	2280	Lease Liabilities - Current (Note 4 and 14)	7,800	-	-	-
1200	Other Receivables (Note 4, 10 and 31)	106,633	1	18,606	-	2200	Other Payables (Note 20 and 31)	353,021	3	331,087	2
130X	Inventory (Note 4 and 11)	483,257	4	575,710	4	2230	Current Income Tax Liabilities (Note 25)	127,499	1	145,092	1
1470	Other Current Assets (Note 17)	21,954	-	41,487	-	2300	Other Current Liability (Note 20, 23 and 31)	25,518	-	22,564	-
11XX	Total Current Assets	<u>2,702,859</u>	<u>19</u>	<u>2,646,362</u>	<u>20</u>	21XX	Total Current Liabilities	<u>1,776,129</u>	<u>13</u>	<u>1,811,907</u>	<u>13</u>
Non-Current Assets						Non-Current Liabilities					
1517	Financial Assets Measured at FVTOCI- Non-Current (Note 4 and 7)	968,288	7	1,202,938	9	2580	Lease Liabilities - Non-Current (Note 4 and 14)	33,762	-	-	-
1535	Financial Assets at Amortized Cost - Non-Current (Note 4, 8 and 9)	13,937	-	13,937	-	2540	Long Term Debt Payable (Note 18)	1,459,103	10	1,281,000	10
1550	Investments Accounted for Using Equity Method (Note 4 and 12)	8,118,026	59	7,752,711	57	2570	Deferred Income Tax Liabilities (Note 4, 5 and 25)	784,815	6	701,093	5
1600	Property, Plant & Equipment (Note 4 and 13)	1,770,504	13	1,735,208	13	2640	Net Defined Benefit Liabilities-Non-Current (Note 4 and 21)	4,106	-	-	-
1755	Right-of-use asset (Note 4 and 14)	41,394	-	-	-	2670	Other Non-Current Liabilities	99,667	1	133,221	1
1760	Investment Property (Note 4 and 15)	17,760	-	17,760	-	25XX	Total Non-Current Liabilities	<u>2,381,453</u>	<u>17</u>	<u>2,115,314</u>	<u>16</u>
1780	Other Intangible Assets (Note 4 and 16)	35,995	-	12,084	-	2XXX	Total Liabilities	<u>4,157,582</u>	<u>30</u>	<u>3,927,221</u>	<u>29</u>
1840	Deferred Income Tax Assets (Note 4 and 25)	168,327	1	122,342	1	Equity Attributable to Company Shareholders (Note 22)					
1990	Other Non-Current Assets (Note 17)	61,232	1	51,502	-	Equity					
15XX	Total Non-Current Assets	<u>11,295,463</u>	<u>81</u>	<u>10,908,482</u>	<u>80</u>	3110	Ordinary Shares	<u>1,205,707</u>	<u>9</u>	<u>1,205,707</u>	<u>9</u>
						3200	Capital Reserve	<u>2,103,848</u>	<u>15</u>	<u>2,108,235</u>	<u>15</u>
						Retained Earnings					
						3310	Statutory Surplus Reserve	1,056,002	8	988,725	7
						3320	Special Surplus Reserve	313,321	2	313,321	3
						3350	Retained Earnings	<u>4,740,757</u>	<u>34</u>	<u>4,207,525</u>	<u>31</u>
						3300	Total Reserved Earnings	<u>6,110,080</u>	<u>44</u>	<u>5,509,571</u>	<u>41</u>
						3400	Other Equity	<u>321,105</u>	<u>2</u>	<u>804,110</u>	<u>6</u>
						3XXX	Total Equity	<u>9,740,740</u>	<u>70</u>	<u>9,627,623</u>	<u>71</u>
1XXX	Total Assets	<u>\$ 13,898,322</u>	<u>100</u>	<u>\$ 13,554,844</u>	<u>100</u>	Total Liabilities and Equity					
						<u>\$ 13,898,322</u> <u>100</u> <u>\$ 13,554,844</u> <u>100</u>					

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

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

Nan Pao Resins Chemical Co., Ltd.
Individual Statement of Comprehensive Income
For the Years Ended December 31, 2019 and 2018

Unit: NT\$1,000
(except earnings per share, which is denoted in NT\$)

Code		2019		2018	
		Amount	%	Amount	%
4000	Operating Revenue (Note 4, 23, and 31)	\$ 5,173,269	100	\$ 5,321,256	100
5000	Operating Cost (Note 11, 21, 24 and 31)	<u>3,748,277</u>	<u>72</u>	<u>4,074,419</u>	<u>77</u>
5900	Gross Profit	1,424,992	28	1,246,837	23
5910	Unrealized Interest with subsidiaries and affiliates	(110,569)	(2)	(73,745)	(1)
5920	Realized Interest with subsidiaries and affiliates	<u>73,745</u>	<u>1</u>	<u>76,303</u>	<u>2</u>
5950	Realized Operational Gross Profit	<u>1,388,168</u>	<u>27</u>	<u>1,249,395</u>	<u>24</u>
	Operating Expenses (Note 10, 24 and 31)				
6100	Selling Expenses	440,594	8	453,354	9
6200	General and Administrative Expenses	298,542	6	248,260	5
6300	Research and Development Expenses	195,450	4	184,002	3
6450	Estimated Credit Impairment Loss or Gain	<u>992</u>	<u>-</u>	<u>1,750</u>	<u>-</u>
6000	Total Operating Expenses	<u>935,578</u>	<u>18</u>	<u>887,366</u>	<u>17</u>
6900	Net Operating Profit	<u>452,590</u>	<u>9</u>	<u>362,029</u>	<u>7</u>
	Non-Operating Income and Expenses (Note 4 and 24)				
7010	Other Income	83,391	2	107,168	2
7020	Other Gains and Losses	(26,255)	(1)	32,850	1
7050	Financing Cost	(20,836)	-	(26,621)	(1)
7070	Share of Profit of Subsidiaries and Affiliates or Loss of Associates Accounted for Using Equity Method	<u>1,000,020</u>	<u>19</u>	<u>381,640</u>	<u>7</u>
7000	Total Non-Operating Income and Expenses	<u>1,036,320</u>	<u>20</u>	<u>495,037</u>	<u>9</u>
7900	Pre-Tax Profit	1,488,910	29	857,066	16
7950	Income Tax Expenses (Note 4 and 25)	<u>260,710</u>	<u>5</u>	<u>184,291</u>	<u>3</u>
8200	Net Profit of the Year	<u>\$ 1,228,200</u>	<u>24</u>	<u>\$ 672,775</u>	<u>13</u>

