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# NAN PAO RESINS CHEMICAL CO., LTD.

## Handbook for the 2021 Annual General Shareholders' Meeting

Meeting time: 10 a.m., June 17, 2021

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.*

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# **Chapter I. Meeting Procedures**

- I. Call the Meeting to Order
- II. Chairman's Remarks
- III. Reported Matters
- IV. Acknowledged Matters
- V. Matters for Discussion
- VI. Extemporaneous Motions
- VII. Meeting Adjournment

## **Chapter II. Meeting Agenda**

Meeting time: 10 a.m., June 17, 2021

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

Chairman: Cheng-Hsien, Wu

### **I. Reported Matters**

1. 2020 Business Report
2. Audit Committee's Review Report on the 2020 annual final accounting books and statements
3. Report on 2020 employees' and directors' remuneration
4. Amendments to the Company's "Rules of Procedure for Board of Directors Meetings"
5. Amendments to the Company's "Procedures for Ethical Management and Guidelines for Conduct"

### **II. Acknowledged Matters**

1. Acknowledgment of the 2020 Business Report and Financial Statements
2. Acknowledgment of the 2020 Earnings Distribution

### **III. Matters for Discussion**

1. The Company's subsidiary Foshan Nan Pao Advanced Materials Co., Ltd. made an initial public offering of CNY-denominated common shares (A-shares) and applied for listing in an overseas securities market
2. Amendments to the Company's "Procedures for Governing Loaning of Funds and Making of Endorsements"
3. Amendments to the Company's "Rules of Procedure for Shareholders Meetings"

### **IV. Extemporaneous Motions**

### **V. Meeting Adjournment**

# **I. Reported Matters**

## **Item 1: 2020 Business Report**

Explanation: Please refer to Attachment 1 on Page 9 to 11.

## **Item 2: Audit Committee's Review Report on the 2020 annual final accounting books and statements**

Explanation: Please refer to Attachment 2 on Page 12.

## **Item 3: Report on 2020 employees' and directors' remuneration**

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 the distribution of remuneration to employees and directors from the pretax profit of the year.

(2) The 2020 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.

(3) There is no difference between the aforesaid amount of appropriation and the estimated amount of recognized expenses in 2020.

## **Item 4: Amendments to the Company's "Rules of Procedure for Board of Directors Meetings"**

Explanation: In order to conform to the amendments to related commercial laws, the Company amended the relevant provisions of the "Rules of Procedure of Board of Directors", which was approved by the Board of Directors on March 25, 2021. Please refer to Attachment 3 on Page 13 to 14 for details.

## **Item 5: Amendments to the Company's "Procedures for Ethical Management and Guidelines for Conduct"**

Explanation: In order to conform to the amendments to related commercial laws, the Company amended the relevant provisions of the "Procedures for Ethical Management and Guidelines for Conduct ", which was approved by the Board of Directors on December 17, 2020. Please refer to Attachment 4 on Page 15 to 19 for details.

## **II. Acknowledged Matters**

### **Item 1: Acknowledgment of the 2020 Business Report and Financial Statements** (Proposed by the Board of Directors)

Explanation: (1) The Company's 2020 Financial Statements have been audited by independent auditors, Mr. Hung Ju Liao and Ms. Chi Chen Lee, of Deloitte & Touche. The Business Report and Financial Statements (includes Consolidated Financial Statements) for 2020, both of which were subsequently inspected by Audit Committee.

(2) Please refer to Attachment 1 on Page 9 to 11 and Attachment 5 on Page 20 to 39 for details, and the aforementioned attachments are hereby submitted for recognition.

Resolution:

### **Item 2: Acknowledgment of the 2020 Earnings Distribution** (Proposed by the Board of Directors)

Explanation: (1) The Company's 2020 net income after tax is NT\$1,219,753,571. The Company proposes to draft Earnings Distribution Plan according to Article 26 of the Company's Articles of Incorporation. Please refer to Attachment 6 on Page 40 for details.

(2) The Company proposes to pay a cash dividend of NT\$7 per share, and cumulative cash dividend payout will be NT\$843,995,460. Cash dividends would be distributed and rounded down to the nearest NT dollar. Dividends distributed under NT\$1 shall be recognized as "Other Income" of the Company.

(3) Upon the approval of the Shareholders' Meeting, it is proposed that the Board of Directors be authorized to resolve the ex-dividend date, the distribution date, and other relevant issues.

(4) The proposed earning distribution 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 Board of Directors be authorized to adjust the relevant issues.

Resolution:

### III. Matters for Discussion

**Item 1: The Company's subsidiary Foshan Nan Pao Advanced Materials Co., Ltd. made an initial public offering of CNY-denominated common shares (A-shares) and applied for listing in an overseas securities market** (Proposed by the Board of Directors)

Explanation: The Company's subsidiary Foshan Nan Pao Advanced Materials Co., Ltd. proposes to apply for listing in an overseas securities market. The relevant information is as follows.

(1) Purpose of applying for listing and trading in an overseas securities market

With the aims of rapidly expanding business, attracting local talents, enhancing the Company's reputation in the market, and increasing its competitiveness, the Company's subsidiary Foshan Nan Pao Advanced Materials Co., Ltd. (hereinafter referred to as "NP Foshan (AM)") intends to apply for the initial public offering of CNY denominated common shares (A shares) and listing and trading in Shanghai or Shenzhen Stock Exchange. Currently, the Company holds, directly or indirectly, 60.47% of the shares of NP Foshan (AM). Successful listing is expected to bring positive effects to the image and business of the Company, and add value to its reinvestments. This would bring mutual benefits for the Company and all its shareholders.

(2) Impact on the finance and business of the Company and impact of the proposed changes in the organizational structure and business on the listed company

A. Impact on finance

- (a) The raised fund from the offering and listing of NP Foshan (AM) are mainly used for plant expansion, purchase of R&D equipment and supplementary working capital to attract high-end R&D talents, enhance the Company's innovation capabilities, and bring new revenue and profit growth for the Company (Group).
- (b) Successful listing of A shares issued, it can raise the fund from market independently and effectively, improve financial structure for consolidated financial statement and reduce relevant expenses.
- (c) Successful listing of A shares issued by NP Foshan (AM), would help the Company (Group) expanding the assets and strengthen the capital to pursue the best interests for shareholders.

B. Impact on business

- (a) NP Foshan (AM) focuses on the development and production of high-performance Hot Melt Adhesives. If the A shares issued by NP Foshan (AM) are successfully listed this time, funds raised may be reinvested to increase the R&D abilities, focus on developing the new products that comply with market needs and meet environmental requirements. It would also help to expand scale of production and attract higher profits.
- (b) The listing of A shares issued by NP Foshan (AM) will further elevate the image of the Company, help to maintain the Company's brand leadership, attract talents, and enhance the stability of key employees through incentives such as employee stock option programs. These would be helpful for the Company to expand the group business.

C. Impact of the proposed changes in the organizational structure

NP Foshan (AM) has not adjusted its organizational structure and business nature. Through this issuance and listing and raised funds, the company's value will be enhanced, which will have a positive effect on the company's long-term stable development.

(3) Method of shareholding dispersal and proposed percentage of shareholding or contributions reduction

NP Foshan (AM) intends to conduct initial public offering of CNY denominated common shares (A shares) and apply for listing and trading in Shanghai or Shenzhen Stock Exchange. The par value of shares will be CNY 1. In accordance with relevant regulations of the place of listing, the total no. of shares issued shall account for about 10% to 25% (tentative) of the total capital of NP Foshan (AM) after issuance. After the issuance of new shares, the Company's comprehensive shareholding in NP Foshan (AM) should be no less than 51%.