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Code		2019		2018	
		Amount	%	Amount	%
	Other Comprehensive Gain or Loss (Note 21, 22 and 25)				
8310	Items that will not be reclassified to profit or loss:				
8311	Remeasurement of Defined Benefit Plans	1,608	-	12,604	-
8316	Unrealized Valuation Loss (gain) on Investments in an Equity Instrument Measured at FVTOCI	(316,702)	(6)	(337,983)	(6)
8330	Share of the other comprehensive loss of subsidiaries and associates	2,064	-	(11,648)	-
8349	Income Tax Related to Items that will not be Reclassified	<u>(321)</u>	<u>-</u>	<u>(4,248)</u>	<u>-</u>
		<u>(313,351)</u>	<u>(6)</u>	<u>(341,275)</u>	<u>(6)</u>
8360	Items that may be Reclassified to Profit or Loss:				
8361	Exchange differences on translation of foreign financial statements	(203,719)	(4)	63,409	1
8380	Share of Profit of Associates Accounted for Using Equity Method	(1,860)	-	9,444	-
8399	Income Tax Related to Items that may be Reclassified	<u>41,115</u>	<u>1</u>	<u>(4,026)</u>	<u>-</u>
		<u>(164,464)</u>	<u>(3)</u>	<u>68,827</u>	<u>1</u>
8300	Total Other Comprehensive Income for the Year (net of tax)	<u>(477,815)</u>	<u>(9)</u>	<u>(272,448)</u>	<u>(5)</u>
8500	Total comprehensive income for the year	<u>\$ 750,385</u>	<u>15</u>	<u>\$ 400,327</u>	<u>8</u>
	Earnings per Share (Note 26)				
9710	Base	\$ 10.19		\$ 6.15	
9810	Diluted	10.16		6.12	

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

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

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

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

Code		Retained Earnings				Other Equity		Subtotal	Total Equity	
		Capital	Capital Reserve	Statutory Surplus Reserve	Special Surplus Reserve	Undistributed Earnings	Exchange Difference on Conversion of Foreign Operations			Financial Assets Measured at FVTOCI Unrealized Gain or Loss
A5	Balance as of January 1, 2018	\$ 1,086,207	\$ 1,290,212	\$ 900,538	\$ 313,321	\$ 4,158,679	(\$ 291,717)	\$ 1,376,496	\$ 1,084,779	\$ 8,833,736
	Appropriation of Net Income in 2017 (Note 22)									
B1	Statutory Surplus Reserve	-	-	88,187	-	(88,187)	-	-	-	-
B5	Cash Dividend - NT\$5 per share	-	-	-	-	(543,104)	-	-	-	(543,104)
C17	Cost of Share-based Payment	-	358	-	-	-	-	-	-	358
D1	Net Profit for 2018	-	-	-	-	672,775	-	-	-	672,775
D3	Other Comprehensive Income after Tax in 2018	-	-	-	-	8,221	68,827	(349,496)	(280,669)	(272,448)
D5	Total Comprehensive Income in 2018	-	-	-	-	680,996	68,827	(349,496)	(280,669)	400,327
E1	Capital Increase - November 26, Issued at NT\$76.8 to 79.56 per Share (Note 22)	119,500	817,663	-	-	-	-	-	-	937,163
M5	Book Value Differences in Acquisition or Disposal of Shares from Subsidiaries	-	2	-	-	(859)	-	-	-	(857)
Z1	Balance as of December 31, 2018	1,205,707	2,108,235	988,725	313,321	4,207,525	(222,890)	1,027,000	804,110	9,627,623
A3	Impact of Retrospective Application (Note 3)	-	-	-	-	(27,373)	(2,654)	-	(2,654)	(30,027)
A5	Adjusted Balance as of January 1, 2019	1,205,707	2,108,235	988,725	313,321	4,180,152	(225,544)	1,027,000	801,456	9,597,596
	Appropriation of Net Income in 2018 (Note 22)									
B1	Statutory Surplus Reserve	-	-	67,277	-	(67,277)	-	-	-	-
B5	Cash Dividend - NT\$5 per share	-	-	-	-	(602,854)	-	-	-	(602,854)
D1	Net Profit for 2019	-	-	-	-	1,228,200	-	-	-	1,228,200
D3	Other Comprehensive Income after Tax in 2019	-	-	-	-	2,536	(164,464)	(315,887)	(480,351)	(477,815)
D5	Total Comprehensive Income in 2019	-	-	-	-	1,230,736	(164,464)	(315,887)	(480,351)	750,385
M7	From share of changes in equities of subsidiaries (Note 28)	-	(4,387)	-	-	-	-	-	-	(4,387)
Z1	Balance as of December 31, 2019	\$ 1,205,707	\$ 2,103,848	\$ 1,056,002	\$ 313,321	\$ 4,740,757	(\$ 390,008)	\$ 711,113	\$ 321,105	\$ 9,740,740

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

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

Nan Pao Resins Chemical Co., Ltd.
Individual Statement of Cash Flows
For the Years Ended December 31, 2019 and 2018

C o d e		2019	Unit: NT\$1,000 2018
	Cash flow from operating activities		
A10000	Net Profit before Tax for the Year	\$ 1,488,910	\$ 857,066
A20010	Gains and Losses:		
A20100	Depreciation	132,369	121,999
A20200	Amortization	7,368	4,795
A20400	Estimated Credit Impairment Loss	992	1,750
A21900	Employee Stock Option Costs	-	358
A21200	Interest Income	(5,050)	(1,047)
A20900	Financing Costs	20,836	26,621
A21300	Dividend Income	(55,462)	(98,176)
A23700	Allowance for Inventory Valuation and Obsolescence Loss	-	12,891
A22400	Associates' Share of Profit (Loss) Accounted for Using Equity Method	(1,000,020)	(381,640)
A22500	Loss on Disposal of Properties, Plants, and Equipment	1,694	1,750
A23900	Unrealized interest with subsidiaries	110,569	73,745
A24000	Realized interest with subsidiaries	(73,745)	(76,303)
A30000	Net Variable in Operational Assets/Liabilities		
A31130	Notes Receivable	29,289	9,025
A31140	Accounts Receivable-Affiliates	-	229
A31150	Accounts Receivable	1,311	(16,977)
A31160	Accounts Receivable - Stakeholders	39,013	(31,937)
A31180	Other Receivables	(87,061)	(5,987)
A31200	Inventory	92,453	50,756
A31240	Other Current Assets	19,533	(11,515)
A32125	Contract Liabilities	9,430	984
A32130	Notes Payable	(21,265)	(8,122)
A32150	Accounts Payable	(75,204)	(85,753)
A32180	Other Payables	18,723	2,003
A32230	Other Current Liabilities	(7,488)	20,482
A32240	Net Defined Benefit Liabilities	(31,946)	(16,590)
A33000	Cash Flow from Operating Activities	615,249	450,407
A33100	Interest Income Received	4,084	1,047
A33300	Interest Paid	(21,031)	(26,614)
A33500	Income Tax Paid	(199,109)	(298,172)
AAAA	Net Cash Inflow from Operating Activities	<u>399,193</u>	<u>126,668</u>

Cash Flow from Investment Activities

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<u>C o d e</u>		<u>2019</u>	<u>2018</u>
	Cash Flow from Investment Activities		
B00040	Acquisition of Financial Assets Measured at Amortized Cost	(\$ 382,835)	\$ -
B00010	Purchase of financial assets at fair value through other comprehensive income	(82,367)	-
B00300	Proceeds from Capital Reduction of Investments Accounted for under financial assets at fair value through other comprehensive income	315	-
B02700	Purchase of Properties, Plants, and Equipment	(173,694)	(150,017)
B02800	Disposition of PPE	5,211	639
B03700	Increase in Refundable Deposits	-	(308)
B04500	Purchased Intangible Assets	(25,766)	(2,755)
B07600	Dividends Received	<u>574,201</u>	<u>573,409</u>
BBBB	Net Cash Flow from Investing Activities (out)	(<u>84,935</u>)	<u>420,968</u>
	Cash Flow from Financing Activities		
C00100	Increase in Short-Term Loans	3,409,058	3,555,000
C00200	Decrease in Short-Term Loans	(3,369,058)	(3,665,000)
C00500	Increase in Short-Term Notes and Bills Payable	-	259,508
C00600	Decrease in Short-Term Notes and Bills Payable	-	(379,431)
C01600	Long-Term Loans Borrowed	2,861,010	3,011,000
C01700	Long-Term Loans Repaid	(2,678,801)	(3,190,000)
C04020	Repayment of the principal portion of lease liabilities	(5,937)	-
C04500	Cash Dividends	(602,854)	(543,104)
C04600	Capital Cash Increase	-	937,163
C05400	Acquisition of Subsidiary Shares	(<u>159,450</u>)	(<u>491,771</u>)
CCCC	Net Cash Inflow from Financing Activities	(<u>546,032</u>)	(<u>506,635</u>)
EEEE	Net Decrease in Cash and Cash Equivalents	(231,774)	41,001
E00100	Cash and Cash Equivalents at Beginning of Year	<u>828,391</u>	<u>787,390</u>
E00200	Cash and Cash Equivalents at End of Year	<u>\$ 596,617</u>	<u>\$ 828,391</u>

The attached Notes are part of the individual financial statements.

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

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

Attachment 4

Nan Pao Resins Chemical Co., Ltd.
2019 Earnings Distribution Plan

Unit : NT\$

Item	Amount
Beginning retained earnings	\$ 3,537,393,270
Effects of retrospective application and restatement	(27,372,829)
Adjusted beginning retained earnings	\$ 3,510,020,441
Defined benefit plan remeasurement on retained earnings	2,535,887
Adjusted retained earnings	\$ 3,512,556,328
Net income	1,228,200,103
Less: 10% legal reserve	(122,820,010)
Distributable net profit	\$ 4,617,936,421
Distribution item:	
Shareholders dividends - Cash dividends (@\$6/share)	(723,424,680)
Unappropriated retained earnings	\$ 3,894,511,741
Note : The shareholders dividends was calculated based on total outstanding shares, 120,570,780 shares, as of March 26, 2020. Actual dividend per share will be calculated based on the actual issued and outstanding shares as of the ex-dividend date. The total amount of dividend shall remain the same.	