(4) Basis of price determination

According to relevant regulations at the place of listing, the price shall be determined by sending inquiries to the inquirers. The issuing price shall be determined based on the results of inquiries and the market status. Alternatively, the issuing price shall be the price eventually approved by the China Securities Regulatory Commission.



- (5) The counterparties of the new issuance  
According to relevant regulations at the place of listing, the counterparties of the new issuance shall be the inquirers who fulfill the qualifications specified in relevant laws and regulations of Mainland China or of the supervisory authority, or investors who meet the requirements of the China Securities Regulatory Commission. The Company and all the subsidiaries shall not participate in the subscription.
- (6) Any effect on the ongoing listing of the listed company  
Successful listing of the A shares issued by NP Foshan (AM), will not affect the continued listing of the Company's shares in Taiwan.
- (7) Supplementary information
- A. Considering its long term development, NP Foshan (AM) intends to apply to the competent authority in Mainland China for the initial public offering and listing of A shares. However, the application has not been submitted so far. The time of submission and actual length of the application period remain uncertain and unpredictable.
- B. In order to satisfy requirements for NP Foshan (AM)'s initial public offering of CNY denominated common shares (A shares) in Mainland China and apply for listing and trading in Shanghai or Shenzhen Stock Exchange, the shareholders meeting should authorize the Board of Directors or its designated personnel or the Board of Directors of NP Foshan (AM) or its designated personnel to make necessary adjustments based on the actual requirements in the listing process, the opinions of relevant competent authority and relevant regulations in the place of listing, the market conditions, and the actual conditions applicable. The Board of Directors or its designated personnel shall have the full authority to manage all the matters relating to the listing, including but not limited to engaging professional advisers, determining the conditions for this issuance, issuing time, issuing amount, issuing counterparties, issuing method, issuing price (including price range and final price), issuance record date, strategic allocation (if any), use of raised funds, issuing of letters of undertaking, and conduct any other matters in connection with the current issuance and listing.

Resolution:

**Item 2: Amendments to the Company's "Procedures for Governing Loaning of Funds and Making of Endorsements"** (Proposed by the Board of Directors)

Explanation: In order to conform to the needs of commercial practice and the amendments to related commercial laws, the Company hereby proposes to amend the "Procedures for Governing Loaning of Funds and Making of Endorsements". Please refer to Attachment 7 on Page 41 to 47 for details.

Resolution:

**Item 3: Amendments to the Company's "Rules of Procedure for Shareholders Meetings"** (Proposed by the Board of Directors)

Explanation: In order to conform to the amendments to related commercial laws, the Company hereby proposes to amend the "Rules of Procedure for Shareholders Meetings". Please refer to Attachment 8 on Page 48 to 50 for details.

Resolution:

## **IV. Extemporaneous Motions**

## **V. Meeting Adjournment**

# Chapter III. Attachments

## Attachment 1

### Nan Pao Resins Chemical Co., Ltd. Business Report for 2020

#### I. Review of Business Performance in 2020

##### 1. Results of business plan

The total consolidated revenue of 2020 was NT\$ 15.55 billion, a decrease of 9.13% from the previous year. The total gross profit was NT\$4.37 billion, a decrease of 7.36% from the previous year. The operating profit was NT\$ 1,502 million, a decrease of 10.72% from the previous year. The net income was NT\$ 1,267 million, a decrease of 3.66% from the previous year. Earnings per share after taxes was NT\$10.12.

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

Year Item		2020		2019		Variances	
		Amount	%	Amount	%	Amount	%
Net Operating Revenue		15,551,344	100	17,113,546	100	(1,562,202)	(9.13)
Gross Profit		4,370,293	28	4,717,529	28	(347,236)	(7.36)
Operating Profit		1,501,700	9	1,682,029	10	(180,329)	(10.72)
Pre-tax Income		1,606,092	10	1,792,682	11	(186,590)	(10.41)
Net Income		1,267,122	8	1,315,224	8	(48,102)	(3.66)
Net Income attributed to	Shareholders	1,219,753	8	1,228,200	7	(8,447)	(0.69)
	Not Controlling Interest	47,369	-	87,024	1	(39,655)	(45.57)
Earnings Per Share(dollar)		10.12		10.19		(0.07)	(0.69)

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	2020	2019
Cash inflow from operating	1,917,143	1,863,989
Cash outflow from investing	(1,443,896)	(1,335,454)
Cash outflow from fundraising	(886,469)	(327,022)
Return on Assets (%)	6.93	7.63
Return on Equity (%)	11.65	12.58
Profit before tax to capital stock (%)	133.21	148.68
Net Profit Margin (%)	8.15	7.69

#### 4. Research and Development

The Company is active in industry-university cooperative research, pursuing continuously growth and innovation improvement, and annually invests 2% to 4% of the revenue on R&D costs, for the training and specialization of the qualified personnel. The R&D expenses in 2020 was 3.22% of the revenue. The chemists and engineers of the Company overcome difficulties and strive for more the latest innovations to develop the high value added of new products. The Company grows the competitive advantages, creates the new value for the enterprise, and aims at “environment-protection, energy-saving and carbon reduction” as the most recent research directions. The 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 proprietary formable thermoset carbon fiber composite material. The Company devote in developing innovative manufacturing processes and materials to drive the Company 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 2021 Business Plan

The Company estimates that the sales volume of adhesive and coating products in 2021 will be 210 to 230 thousand tons. The main production and sales policies are as follows:

- (1) In terms of footwear business, the Company will continuously gain the market share amongst global and Mainland China athletic footwear brands, and will target domestic brands in India and South Asia, in order to increase our material percentage of the whole athletic footwear products.
- (2) In terms of other business, the Company plans to establish manufacturing plants in South Asia, and robust growth in hotmelt sales for non-woven, white goods and other applications. In addition, the Company intends to break through to clients in large volume consumer goods markets, and establish sales channels for our innovative products such as carbon fiber composite, nano coating and pressure sensitive adhesives.
- (3) Besides to shift towards less product types and longer, high volume production runs to achieve higher gross margins on a sustained basis internally, the Company will also continue to invest in R&D, and systematically search to apply existing core technology to new product opportunities. Externally, the Company targets channel or MFG players in US, EMEA and India areas for geographic expansion, also focuses young companies with new and green technologies to horizontal and vertical extension of existing business lines.

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

In the future prospect in 2021, although facing the economy uncertainty, the Company will stand on the business corner stone of “leading, integrity, teamwork and efficiency” as guideline to build the business, and will implement corporate governance and corporate social responsibility on managing, manufacturing, environmental protecting and society caring, also stick with the quality policy of “quality first, technological leadership and service oriented”. The Company continuously pursues technology innovations and pays 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 the future development of the world, it is inevitable to move towards a circular economy. The Company has broken through the problem of polyester products and shoe fabrics that cannot be recycled in adhesives and coatings, and invested in the development of shoe fabrics and PET bottle polyester recycling technology to avoid waste of resources and environmental pollution. The Company cooperates with a leading research team, selects appropriate strategic alliances with excellent manufacturers, jointly develops strategic products with brand owners, and applies for patent protection of the developed technologies and products, so as to obtain intellectual property rights to deploy and maintain the enterprise competitiveness.

We are the World No. 1 producer of adhesives for athletic footwear, and a leading Asian supplier of chemical resins for specialty adhesives, coatings and construction products. We excel at providing a customized total product solution to our clients, including precision resin compound engineering and sophisticated spraying, automation and application support. During the past decade, we broadened the horizons of our R&D efforts, looking beyond OEM client needs to the materials science-based products that would be required by the consumers of the future. We expect ourselves to become the benchmark of Asian chemical resins producer, and continuously deliver excellent business results and better value to give back to the support from shareholders.

Chairman: Cheng-Hsien, Wu

Manager: Ming-Hsien, Hsu

Accounting Manager: Kun-Chin, Lin

## **Attachment 2**

# **Nan Pao Resins Chemical Co., Ltd. Review Report of Audit Committee**

To: 2021 General Shareholders' Meeting

The Audit Committee has duly inspected and approved the Company's business report, financial statements and earning distribution plan for 2020 prepared and proposed by the Board of Directors, with the financial statements having been audited by independent auditors, Mr. Hung Ju Liao and Ms. Chi Chen Lee, 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. The aforementioned report is hereby submitted 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 25, 2021

### Attachment 3

## Nan Pao Resins Chemical Co., Ltd

### Comparison Table of

### "Rules of Procedure for Board of Directors Meetings"

Article	Amended Clauses	Original Clauses	Note
5.8	<p>Board meetings shall be convened and chaired <b>by the chairperson</b> of the board. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders meeting in which the directors were elected; if two or more directors are so entitled to convene the meeting, they shall select from among themselves one director to serve as chair.</p> <p><u>In accordance with Article 203, Paragraph 4 or Article 203, Paragraph 3, where the board of directors shall be convened by more than half of the directors, one of the directors shall be elected as chairperson.</u></p> <p>When the chairperson of the board is on leave or for any reason unable to exercise the powers of chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson is also on leave or for any reason unable to exercise the powers of vice chairperson, the chairperson shall appoint one of the managing directors to act, or, if there are no managing directors, one of the directors shall be appointed to act as chair. If no such designation is made by the chairperson, the managing directors or directors shall select</p>	<p>Meetings of the Board of Directors <del>shall be convened and</del> chaired by the chairperson of the Board. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders meeting in which the directors were elected; if two or more directors are so entitled to convene the meeting, they shall select from among themselves one director to serve as chair.</p> <p>(New paragraph)</p> <p>When the chairperson of the board is on leave or for any reason unable to exercise the powers of chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson is also on leave or for any reason unable to exercise the powers of vice chairperson, the chairperson shall appoint one of the managing directors to act, or, if there are no managing directors, one of the directors shall be appointed to act as chair. If no such designation is made by the chairperson, the managing directors or directors shall select</p>	<p>The Announcement of No. 1080361934 from FSC issued on January 15, 2020.</p>

Article	Amended Clauses	Original Clauses	Note
	one person from among themselves to serve as chair.	one person from among themselves to serve as chair.	
5.14	<p>If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of this Corporation, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.</p> <p><u>Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.</u></p> <p>5.14.1. Where a director is prohibited by the preceding <u>2</u> paragraphs from exercising voting rights with respect to a resolution at a board meeting, the provisions of Article 180, paragraph 2 of the Company Act apply mutatis mutandis in accordance with Article 206, paragraph 4 of the same Act.</p>	<p>If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of this Corporation, that director <del>may state his opinion and answer inquiries, and</del> may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.</p> <p>(New paragraph)</p> <p>5.14.1. Where a director is prohibited by the preceding paragraph from exercising voting rights with respect to a resolution at a board meeting, the provisions of Article 180, paragraph 2 of the Company Act apply mutatis mutandis in accordance with Article 206, paragraph <u>2</u> of the same Act.</p>	The Announcement of No. 1080361934 from FSC issued on January 15, 2020.
8.	<p>Revision history: (Omitted)</p> <p><u>Implemented after the revision of version 4.1 was approved by the board of directors on March 25, 2021</u></p>	<p>Revision history: (Omitted)</p>	Add the last revision date



## Attachment 4

### Nan Pao Resins Chemical Co., Ltd Comparison Table of "Procedures for Ethical Management and Guidelines for Conduct"

Article	Amended Clauses	Original Clauses	Note
5.2	<p>This Corporation shall designate the <u>Financial Management Division</u> as the solely responsible unit (hereinafter, "responsible unit") under the board of directors and <u>provide it with sufficient resources and competent personnel</u> to be in charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The responsible unit shall be in charge of the following matters and also submit regular reports <u>(at least once a year)</u> to the board of directors.</p> <p>(Omitted)</p> <p>II. <u>Analyzing and assessing the risks of unethical conduct within the business scope on a regular basis and</u> accordingly adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to this Corporation's operations and business.</p> <p>(Omitted)</p> <p><u>VII. Preparing and retaining properly documented information such as ethical management policy and compliance statements, situations</u></p>	<p>This Corporation shall designate the <del>Auditing Office</del> as the solely responsible unit (hereinafter, "responsible unit") under the board of directors to be in charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The responsible unit shall be in charge of the following matters and also submit regular reports to the board of directors.</p> <p>(Omitted)</p> <p>II. Formulate adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to this Corporation's operations and business.</p> <p>(Omitted)</p> <p>(New paragraph)</p>	<p>The Announcement of No. 1090002299 from TWSE issued on February 13, 2020.</p>

Article	Amended Clauses	Original Clauses	Note
	<u>concerning the performance of undertakings and enforcement etc.</u>		
5.4	(Omitted) The responsible unit of this Corporation shall make a proposal, based on the nature and value of the benefit under paragraph 1, that it be returned, accepted on payment, given to the public, donated to charity, or handled in another appropriate manner. The proposal shall be implemented after being reported and approved by <u>CEO</u> .	(Omitted) The responsible unit of this Corporation shall make a proposal, based on the nature and value of the benefit under paragraph 1, that it be returned, accepted on payment, given to the public, donated to charity, or handled in another appropriate manner. The proposal shall be implemented after being reported and approved by <del>General-Manager</del> .	Revised basing on the current organization chart
5.6	Political contributions by this Corporation shall be made in accordance with the following provisions, reported to the supervisor in charge for approval, and a notification given to the Financial <u>Management Division</u> , and shall be made only after being reported to and approved by CEO: (Omitted)	Political contributions by this Corporation shall be made in accordance with the following provisions, reported to the supervisor in charge for approval, and a notification given to the Financial <del>Center</del> , and shall be made only after being reported to and approved by CEO: (Omitted)	Revised basing on the current organization chart
5.7	Charitable donations or sponsorships by this Corporation shall be provided in accordance with the following provisions and reported to the supervisor in charge for approval, and a notification shall be given to the Financial <u>Management Division</u> , and shall be made only after being reported to and approved by CEO: (Omitted)	Charitable donations or sponsorships by this Corporation shall be provided in accordance with the following provisions and reported to the supervisor in charge for approval, and a notification shall be given to the Financial <del>Center</del> , and shall be made only after being reported to and approved by CEO: (Omitted)	Revised basing on the current organization chart

Article	Amended Clauses	Original Clauses	Note
5.8	<p>When a director, officer or other stakeholder of this Corporation attending or present at a board meeting, or the juristic person represented thereby, has a stake in a <u>matter</u> under discussion in the meeting , (Omitted) <u>Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.</u> (Omitted) Any personnel of this Corporation shall not involve themselves or the juristic person that they represent, or that they or their spouse, parents, children, or <u>a person with whom they have a relationship of interest</u> is likely to obtain improper benefits <u>when conducting company business.</u></p>	<p>When a director, officer or other stakeholder of this Corporation attending or present at a board meeting, or the juristic person represented thereby, has a stake in a <del>proposal</del> under discussion in the meeting , (Omitted) (New paragraph)</p> <p>(Omitted) The <del>directors and managers</del> of this Corporation shall not <del>use their positions in the company</del> or that they or their spouse, parents, children, or <del>any other person</del> to obtain improper benefits.</p>	The Announcem ent of No. 1090002299 from TWSE issued on February 13, 2020.
5.12	<p><u>This Corporation shall request its directors and senior management to issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.</u> The Company <u>shall</u> disclose its policy of ethical management in its internal rules, in annual reports, on the company's websites, and in other promotional materials, and shall make</p>	<p>(New paragraph)</p> <p>The Company discloses its policy of ethical management in its internal rules, in annual reports, on the company's websites, and in other promotional materials, and shall make timely announcements of</p>	The Announcem ent of No. 1090002299 from TWSE issued on February 13, 2020.