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

Attachment 5**Nan Pao Resins Chemical Co., Ltd.
List of Candidates of Directors**

No.	Title	Shareholder Account or ID Number	Name	Shares (Note)	Education/ Experience
01	Director	85	Wu, Cheng-Hsien	441,808 shares	Master of Applied Chemistry, National Tsing Hua University General Manager and Executive President of Nan Pao Resins Chemical Co., Ltd. Chairman of Nan Pao Resins Chemical Co., Ltd.
02	Director	71	Guang Rong Investment Ltd. Representative : Hsu, Ming-Hsien	8,868,132 shares	Master of Industrial Management, National Cheng Kung University Vice President of Nan Pao Resins Chemical Co., Ltd. CEO of Nan Pao Resins Chemical Co., Ltd.
03	Director	71	Guang Rong Investment Ltd. Representative : Huang, Ying-Lin	8,868,132 shares	Master of Applied Chemistry, Waseda University, Japan Executive Assistant of Nan Pao Resins Chemical Co., Ltd.
04	Director	97	Pou Chien Enterprise Co., Ltd. Representative : Tsai, Nai-Yung	10,920,248 shares	LuKang Junior High School Vice President of Pou Chen Corporation Director of Evermore Chemical Industry Co., Ltd.
05	Independent Director	L10177XXXX	Chen, Yun	0 share	Ph.D. of Synthetic Chemistry, Faculty of Engineering, University of Tokyo, Japan Professor and Chair of National Cheng Kung University Distinguished Professor of National Cheng Kung University
06	Independent Director	A12213XXXX	Chiang, Yung-Cheng	0 share	Bachelor of Law, Soochow University Judge of Taiwan Kaohsiung District Court Judge of Taiwan High Court Attorney of ChengBang & ChengYang United Law Firm Independent Director of LongDa Construction & Development Corporation Director of NanHo Shing Chan Co., Ltd.

No.	Title	Shareholder Account or ID Number	Name	Shares (Note)	Education/ Experience
07	Independent Director	E12127XXXX	Lee, Yi-His	0 share	Ph.D. of Department of Finance, National Sun Yat-sen University Deputy CEO of College of Commerce Fintech Research Center, National Chengchi University Assistant Professor of National Kaohsiung University Adjunct Assistant Professor of National Sun Yat-sen University General Manager of ZhiFang Financial Consultant Co., Ltd. Assistant Professor of Soochow University Advisor of CTBC Bank

Note: Shares held on the book closure starting date of AGM 2020 (April 18th, 2020).

Attachment 6

**Nan Pao Resins Chemical Co., Ltd.
Plan to remove the non-competition restriction of Candidates of Directors**

Name	Serve concurrently in Taiwan	Serve concurrently Overseas
Wu, Cheng-Hsien	Chairman of ITLS International Development Co., Ltd. Chairman of Nan Pao Application Material Co., Ltd.	Director of Nan Pao Overseas Holdings Ltd. Director of Nan Pao Group Holdings Ltd. Director of Treasure Wealth (HK) Ltd. Director of Greatwill Materials (HK) Ltd. Director of Ongoing Profits Ltd. Director of Rising Sun Associates Ltd. Director of Nan Pao Resins (Vietnam) Enterprise Ltd. Director of Nan Pao Resins Chemical Philippines, Inc. Director of Goldford Investments Ltd. Director of Nan Pao Resins (Holdings) Ltd. Director of Eastlion Enterprises Ltd. Director of Nan Pao Resins (Dongguan) Co., Ltd. Director of Nan Pao Resins Development Ltd. Director of Dongguan Jiaqin Electronic Ltd. Director of NP Australia Pty. Ltd. Director of RLA Polymers Pty. Ltd. Director of RLA Polymers (M) SDN. BHD. Director of Nan Pao Advanced Investment Co., Ltd. Director of NanTong Nan Pao Resins Materials Co., Ltd. Director of Nan Pao (KunShan) Electronic Commerce Co., Ltd. Director of Nan Pao Resins (Yunan) Co., Ltd. Director of Nan Pao Resins (HK) Limited Director of Profit Land Ltd. Director of Nan Pao Resins (Foshan) Co., Ltd.

Name	Serve concurrently in Taiwan	Serve concurrently Overseas
		Director of All Saints Enterprises Ltd. Director of Nan Pao Resins (China) Co., Ltd. Director of Fuqing Nan Pao Investment Ltd. Director of Fuqing Nan Pao Resins Co., Ltd. Director of Thai Nan Pao Investments Ltd. Director of Thai Nanpao Resins Chemical Co., Ltd. Director of ITLS Holding Pte. Ltd. Director of ITLS (Malaysia) SDN. BHD. Director of ITLS-SB SDN. BHD. Director of Nanpao Advanced Materials Vietnam Co., Ltd. Supervisor of PT. Indo Nan Pao Resins Chemical Supervisor of PT. ITLS Indonesia
Guang Rong Investment Ltd. Representative : Hsu, Ming-Hsien	CEO of Nan Pao Resins Chemical Co., Ltd. Director of Prince Pharmaceutical Co., Ltd. Supervisor of Nan Pao Electronic Material Co., Ltd.	Director of Greatwill Materials (HK) Ltd. Director of Ongoing Profits Ltd. Director of Rising Sun Associates Ltd. Director of Nan Pao Resins (Vietnam) Enterprise Ltd. Director of Nan Pao Resins Chemical Philippines, Inc. Director of Goldford Investments Ltd. Director of Nan Pao Resins (Holdings) Ltd. Director of Eastlion Enterprises Ltd. Director of Nan Pao Resins (Dongguan) Co., Ltd. Director of Nan Pao Resins Development Ltd. Director of Nan Pao Resins International Ltd. Director of Nan Pao Advanced Investment Co., Ltd. Director of NanTong Nan Pao Resins Materials Co., Ltd. Director of Nan Pao (KunShan) Electronic Commerce Co., Ltd. Director of Nan Pao Resins (HK) Limited