Article	Amended Clauses	Original Clauses	Note
	timely announcements of the policy in events held for outside parties (Omitted)	the policy in events held for outside parties such as product launches and investor press conferences, (Omitted)	
5.17.1	(Omitted) I. The whistleblower's name and I.D. number <u>(whistleblowing reports may be submitted anonymously)</u> , and an address, telephone number and e-mail address where it can be reached.	(Omitted) I. The whistleblower's name and I.D. number, and an address, telephone number and e-mail address where it can be reached.	The Announcement of No. 1090002299 from TWSE issued on February 13, 2020.
5.17.2	Personnel of this Corporation handling whistle-blowing matters shall represent in writing they will keep the whistleblowers' identity and contents of information confidential. This Corporation also undertakes to protect the whistleblowers from improper treatment due to their whistleblowing. The responsible unit of this Corporation <u>shall</u> observe the following procedure in handling <u>whistleblowing matters</u> : (Omitted) III. If a person being informed of is confirmed to have indeed violated the applicable laws and regulations or this Corporation's policy and regulations of ethical management, this Corporation shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, this Corporation will <u>report to the competent authority.</u>	Personnel of this Corporation handling whistle-blowing matters shall represent in writing they will keep the whistleblowers' identity and contents of information confidential. This Corporation also undertakes to protect the whistleblowers from improper treatment due to their whistleblowing. And the responsible unit of this Corporation observes the following procedure in:  (Omitted) III. If a person being informed of is confirmed to have indeed violated the applicable laws and regulations or this Corporation's policy and regulations of ethical management, this Corporation shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, this Corporation will institute legal proceedings and seek	The Announcement of No. 1090002299 from TWSE issued on February 13, 2020.

Article	Amended Clauses	Original Clauses	Note
	<u>refer said person to judicial authority for investigation,</u> or institute legal proceedings and seek damages to safeguard its reputation and its rights and interests.	damages to safeguard its reputation and its rights and interests.	
5.20	The Corporation <u>shall</u> organize awareness sessions <u>once a year</u> and arrange for the chairperson, general manager, or senior management to communicate the importance of ethics to its directors, employees, and mandataries.	The Corporation <u>may</u> organize awareness sessions and arrange for the chairperson, general manager, or senior management to communicate the importance of ethics to its directors, employees, and mandataries.	The Announcem ent of No. 1090002299 from TWSE issued on February 13, 2020.
8.	Revision history: (Omitted) <u>Implemented after the revision of version 3.0 was approved by the board of directors on December 17, 2020</u>	Revision history: (Omitted)	Add the last revision date

## **Attachment 5**

### **(1) Consolidated Financial Statements** **INDEPENDENT AUDITORS' REPORT**

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

#### **Opinion**

We have audited the accompanying consolidated financial statements of Nan Pao Resins Chemical Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2020 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 and based on our and other independent auditors' reports (see Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated 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 (FSC) of the Republic of China (ROC).

#### **Basis for Opinion**

We conducted our audit of the consolidated financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. We conducted our audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our and other independent auditors' reports, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. 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.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2020 is detailed as follows:

#### Authenticity of Revenue Recognition

As stated in Notes 4 (n) and 25 the Group's main source of revenue is revenue from the sale of adhesives, paint, and building material. The sales amount of some customers changed significantly in 2020. The auditor considered the materiality of this to the consolidated financial statements as well as the regulations in the auditing standards regarding the presumed significant risk in revenue recognition, and thus deemed the authenticity of revenue recognition of the aforementioned products as a key audit matter.

1. We understood the design of the internal controls related to revenue recognition and tested on a sample basis its operating effectiveness.
2. We selected appropriate samples from the sales receipts of the customers mentioned above, and inspected the sales orders signed by external parties based on the revenue recognition terms, commercial invoices and customs declaration certificates to check whether the sales actually occurred, and also confirmed whether the transaction counterparty to the sale was the same as the counterparty receiving payment.

#### **Other Matters**

Among the subsidiaries included in the consolidated financial statements of the Group, the financial statements of some of the subsidiaries were not audited by us, but were audited by other auditors. Thus, our opinion, insofar as it relates to the amounts and related information included for these subsidiaries, is based solely on the report of other auditors. The total assets of these subsidiaries amounted to NT\$2,942,030 thousand and NT\$2,722,534 thousand as of December 31, 2020 and 2019, respectively, both accounting for 15% of total consolidated assets. Net operating income was NT\$2,285,742 thousand and NT\$2,210,744 thousand, respectively, accounting for 15% and 13% of the consolidated net operating income, respectively.

We have also audited the parent company only financial statements of Nan Pao Resins Chemical Co., Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion with other matter paragraph.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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



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

From the matters communicated with those charged with governance, we determine those matter that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hung-Ju Liao and Chi-Chen Lee.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
March 25, 2021