Name	Serve concurrently in Taiwan	Serve concurrently Overseas
		Director of Giant Profit Development Ltd. Director of All Saints Enterprises Ltd. Director of Nan Pao Resins (China) Co., Ltd. Director of Fuqing Nan Pao Investment Ltd. Director of Wealth Castle Development Ltd. Director of Fuqing Nan Pao Resins Co., Ltd. Director of Thai Nan Pao Investments Ltd. Director of Thai Nanpao Resins Chemical Co., Ltd. Director of Nanpao Advanced Materials Vietnam Co., Ltd. Supervisor of Foshan Nan Pao Advanced Materials Co., Ltd. Supervisor of Dongguan Jiaqin Electronic Ltd. Supervisor of Nan Pao Resins (Yunan) Co., Ltd. Supervisor of Nan Pao Resins (Foshan) Co., Ltd.
Guang Rong Investment Ltd. Representative : Huang, Ying-Lin	Executive Assistant of Nan Pao Resins Chemical Co., Ltd.	Director of Greatwill Materials (HK) Ltd. Director of Goldford Investments Ltd. Director of Nan Pao Resins Development Ltd. Director of Nan Pao Resins (Holdings) Ltd. Director of Eastlion Enterprises Ltd. Director of Nan Pao Resins International Ltd. Director of Nan Pao Resins (HK) Limited Director of Profit Land Ltd. Director of Giant Profit Development Ltd. Director of Great Mount Enterprises Ltd. Director of Fuqing Nan Pao Investment Ltd. Director of Wealth Castle Development Ltd.
Pou Chien Enterprise Co., Ltd. Representative : Tsai, Nai-Yung	Vice President of Pou Chen Corporation Director of Evermore Chemical Industry Co., Ltd.,	None

Name	Serve concurrently in Taiwan	Serve concurrently Overseas
	Director of Chang Yang Material Corp. Director of Limao Digital Printing Co., Ltd.	
Chen, Yun	None	None
Chiang, Yung-Cheng	Independent Director of LongDa Construction & Development Corporation Director of NanHo Shing Chan Co., Ltd.	None
Lee, Yi-His	None	None

Chapter IV. Appendices

Appendix 1

Nan Pao Resins Chemical Co., Ltd. Rule of Procedures for Shareholders' Meeting

1. Purpose: To establish a strong governance system and sound supervisory capabilities for the Company's Corporation's shareholders meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.
2. Scope: The rules of procedures for The Company's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.
3. Definition: None.
4. Authority and responsibility: None.
5. Content:
 - 5.1. Unless otherwise provided by law or regulation, The Company's shareholders meetings shall be convened by the board of directors.
 - 5.1.1. The Company shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. The Company shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, The Company shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at The Company and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.
 - 5.1.2. The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.
 - 5.1.3. Election or dismissal of directors or supervisors, amendments to the articles of incorporation, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.
 - 5.1.4. A shareholder holding 1 percent or more of the total number of issued shares may submit to The Company a written proposal for discussion at a regular shareholders meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.

- 5.1.5. Prior to the book closure date before a regular shareholders meeting is held, The Company shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.
- 5.1.6. Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.
- 5.1.7. Prior to the date for issuance of notice of a shareholders meeting, The Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.
- 5.2. For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by The Company and stating the scope of the proxy's authorization.
 - 5.2.1. A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to The Company before 5 days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.
 - 5.2.2. After a proxy form has been delivered to The Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to The Company before 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.
- 5.3. The venue for a shareholders meeting shall be the premises of The Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.
- 5.4. The Company shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.
 - 5.4.1. The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.
 - 5.4.2. The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.
 - 5.4.3. The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.
 - 5.4.4. Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

- 5.4.5. When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.
- 5.5. If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.
- 5.5.1. When a director serves as chair, as referred to in the preceding paragraph, the director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair.
- 5.5.2. It is advisable that shareholders meetings convened by the board of directors be chaired by the chairperson of the board in person and attended by a majority of the directors, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.
- 5.5.3. If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.
- 5.5.4. The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.
- 5.6. The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.
- 5.6.1. The recorded materials of the preceding paragraph shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.
- 5.7. Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.
- 5.7.1. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.
- 5.7.2. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.

- 5.7.3. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.
- 5.8. If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.
- 5.8.1. The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors.
- 5.8.2. The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.
- 5.8.3. The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.
- 5.9. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.
- 5.9.1. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.
- 5.9.2. When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.
- 5.9.3. When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.
- 5.9.4. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.
- 5.10. Voting at a shareholders meeting shall be calculated based the number of shares.
- 5.10.1. With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.
- 5.10.2. When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.
- 5.10.3. The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

- 5.10.4. With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.
- 5.11. A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.
- 5.11.1. When the Company holds a shareholders meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals.
- 5.11.2. A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.
- 5.11.3. After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before 2 business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.
- 5.11.4. Except as otherwise provided in the Company Act and in the Company's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.
- 5.11.5. When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.
- 5.11.6. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.

- 5.11.7. Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.
- 5.12. The election of directors or supervisors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and supervisors and the numbers of votes with which they were elected.
- 5.12.1. The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.
- 5.13. Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.
- 5.13.1. The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.
- 5.13.2. The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the Company.
- 5.14. On the day of a shareholders meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting.
- 5.14.1. If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation (or GreTai Securities Market) regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.
- 5.15. Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.
- 5.15.1. The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."
- 5.15.2. At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by this Corporation, the chair may prevent the shareholder from so doing.
- 5.15.3. When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.
- 5.16. When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.
- 5.16.1. If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.

- 5.16.2. A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.
- 5.17. These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings.
6. Attachment: None.
7. Reference document: None.
8. Amendment Records:
- 8.1.Edition 1.0 approved by the Board of Directors on May 16, 2014.
- 8.2.Edition 1.1 amended and approved by the Board of Directors on March 20, 2018, and implemented after the approval of the resolutions of the Shareholders' Meeting on June 14, 2018.