#### Notice to Readers

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

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

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

**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
**(In Thousands of New Taiwan Dollars)**

ASSETS	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,321,237	17	\$ 3,742,604	20
Financial assets at amortized cost - current (Notes 4, 8, 9, and 34)	1,293,135	7	749,615	4
Notes receivable (Notes 4 and 10)	291,955	2	280,023	2
Accounts receivable (Notes 4 and 10)	3,334,765	17	3,158,395	17
Accounts receivable - related parties (Notes 4, 10 and 33)	288,565	1	371,342	2
Other receivables (Notes 4 and 10)	150,688	1	189,685	1
Current tax assets (Note 27)	2,016	-	3,705	-
Inventories (Notes 4 and 11)	2,177,074	11	2,241,307	12
Other current assets (Note 19)	<u>385,718</u>	<u>2</u>	<u>373,296</u>	<u>2</u>
Total current assets	<u>11,245,153</u>	<u>58</u>	<u>11,109,972</u>	<u>60</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	1,109,267	6	976,745	5
Financial assets at amortized cost - non-current (Notes 4, 8, 9 and 34)	125,173	1	71,785	-
Investments accounted for using the equity method (Notes 4 and 13)	367,753	2	322,657	2
Property, plant and equipment (Notes 4, 14 and 34)	4,515,380	23	4,096,892	22
Right-of-use assets (Notes 4, 15 and 34)	1,141,517	6	1,160,508	6
Investment properties (Notes 4 and 16)	17,760	-	17,760	-
Goodwill (Notes 4, 17 and 29)	117,930	1	113,483	1
Other intangible assets (Notes 4 and 18)	73,379	-	80,354	1
Deferred tax assets (Notes 4 and 27)	328,662	2	288,146	2
Other non-current assets (Note 19)	<u>304,468</u>	<u>1</u>	<u>159,949</u>	<u>1</u>
Total non-current assets	<u>8,101,289</u>	<u>42</u>	<u>7,288,279</u>	<u>40</u>
<b>TOTAL</b>	<u>\$ 19,346,442</u>	<u>100</u>	<u>\$ 18,398,251</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 20 and 34)	\$ 1,346,630	7	\$ 1,371,276	8
Contract liabilities - current (Notes 4 and 25)	30,581	-	18,874	-
Notes payable (Note 21)	14,330	-	12,788	-
Accounts payable (Notes 21 and 33)	2,287,370	12	1,936,397	11
Lease liabilities - current (Notes 4 and 15)	79,930	1	52,029	-
Other payables (Note 33)	809,180	4	812,503	4
Current tax liabilities (Note 27)	251,408	1	182,583	1
Current portion of long-term borrowings (Notes 20 and 34)	55,974	-	353,765	2
Other current liabilities (Notes 22, 25 and 33)	<u>206,627</u>	<u>1</u>	<u>167,877</u>	<u>1</u>
Total current liabilities	<u>5,082,030</u>	<u>26</u>	<u>4,908,092</u>	<u>27</u>
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities - non-current (Notes 4 and 15)	476,953	2	447,552	3
Long - term borrowings (Notes 20 and 34)	1,669,191	9	1,524,150	8
Deferred tax liabilities (Notes 4 and 27)	773,682	4	790,157	4
Net defined benefit liabilities - non-current (Notes 4 and 23)	95,701	1	115,019	1
Other non-current liabilities (Note 22)	<u>52,601</u>	<u>-</u>	<u>56,734</u>	<u>-</u>
Total non-current liabilities	<u>3,068,128</u>	<u>16</u>	<u>2,933,612</u>	<u>16</u>
Total liabilities	<u>8,150,158</u>	<u>42</u>	<u>7,841,704</u>	<u>43</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 24)</b>				
Share capital - ordinary shares	<u>1,205,707</u>	<u>6</u>	<u>1,205,707</u>	<u>7</u>
Capital surplus	<u>2,101,673</u>	<u>11</u>	<u>2,103,848</u>	<u>11</u>
Retained earnings				
Legal reserve	1,178,822	6	1,056,002	6
Special reserve	313,321	2	313,321	1
Unappropriated earnings	<u>5,115,900</u>	<u>26</u>	<u>4,740,757</u>	<u>26</u>
Total retained earnings	<u>6,608,043</u>	<u>34</u>	<u>6,110,080</u>	<u>33</u>
Other equity	<u>351,178</u>	<u>2</u>	<u>321,105</u>	<u>2</u>
Total equity attributable to owners of the Company	10,266,601	53	9,740,740	53
<b>NON-CONTROLLING INTERESTS</b>	<u>929,683</u>	<u>5</u>	<u>815,807</u>	<u>4</u>
Total equity	<u>11,196,284</u>	<u>58</u>	<u>10,556,547</u>	<u>57</u>
<b>TOTAL</b>	<u>\$ 19,346,442</u>	<u>100</u>	<u>\$ 18,398,251</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 25, 2021)

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 25 and 33)	\$ 15,551,344	100	\$ 17,113,546	100
OPERATING COSTS (Notes 11, 23, 26 and 33)	<u>11,181,051</u>	<u>72</u>	<u>12,396,017</u>	<u>72</u>
GROSS PROFIT	<u>4,370,293</u>	<u>28</u>	<u>4,717,529</u>	<u>28</u>
OPERATING EXPENSES (Notes 10, 23 and 26)				
Selling and marketing expenses	1,533,729	10	1,703,986	10
General and administrative expenses	826,113	6	866,071	5
Research and development expenses	500,030	3	446,001	3
Estimated credit loss	<u>8,721</u>	<u>-</u>	<u>19,442</u>	<u>-</u>
Total operating expenses	<u>2,868,593</u>	<u>19</u>	<u>3,035,500</u>	<u>18</u>
PROFIT FROM OPERATIONS	<u>1,501,700</u>	<u>9</u>	<u>1,682,029</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES (Notes 13 and 26)				
Interest income	48,683	-	34,382	-
Other income	157,392	1	133,240	1
Other gains and losses	(90,898)	-	(21,222)	-
Finance costs	(58,881)	-	(69,224)	-
Share of profit (loss) of associates	<u>48,096</u>	<u>-</u>	<u>33,477</u>	<u>-</u>
Total non-operating income and expenses	<u>104,392</u>	<u>1</u>	<u>110,653</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	1,606,092	10	1,792,682	11
INCOME TAX EXPENSE (Notes 4 and 27)	<u>338,970</u>	<u>2</u>	<u>477,458</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>1,267,122</u>	<u>8</u>	<u>1,315,224</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 23, 24 and 27)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	1,669	-	4,944	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	127,882	1	(315,887)	(2)
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(333)</u>	<u>-</u>	<u>(950)</u>	<u>-</u>

(Continued)

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Items that may be reclassified subsequently to profit or loss:	<u>129,218</u>	<u>1</u>	<u>(311,893)</u>	<u>(2)</u>
Exchange differences on translating the financial statements of foreign operations	(129,736)	(1)	(211,444)	(1)
Income tax relating to items may be reclassified subsequently to profit or loss	<u>24,452</u>	<u>-</u>	<u>41,115</u>	<u>-</u>
	<u>(105,284)</u>	<u>(1)</u>	<u>(170,329)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>23,934</u>	<u>-</u>	<u>(482,222)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,291,056</u>	<u>8</u>	<u>\$ 833,002</u>	<u>5</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,219,753	8	\$ 1,228,200	7
Non-controlling interests	<u>47,369</u>	<u>-</u>	<u>87,024</u>	<u>1</u>
	<u>\$ 1,267,122</u>	<u>8</u>	<u>\$ 1,315,224</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,251,461	8	\$ 750,385	4
Non-controlling interests	<u>39,595</u>	<u>-</u>	<u>82,617</u>	<u>1</u>
	<u>\$ 1,291,056</u>	<u>8</u>	<u>\$ 833,002</u>	<u>5</u>
EARNINGS PER SHARE (Note 28)				
Basic	<u>\$ 10.12</u>		<u>\$ 10.19</u>	
Diluted	<u>\$ 10.09</u>		<u>\$ 10.16</u>	

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

(With Deloitte & Touche auditors' report dated March 25, 2021)

(Concluded)

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share and Share Issuance Price)

	Equity Attributable to Owners of the Company										
	Retained Earnings					Other Equity					
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity	Total	Non-controlling Interests	Total Equity
BALANCE AT 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 the 2018 earnings (Note 24)											
Legal reserve	-	-	67,277	-	(67,277)	-	-	-	-	-	-
Cash dividends distributed by the Company - \$5 per share	-	-	-	-	(602,854)	-	-	-	(602,854)	-	(602,854)
Net profit for the year ended December 31, 2019	-	-	-	-	1,228,200	-	-	-	1,228,200	87,024	1,315,224
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	2,536	(164,464)	(315,887)	(480,351)	(477,815)	(4,407)	(482,222)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,230,736	(164,464)	(315,887)	(480,351)	750,385	82,617	833,002
Changes in percentage of ownership interests in subsidiaries (Note 30)	-	(4,387)	-	-	-	-	-	-	(4,387)	4,387	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	1,356	1,356
BALANCE AT 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
Appropriation of the 2019 earnings (Note 24)											
Legal reserve	-	-	122,820	-	(122,820)	-	-	-	-	-	-
Cash dividends distributed by the Company - \$6 per share	-	-	-	-	(723,425)	-	-	-	(723,425)	-	(723,425)
Net profit for the year ended December 31, 2020	-	-	-	-	1,219,753	-	-	-	1,219,753	47,369	1,267,122
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	1,635	(97,809)	127,882	30,073	31,708	(7,774)	23,934
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,221,388	(97,809)	127,882	30,073	1,251,461	39,595	1,291,056
Changes in percentage of ownership interests in subsidiaries (Note 30)	-	(2,175)	-	-	-	-	-	-	(2,175)	2,175	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	72,106	72,106
BALANCE AT DECEMBER 31, 2020	<u>\$ 1,205,707</u>	<u>\$ 2,101,673</u>	<u>\$ 1,178,822</u>	<u>\$ 313,321</u>	<u>\$ 5,115,900</u>	<u>\$ (487,817)</u>	<u>\$ 838,995</u>	<u>\$ 351,178</u>	<u>\$ 10,266,601</u>	<u>\$ 929,683</u>	<u>\$ 11,196,284</u>

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

(With Deloitte & Touche audit report dated March 25, 2021)

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,606,092	\$ 1,792,682
Adjustments for:		
Depreciation expenses	405,446	371,136
Amortization expenses	19,149	15,491
Estimated credit loss recognized on trade receivables	8,721	19,442
Finance costs	58,881	69,224
Interest income	(48,683)	(34,382)
Dividend income	(46,587)	(55,462)
Share of profit of associates	(48,096)	(33,477)
Loss on disposal of property, plant and equipment	1,893	380
Loss (Gain) on disposal of investments	7,438	(12,446)
Write-downs of inventories	15,233	12,936
Loss on lease modification	319	-
Changes in operating assets and liabilities		
Notes receivable	(11,932)	13,382
Accounts receivable	(214,406)	(143,647)
Accounts receivable - related parties	64,806	(12,716)
Other receivables	40,457	17,062
Inventories	11,304	120,805
Other current assets	(12,422)	79,535
Other non-current assets	(19,253)	644
Contract liabilities	11,707	(22,625)
Notes payable	1,739	(16,787)
Accounts payable	376,210	53,505
Other payables	(11,492)	56,626
Other current liabilities	38,865	(18,115)
Net defined benefit liabilities	(18,070)	(30,048)
Other non-current liabilities	(4,170)	24,729
Cash generated from operations	2,233,149	2,267,874
Interest received	46,469	28,949
Interest paid	(61,568)	(67,834)
Income tax paid	(300,907)	(365,000)
Net cash generated from operating activities	<u>1,917,143</u>	<u>1,863,989</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(1,101,527)	(829,420)
Purchase of financial assets at fair value through other comprehensive income	(5,330)	(82,367)
Proceeds from sale of financial assets at amortized cost	484,656	219,270
Proceeds from capital reduction of investments accounted for under financial assets at fair value through other comprehensive income	315	315
Net cash outflow on acquisition of businesses	-	(48,195)
Payments for property, plant and equipment	(873,089)	(609,602)

(Continued)

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Proceeds from disposal of property, plant and equipment	4,375	33,703
Increase in refundable deposits	(2,577)	(24,942)
Decrease in refundable deposits	2,588	49,110
Payments for intangible assets	(3,269)	(26,653)
Payments for right-of-use assets	-	(80,978)
Dividends received	49,962	58,462
Proceeds from disposal of right - of - use assets	<u>-</u>	<u>5,843</u>
Net cash used in investing activities	<u>(1,443,896)</u>	<u>(1,335,454)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	6,586,369	4,561,349
Repayments of short-term borrowings	(6,609,640)	(4,465,366)
Proceeds from long-term borrowings	3,199,161	2,963,409
Repayments of long-term borrowings	(3,353,977)	(2,740,543)
Proceeds from guarantee deposits received	3,315	2,901
Refund of guarantee deposits received	(3,155)	(1,041)
Repayment of the principal portion of lease liabilities	(57,223)	(46,233)
Cash dividends paid	(751,745)	(619,816)
Changes in non-controlling equity	<u>100,426</u>	<u>18,318</u>
Net cash used in financing activities	<u>(886,469)</u>	<u>(327,022)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>	<u>(8,145)</u>	<u>(138,257)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(421,367)	63,256
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>3,742,604</u>	<u>3,679,348</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 3,321,237</u>	<u>\$ 3,742,604</u>

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

(With Deloitte & Touche auditors' report dated March 25, 2021)

(Concluded)

## **(2) Individual Financial Statements**

### **INDEPENDENT AUDITORS' REPORT**

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

#### **Opinion**

We have audited the accompanying standalone financial statements of Nan Pao Resins Chemical Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the standalone financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion and based on our and other independent auditors' reports (see Other Matter paragraph), the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its standalone cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

We conducted our audits of the financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. We conducted our audit of the standalone financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our and other independent auditors' reports, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Company's standalone financial statements for the year ended December 31, 2020 is detailed as follows:



### Authenticity of Revenue Recognition

As stated in Notes 4(m) and 23 the Company's main source of revenue is revenue from the sale of adhesives and paint. The sales amount of some customers changed significantly in 2020. The auditor considered the materiality of this to the standalone financial statements as well as the regulations in the auditing standards regarding the presumed significant risk in revenue recognition, and thus deemed the authenticity of revenue recognition of the aforementioned products as a key audit matter.

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

1. We understood the design of the internal controls related to revenue recognition and tested on a sample basis its operating effectiveness.
2. We selected appropriate samples from the sales receipts of the customers mentioned above, and inspected the sales orders signed by external parties based on the revenue recognition terms, commercial invoices and customs declaration certificates to check whether the sales actually occurred, and also confirmed whether the transaction counterparty to the sale was the same as the counterparty receiving payment.

### **Other Matters**

Among the standalone financial statements of the Company, the standalone financial statements of some of the invested companies in using equity method were not audited by us, but were audited by other auditors. Thus, our opinion, insofar as it relates to the amounts and related information, is based solely on the report of other auditors. The total amount of investment accounted for using the equity method amounted to NT\$1,038,776 thousand and NT\$998,004 thousand as of December 31, 2020 and 2019, respectively, and both accounting for 7% of total assets, respectively. The comprehensive income in using equity method was NT\$18,408 thousand and NT\$2,224 thousand as of December 31, 2020 and 2019, respectively, accounting for 1.5% and 0.3% of total comprehensive income, respectively.

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Standalone Financial Statements**

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

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

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

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

From the matters communicated with those charged with governance, we determine those matter that were of most significance in the audit of the standalone financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hung-Ju Liao and Chi-Chen Lee.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
March 25, 2021