Appendix 2

Nan Pao Resins Chemical Co., Ltd. Articles of Incorporation

Chapter 1 General Provisions

- 1 The Company is incorporated in accordance with the regulations on companies limited by shares under the Company Act of the Republic of China and named Nan Pao Resins Chemical Co., Ltd.
- 2 The scope of business of the Company is as follows:
 1. C801060 Synthetic Rubber Manufacturing
 2. C801100 Synthetic Resin and Plastic Material Manufacturing
 3. C802120 Industrial Catalyst Manufacturing
 4. C802200 Varnish, Lacquer, Dye, and Pigment Manufacturing
 5. ZZ99999 Business items not prohibited or restricted by law except those requiring special approval
- 3 The Company's head office is in Tainan City, Republic of China, and may, pursuant to a resolution adopted by the Board of Directors, set up branches, offices, or factories within or outside the territory of the Republic of China when deemed necessary.
- 4 The total amount of the Company's reinvested capital may exceed 40% of the paid-in capital and shall be the external guarantee of the same business.

Chapter 2 Capital

- 5 The total capital stock of the Company is 2 billion New Taiwan Dollars, divided into 200 million shares, at 10 New Taiwan Dollars each, to be issued in installments by the Board of Directors when needed. A total of 80 million New Taiwan Dollars among the total capital referred to in the preceding paragraph shall be reserved for the issuance of convertible shares of employee stock options.
- 6 All the shares issued by the Company will be name-bearing and signed or sealed by the representative director of the Company. The Company may issue shares without printing share certificates, but shall be in custody or registration under centralized securities depository enterprises.
- 7 All changes made to the list of shareholders shall be halted sixty days prior to an upcoming annual shareholders' meeting, thirty days prior to a provisional shareholders' meeting, or five days prior to the base date on which the Company issues dividends, bonuses, or other interests.
- 7-1 The Company transfers its treasury shares to employees, reserves the issuance of common shares in cash for employees to subscribe, issues employee stock option certificates, and issues restricted shares for employee, which could be entitled to the qualified employees of controlled entities or subsidiaries of the Company meeting certain specific requirements. The Board of Directors is authorized to decide the conditions and the subscription.

Chapter 3 Shareholders' Meeting

- 8 Shareholders' meetings of the Company are of two types, namely regular meetings and provisional meetings. Regular meetings shall be convened at least once a year, within six months after the end of each fiscal year. Provisional meetings shall be convened in accordance with relevant laws, rules, and regulations of the Republic of China when necessary.
- 9 When the Company holds a shareholders' meeting, it may exercise its voting right in writing or electronically; it shall be executed in accordance with relevant laws and regulations. If a shareholder is unable to attend the shareholders' meeting, the shareholder may appoint a proxy to attend the meeting in accordance with Article 177 of the Company Act. In addition to the compliance with the Company Act, the Company shall make arrangements in accordance with the "Regulations Governing the Use of Proxies for Attendance at Shareholders' Meetings of Public Companies" promulgated by the competent authority.
- 10 Shareholders' meetings shall be convened by the Board of Directors and chaired by the Chairman of the Board. When the Chairman of the Board is on leave, the Chairman shall appoint one of the directors to act as the Chair. When the Chairman does not make such designation, the directors shall select from

among themselves one person to serve as the Chair. If a shareholders' meeting is held by a convener other than the Board of Directors, the convener shall be the Chair; if there are two or more conveners, only one of them shall be appointed to be the Chair.

- 11 The shareholder of the Company is entitled to one vote for each share held unless otherwise stipulated by law.
- 12 Unless otherwise stipulated by law, a resolution made at a shareholders' meeting shall be adopted by a majority vote at a meeting attended by shareholders representing half of the total number of shares issued.
- 13 The resolutions made in a shareholders' meeting shall be recorded in the minutes and shall be handled in accordance with Article 183 of the Company Act.
- 14 After the public offering of the Company's stock, if the Company wants to cancel the public offering, it must be approved by the Board of Directors and approved at a shareholders' meeting.

Chapter 4 Board of Directors' Meeting

- 15 The Company's shareholder services affairs are in compliance with Regulations Governing the Administration of Shareholder Services of Public Companies and relevant regulations.
- 16 The Board of Directors' meeting shall be convened at least once every quarter.
A notice specifying the reason for convening a Board meeting shall be sent to all directors seven days before the scheduled meeting day; in emergency circumstances, however, a Board meeting may be convened on short notice.
The notice of the Board of Directors' meeting shall be in writing, by email, or by fax.
- 17 When the directors of the Company perform the duties on behalf of the Company, whether the Company makes a profit or loss, the Company shall compensate the directors and authorize the Board of Directors to set a compensation standard based on the value of their participation in and contribution to the operation of the Company within the highest standard set in the Company's Procedure for Compensation Management (industry standard).
- 18 The Company has established five to nine seats of directors. All directors shall be elected from a nomination system by shareholders among a list of nominees for directors. The directors shall have a term of office of three years and may be re-elected. The Company may purchase liability insurance for directors, within the scope of business during their term of office. Among the above-mentioned directors, the number of independent directors shall not be less than three, shall not be less than one-fifth of the seats of the directors, and shall be elected by shareholders among a list of nominees for independent directors. The professional qualifications, shareholding, the prohibition on positions held at other companies, nomination and selection process, and other matters of the Company's Independent Directors, are processed in compliance with relevant regulations of competent securities authorities.
- 19 The directors shall elect from among themselves a chairman of the Board of Directors by a majority vote at a meeting attended by over two-thirds of all the directors. The chairman of the Board of Directors shall carry out all affairs of the Company in accordance with law and regulations and the resolutions of the shareholders' meetings and the Board of Directors' meetings. When the chairman of the Board is on leave or for any reason is unable to exercise the powers of the chairman, one of the directors shall be appointed to act as the chair by the chairperson. When the chairman does not make such appointment, directors shall elect one person from among themselves to serve as the chair.
- 20 The Company's business policy and other material issues shall be determined by the Board of Directors. Except for the first Board meeting of every term of the newly elected Board of Directors, which shall be convened pursuant to Article 203 of the Company Law, meetings of the Board of Directors shall be convened by the chairman of the Board of Directors. In the absence of the chairman, one of the attending directors shall be elected as the proxy.
- 21 When a meeting of the Board of Directors is held, the directors shall attend the meeting in person; if a director is unable to attend in person, the director may appoint another director as proxy to attend the meeting, and shall in each instance issue a written proxy stating the scope of authorization with respect to the items on the meeting agenda. The proxy can only accept a proxy from one person. Attending via