Notice to Readers

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

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

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

**STANDALONE BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(In Thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019	
ASSETS	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash (Notes 4 and 6)	\$ 287,063	2	\$ 596,617	4
Financial assets at amortized cost - current (Notes 4, 8 and 9)	534,893	4	382,835	3
Notes receivable (Notes 4 and 10)	190,781	2	180,728	1
Accounts receivable (Notes 4, 10 and 23)	410,632	3	315,893	2
Accounts receivable - related parties (Notes 4, 10, 23 and 30)	910,756	6	614,942	4
Other receivables (Notes 4, 10 and 30)	13,156	-	106,633	1
Inventories (Notes 4 and 11)	466,846	3	483,257	4
Other current assets (Note 17)	39,830	-	21,954	-
Total current assets	2,853,957	20	2,702,859	19
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	1,080,530	7	968,288	7
Financial assets at amortized cost - non-current (Notes 4, 8 and 9)	13,919	-	13,937	-
Investments accounted for using the equity method (Notes 4 and 12)	8,403,544	58	8,118,026	59
Property, plant and equipment (Notes 4 and 13)	1,940,046	13	1,770,504	13
Right-of-use assets (Notes 4 and 14)	32,180	-	41,394	-
Investment properties (Notes 4 and 15)	17,760	-	17,760	-
Other intangible assets (Notes 4 and 16)	29,289	-	35,995	-
Deferred tax assets (Notes 4 and 25)	205,389	2	168,327	1
Other non-current assets (Note 17)	33,226	-	61,232	1
Total non-current assets	11,755,883	80	11,195,463	81
<b>TOTAL</b>	<b>\$ 14,609,840</b>	<b>100</b>	<b>\$ 13,898,322</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 18)	\$ 935,174	6	\$ 710,000	5
Contract liabilities - current (Notes 23)	5,779	-	9,430	-
Notes payable (Note 19)	5,466	-	10,415	-
Accounts payable (Notes 19 and 30)	646,847	5	532,446	4
Lease liabilities - current (Notes 4 and 14)	6,232	-	7,800	-
Other payables (Note 20 and 30)	386,036	3	353,021	3
Current tax liabilities (Note 25)	186,570	1	127,499	1
Other current liabilities (Notes 20, 23 and 30)	29,889	-	25,518	-
Total current liabilities	2,201,993	15	1,776,129	13
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities - non-current (Notes 4 and 14)	26,226	-	33,762	-
Long - term borrowings (Notes 18)	1,265,382	9	1,459,103	10
Deferred tax liabilities (Notes 4 and 25)	768,224	5	784,815	6
Net defined benefit liabilities - non-current (Notes 4 and 21)	77,498	1	99,667	1
Other non-current liabilities	3,916	-	4,106	-
Total non-current liabilities	2,141,246	15	2,381,453	17
Total liabilities	4,343,239	30	4,157,582	30
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)</b>				
Share capital - ordinary shares	1,205,707	8	1,205,707	9
Capital surplus	2,101,673	14	2,103,848	15
Retained earnings				
Legal reserve	1,178,822	8	1,056,002	8
Special reserve	313,321	2	313,321	2
Unappropriated earnings	5,115,900	35	4,740,757	34
Total retained earnings	6,608,043	45	6,110,080	44
Other equity	351,178	3	321,105	2
Total equity	10,266,601	70	9,740,740	70
<b>TOTAL</b>	<b>\$ 14,609,840</b>	<b>100</b>	<b>\$ 13,898,322</b>	<b>100</b>

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

(With Deloitte & Touche auditors' report dated March 25, 2021)

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

## STANDALONE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 23 and 30)	\$ 4,635,634	100	\$ 5,173,269	100
OPERATING COSTS (Notes 11, 21 and 30)	<u>3,144,066</u>	<u>68</u>	<u>3,748,277</u>	<u>72</u>
GROSS PROFIT	<u>1,491,568</u>	<u>32</u>	<u>1,424,992</u>	<u>28</u>
UNREALIZED GAIN (LOSS) ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	(183,462)	(4)	(110,569)	(2)
REALIZED GAIN (LOSS) ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>110,569</u>	<u>2</u>	<u>73,745</u>	<u>1</u>
REALIZED GROSS PROFIT	<u>1,418,675</u>	<u>30</u>	<u>1,388,168</u>	<u>27</u>
OPERATING EXPENSES (Notes 10, 21, 24 and 27)				
Selling and marketing expenses	393,784	9	440,594	8
General and administrative expenses	295,390	6	298,542	6
Research and development expenses	198,774	4	195,450	4
Estimated credit loss (gain)	<u>(2,493)</u>	<u>-</u>	<u>992</u>	<u>-</u>
Total operating expenses	<u>885,455</u>	<u>19</u>	<u>935,578</u>	<u>18</u>
PROFIT FROM OPERATIONS	<u>533,220</u>	<u>11</u>	<u>452,590</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 21, 24 and 30)				
Interest income	1,210	-	5,050	-
Other income	107,617	2	78,341	2
Other gains and losses	(47,697)	(1)	(26,255)	(1)
Finance costs	(22,166)	-	(20,836)	-
Share of profit (loss) of subsidiaries and associates	<u>792,780</u>	<u>17</u>	<u>1,000,020</u>	<u>19</u>
Total non-operating income and expenses	<u>831,744</u>	<u>18</u>	<u>1,036,320</u>	<u>20</u>
PROFIT BEFORE INCOME TAX	1,364,964	29	1,488,910	29
INCOME TAX EXPENSE (Notes 4 and 25)	<u>145,211</u>	<u>3</u>	<u>260,710</u>	<u>5</u>
NET PROFIT FOR THE YEAR	<u>1,219,753</u>	<u>26</u>	<u>1,228,200</u>	<u>24</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 21, 22 and 25)				

(Continued)

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

## STANDALONE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
Items that will not be reclassified subsequently to profit or loss:				
Remensurement of defined benefit plans	2,968	-	1,608	-
Unrealized gain(loss) on investments in equity instruments at fair value through other comprehensive income	107,602	2	(316,702)	(6)
Share of other comprehensive income (loss) of subsidiaries accounted for using equity method	19,540	1	2,064	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(593)</u>	<u>-</u>	<u>(321)</u>	<u>-</u>
	<u>129,517</u>	<u>3</u>	<u>(313,351)</u>	<u>(6)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(122,291)	(3)	(203,719)	(4)
Share of other comprehensive income (loss) of subsidiaries accounted for using the equity method	30	-	(1,860)	-
Income tax relating to items may be reclassified subsequently to profit or loss	<u>24,452</u>	<u>1</u>	<u>41,115</u>	<u>1</u>
	<u>(97,809)</u>	<u>(2)</u>	<u>(164,464)</u>	<u>(3)</u>
Other comprehensive loss for the year, net of income tax	<u>31,708</u>	<u>1</u>	<u>(477,815)</u>	<u>(9)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,251,461</u>	<u>27</u>	<u>\$ 750,385</u>	<u>15</u>
EARNINGS PER SHARE (Note 29)				
Basic	<u>\$ 10.12</u>		<u>\$ 10.19</u>	
Diluted	<u>\$ 10.09</u>		<u>\$ 10.16</u>	

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

(With Deloitte & Touche auditors' report dated March 25, 2021)

(Concluded)

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

**STANDALONE STANDALONE STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**(In Thousands of New Taiwan Dollars, Except Earnings Per Share )**

	Retained Earnings					Other Equity		Total Other Equity	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT 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 the 2018 earnings (Note 22)									
Legal reserve	-	-	67,277	-	(67,277)	-	-	-	-
Cash dividends distributed by the Company - \$5 per share	-	-	-	-	(602,854)	-	-	-	(602,854)
Net profit for the year ended December 31, 2019	-	-	-	-	1,228,200	-	-	-	1,228,200
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	2,536	(164,464)	(315,887)	(480,351)	(477,815)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,230,736	(164,464)	(315,887)	(480,351)	750,385
Changes in percentage of ownership interests in subsidiaries (Note 27)	-	(4,387)	-	-	-	-	-	-	(4,387)
BALANCE AT 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
Appropriation of the 2019 earnings (Note 22)									
Legal reserve	-	-	122,820	-	(122,820)	-	-	-	-
Cash dividends distributed by the Company - \$6 per share	-	-	-	-	(723,425)	-	-	-	(723,425)
Net profit for the year ended December 31, 2020	-	-	-	-	1,219,753	-	-	-	1,219,753
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	1,635	(97,809)	127,882	30,073	31,708
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,221,388	(97,809)	127,882	30,073	1,251,461
Changes in percentage of ownership interests in subsidiaries (Note 27)	-	(2,175)	-	-	-	-	-	-	(2,175)
BALANCE AT DECEMBER 31, 2020	<u>\$ 1,205,707</u>	<u>\$ 2,101,673</u>	<u>\$ 1,178,822</u>	<u>\$ 313,321</u>	<u>\$ 5,115,900</u>	<u>\$ (487,817)</u>	<u>\$ 838,995</u>	<u>\$ 351,178</u>	<u>\$ 10,266,601</u>