video conferencing is deemed as attending in person. The resolutions of a Board of Directors' meeting shall be recorded in the minutes, and such minutes shall be signed by or sealed with the chop of the chairman of the meeting. A copy of the minutes shall be distributed to each director within 20 days after the meeting. The minutes shall record the gist of proceedings and its results. The minutes, attendance book, and the power of attorney for deputy attendance shall be kept at the Company.

- 22 The Company's Board of Directors may establish different types of functional committees. The Board of Directors is authorized to decide the qualification of members, powers of office and related matters in accordance with relevant regulations.

The Audit Committee is established by the Company to replace the duties as prescribed for Supervisors and shall be composed of the entire independent directors.

Chapter 5 Managerial Officers

- 23 The Company shall have several managers. Their appointment, dismissal, and remuneration shall be subject to Article 29 of the Company Act.

Chapter 6 Accounting

- 24 After the close of each fiscal year, the following reports shall be compiled by the Board of Directors and submitted to the shareholders for acceptance:

1. Business Report;
2. Financial Statement;
3. Proposal Concerning Appropriation of Earnings or Covering of Losses.

- 25 The Company shall set aside 2% to 6% of its annual profits as remuneration to its employees and no more than 3% of its annual profits as remuneration to its directors. However, the Company shall have reserved a sufficient amount to offset its accumulated losses before the distribution of remuneration to employees and directors as per the percentage mentioned above.

Employees' remuneration may be distributed in shares or cash, and the recipients may include employees of its controlled entities or subsidiary companies who meet certain conditions. The Board of Directors is authorized to decide the conditions and the subscription.

Distribution of directors' and employees' remuneration are resolved by a majority vote at a Board of Directors' meeting attended by two-thirds of the total number of directors and shall be reported to the shareholders' meeting.

- 26 If there are earnings after the close of the fiscal year, the Company shall distribute the earnings in the following order:

1. Paying the tax.
2. Offsetting losses in previous years.
3. Setting aside a legal capital reserve at 10% of the earnings left over.
4. Other special surplus reserve recognized or reversed in accordance with law and regulations or supervisory authorities
5. After the Company has set aside the capital reserves pursuant to the preceding paragraphs, a distribution motion regarding the earnings left over shall be prepared by the Board of Directors, and submitted to the shareholders for a resolution.

The Company is at the steady growth stage of its business, and for future business expansion plans, the dividend distribution shall not be less than 10% of the remaining profits of the current year. The distribution of earnings shall be made by cash dividend and stock dividend, with cash dividends ranging from 20% to 100% and stock dividends ranging from 0% to 80%.

However, in order to maintain the Company's earnings per share, the impact of stock dividends on the Company's business performance shall be taken into account. If the annual earnings per share of the dividend payment is more than 20% lower than the previous year, a proposal regarding the earning distribution, in which the dividend payout amount and ratio are appropriately adjusted, shall be prepared by the Board of Directors and submitted to the shareholders for a resolution.

Chapter 7 Supplementary Provisions

27 The internal organization of the Company and the detailed procedures of business operation shall be determined by the Board of Directors.

28 In regard to all matters not provided in the Articles of Association, the Company Law and the law and regulations of the Republic of China shall govern.

The Articles of Association was enacted on August 30, 1963; the first amendment was made on October 5, 1966; the second amendment was made on September 21, 1968; the third amendment was made on June 14, 1971; the fourth amendment was made on March 15, 1972; the fifth amendment was made on March 25, 1973; the sixth amendment was made on September 27, 1974; the seventh amendment was made on January 11, 1975; the eighth amendment was made on December 16, 1975; the ninth amendment was made on October 20, 1976; the tenth amendment was made on December 15, 1976; the eleventh amendment was made on November 8, 1978; the twelfth amendment was made on September 18, 1979; the thirteenth amendment was made on August 30, 1980; the fourteenth amendment was made on August 20, 1981; the fifteenth amendment was made on September 23, 1981; the sixteenth amendment was made on June 23, 1983; the seventeenth amendment was made on August 20, 1984; the nineteenth amendment was made on June 27, 1985; the twentieth amendment was made on November 1, 1985; the twenty-first amendment was made on May 31, 1986; the twenty-second amendment was made on April 8, 1987; the twenty-third amendment was made on October 9, 1987; the twenty-fourth amendment was made on May 3, 1988; the twenty-fifth amendment was made on June 10, 1989; the twenty-sixth amendment was made on October 12, 1989; the twenty-seventh amendment was made on April 27, 1990; the twenty-eighth amendment was made on May 16, 1991; the twenty-ninth amendment was made on May 4, 1992; the thirtieth amendment was made on June 1, 1993; the thirty-first amendment was made on June 29, 1994; the thirty-second amendment was made on May 30, 1995; the thirty-third amendment was made on June 20, 2000; the thirty-fourth amendment was made on December 11, 2000; the thirty-fifth amendment was made on June 25, 2002; the thirty-sixth amendment was made on June 27, 2003; the thirty-seventh amendment was made on May 21, 2004; the thirty-eighth amendment was made on May 25, 2004; the thirty-ninth amendment was made on June 28, 2005; the fortieth amendment was made on June 27, 2006; the forty-first amendment was made on July 21, 2006; the forty-second amendment was made on October 23, 2008; the forty-third amendment was made on June 27, 2011; the forty-fourth amendment was made on June 27, 2014; the forty-fifth amendment was made on June 27, 2016; the forty-sixth amendment was made on May 16, 2017; the forty-seventh amendment was made on December 12, 2017; the forty-eighth amendment was made on June 14, 2019.

Appendix 3

Nan Pao Resins Chemical Co., Ltd. Procedure for Election of Directors

1. Purpose: For the fairness, impartiality, and openness in the election of directors, the Procedure is formulated in accordance with the provisions of Articles 21 and 41 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."
2. Scope: Except as otherwise provided by law or by the Articles of Association, elections of the Company's directors shall be conducted in accordance with the Procedure.
3. Definition: None.
4. Responsibility: None.
5. Content:
 - 5.1. The overall composition of the Board of Directors shall be taken into consideration in the selection of the Company's directors. Each Board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present within the Board as a whole are as follows:
 - I. Operation judgment ability.
 - II. Accounting and financial analysis ability.
 - III. Operation management ability.
 - IV. Crisis management ability.
 - V. Industry knowledge.
 - VI. International market perspective.
 - VII. Leadership ability.
 - VIII. Decision ability.More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.
Elections of the Company's directors shall be conducted in accordance with the candidate nomination system and procedure set out in Article 192-1 of the Company Act.
 - 5.2. The qualifications for the independent directors of the Company shall comply with Articles 2-9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and relevant practices shall be implemented pursuant to article 24 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
 - 5.3. Elections of the Company's independent directors shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.
If the number of independent directors is less than that required by the first paragraph of Article 14-2 of the Securities Exchange Act, new independent directors shall be elected at the most recent Shareholders' Meeting. When independent directors are dismissed, the Company shall convene a provisional Shareholders' Meeting to elect new independent directors within 60 days of the actual dismissal.
 - 5.4. The election of the directors of the Company adopts the nomination system procedure and adopts the cumulative voting method. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.
 - 5.5. The Board of Directors shall prepare ballots in numbers corresponding to the directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the Shareholders' Meeting.
Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.
 - 5.6. The number of directors will be as specified in the Company's Articles of Association, with voting rights separately calculated for independent and non-independent director positions.
Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive

- the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person that is not in attendance.
- 5.7. Before the election begins, the chair shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting.
- 5.8. If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a government organization or corporate shareholder, the name of the government organization or corporate shareholder shall be entered in the column for the candidate's account name in the ballot, or both the name of the government organization or corporate shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each representative shall be entered.
- 5.9. A ballot is invalid under any of the following circumstances:
- I. The ballot was not prepared by the Board of Directors.
 - II. A blank ballot is placed in the ballot box.
 - III. The writing is unclear and indecipherable or has been altered.
 - IV. The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, but upon checking it shows that the candidate's name and identity card number do not match.
 - V. Other words or marks are entered in addition to the candidate's account name or shareholder account number (or identity card number) and the number of voting rights allotted.
 - VI. The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.
- 5.10. The voting rights shall be calculated on site immediately after the end of the poll, and the list of elected directors shall be announced by the chair on site.
- 5.11. The Board of Directors of the Company shall issue notifications to the persons elected as directors.
- 5.12. The Procedure and any amendments hereto shall be implemented after approval by the Shareholders' Meeting.
6. Related Document: None.
7. Reference Document: None.
8. Amendment Record:
- 8.1. Edition 1.0 approved and issued by the Board of Directors on May 16, 2014.
 - 8.2. Edition 2.0 approved and issued by the Board of Directors on September 29, 2017, and implemented after approval of the provisional Shareholders' Meeting on December 12, 2017.

Appendix 4**Nan Pao Resins Chemical Co., Ltd
Shareholdings of All Directors**

Date : Apr.18, 2020

Title	Name	Elective Date	Held shares when elected		Current held shares	
			Shares	%	Shares	%
Chairman	Wu, Cheng-Hsien	106.05.16	455,456	0.44%	441,808	0.37%
Director	Guang Rong Investment Ltd. Representative : Hsu, Ming-Hsien	106.05.16	8,644,248	8.35%	8,868,132	7.36%
Director	Guang Rong Investment Ltd. Representative : Liu, Chi-Lin					
Director	Guang Rong Investment Ltd. Representative : Chang, Kuo-Jung					
Director	Pou Chien Enterprise Co., Ltd Representative : Tsai, Nai-Yung	106.05.16	20,789,459	20.09%	10,920,248	9.06%
Independent director	Chen, Yun	106.12.12	0	0.00%	0	0.00%
Independent director	Chiang, Yung-Cheng	106.12.12	0	0.00%	0	0.00%
Independent director	Lee, Yi-His	106.12.12	0	0.00%	0	0.00%
Total			29,889,163		20,230,188	

Note :

- Total outstanding shares on May 16th, 2017: 103,490,961 shares ;
Total outstanding shares on Dec. 12th, 2017: 108,620,780 shares ;
Total outstanding shares on Apr. 18th, 2020: 120,570,780 shares ◦
- The minimum required combined shareholding of all directors by law: 8,000,000 shares (The shares held by independent directors shall not be counted in the calculation of director shareholdings.) The combined shareholding of all directors by Apr. 18th, 2020: 20,230,188 shares.
- The Company has the Audit Committee, therefore it's not applicable on shareholding of all supervisors by law.