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

(With Deloitte & Touche audit report dated March 25, 2021)

# Nan Pao Resins Chemical Co., Ltd.

## STANDALONE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,364,964	\$ 1,488,910
Adjustments for:		
Depreciation expenses	147,743	132,369
Amortization expenses	9,845	7,368
Estimated credit loss (gain) recognized on trade receivables	(2,493)	992
Finance costs	22,166	20,836
Interest income	(1,210)	(5,050)
Dividend income	(45,925)	(55,462)
Write-downs of inventories	2,848	-
Share of (profit) loss of subsidiaries and associates	(792,780)	(1,000,020)
Loss(gain) on disposal of property, plant and equipment	(973)	1,694
Unrealized gain on the transactions with subsidiaries	183,462	110,569
Realized gain on the transaction with subsidiaries	(110,569)	(73,745)
Gain on lease modification	(36)	-
Changes in operating assets and liabilities		
Notes receivable	(10,053)	29,289
Accounts receivable	(92,246)	1,311
Accounts receivable - related parties	(295,814)	39,013
Other receivables	92,511	(87,061)
Inventories	13,563	92,453
Other current assets	(17,876)	19,533
Contract liabilities	(3,651)	9,430
Notes payable	(5,382)	(21,265)
Accounts payable	114,401	(75,204)
Other payables	36,345	18,723
Other current liabilities	4,371	(7,488)
Net defined benefit liabilities	(19,201)	(31,946)
Cash generated from operations	594,010	615,249
Interest received	2,176	4,084
Interest paid	(22,550)	(21,031)
Income tax paid	(115,934)	(199,109)
Net cash generated from operating activities	457,702	399,193
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(152,040)	(382,835)
Purchase of financial assets at fair value through other comprehensive income	(5,330)	(82,367)
Proceeds from capital reduction of investments accounted for under financial assets at fair value through other comprehensive income	315	315
Acquisitions of investments accounted for using the equity method	(28,743)	-
Proceeds from capital reduction of investments accounted for using the equity method	149,450	-
Payments for property, plant and equipment	(285,389)	(173,694)

(Continued)



# Nan Pao Resins Chemical Co., Ltd.

## STANDALONE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Proceeds from disposal of property, plant and equipment	973	5,211
Payments for intangible assets	(1,479)	(25,766)
Dividends received	<u>553,615</u>	<u>574,201</u>
Net cash generated from (used in) investing activities	<u>(231,372)</u>	<u>(84,935)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	5,297,244	3,409,058
Repayments of short-term borrowings	(5,072,070)	(3,369,058)
Proceeds from long-term borrowings	2,794,089	2,861,010
Repayments of long-term borrowings	(2,988,000)	(2,678,801)
Repayment of the principal portion of lease liabilities	(7,917)	(5,937)
Cash dividends paid	(723,425)	(602,854)
Acquisition of additional interest in subsidiaries	<u>(298,549)</u>	<u>(159,450)</u>
Net cash used in financing activities	<u>(998,628)</u>	<u>(546,032)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(309,554)	(231,774)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>596,617</u>	<u>828,391</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 287,063</u>	<u>\$ 596,617</u>

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

(With Deloitte & Touche auditors' report dated March 25, 2021)

(Concluded)

**Attachment 6**

**Nan Pao Resins Chemical Co., Ltd.**  
**2020 Earnings Distribution Plan**

Unit : NT\$

Item		Amount
Beginning retained earnings		\$ 3,894,511,741
Net income	\$ 1,219,753,571	
Defined benefit plan remeasurement on retained earnings	1,634,355	
The after-tax net income for the period plus the amount of items adjusted to the current year's undistributed earnings other than after-tax net income for the period		1,221,387,926
Less: 10% legal reserve		(122,138,793)
Distributable net profit		\$ 4,993,760,874
Distribution item:		
Shareholders dividends - Cash dividends (@\$7/share)		( 843,995,460)
Unappropriated retained earnings		\$ 4,149,765,414
Note : The shareholders dividends was calculated based on total outstanding shares, 120,570,780 shares, as of March 25, 2021. 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: Cheng-Hsien, Wu

Manager: Ming-Hsien, Hsu

Accounting Manager: Kun-Chin, Lin

## Attachment 7

### Nan Pao Resins Chemical Co., Ltd Comparison Table of “Procedures for Governing Loaning of Funds and Making of Endorsements”

Article	Amended Clauses	Original Clauses	Note
2.	Scope: The Company shall comply with these <u>Procedures</u> when making loans to and endorsements/guarantees for others.	Scope: The Company shall comply with these <del>methods</del> when making loans to and endorsements/guarantees for others.	Revise according to the name of the Procedure
5.1.2.	The aggregate amount of loans and the maximum amount permitted to a single borrower (Omitted)	The aggregate amount of loans, the maximum amount permitted to a single borrower <del>and the evaluation criteria:</del> (Omitted)	Revise the article title
5.1.4.	(1) Before making a loan of funds to others, the Company shall carefully evaluate whether the loan is in compliance with <u>“Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”</u> and the Company's Procedures for Governing Loaning of Funds and Making of Endorsements. The Company may loan funds to others only after the evaluation results under Article 5.1.7 have been submitted to and resolved upon by the board of directors. The Company shall not empower any other person to make such decision.	(1) Before making a loan of funds to others, the Company shall carefully evaluate whether the loan is in compliance with the Company's Procedures for Governing Loaning of Funds and Making of Endorsements. The Company may loan funds to others only after the evaluation results under Article 5.1.7 have been submitted to and resolved upon by the board of directors. The Company shall not empower any other person to make such decision.	Add the name of Regulations
5.2.2.	(2) Companies in which the public company holds, directly or indirectly, <u>50%</u> or more of the voting shares <u>are not allowed to</u> make endorsements/ guarantees for each other	(2) Companies in which the public company holds, directly or indirectly, <del>90%</del> or more of the voting shares <del>may</del> make endorsements/guarantees for each other, <del>and the</del>	Revise according to the commercial practice

Article	Amended Clauses	Original Clauses	Note
	<p>(3) Where the Company fulfills its contractual obligations by providing mutual endorsements/ guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, or where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other, such endorsements/ guarantees may be made free of the restriction of <u>Article 5.2.2(1)</u>.</p>	<p><del>amount of endorsements/ guarantees may not exceed 10% of the net worth of the public company, provided that this restriction shall not apply to endorsements/ guarantees made between companies in which the public company holds, directly or indirectly, 100% of the voting shares.</del></p> <p>(3) Where the Company fulfills its contractual obligations by providing mutual endorsements/ guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, or where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other, such endorsements/ guarantees may be made free of the restriction of <del>the preceding paragraphs.</del></p>	
5.2.3.	<p>The <u>aggregate</u> endorsement/ guarantee amount and <u>the amount of endorsements/ guarantees for any single entity</u>:</p> <p>(1) The aggregate endorsement/guarantee amount shall not exceed <u>50%</u> of the Company's net worth as stated in its latest</p>	<p>Endorsement guarantee limit</p> <p>(1) The aggregate endorsement/guarantee amount shall not exceed <u>70%</u> of the Company's net worth as stated in its latest</p>	<p>1. Revise the article title</p> <p>2. Revise the upper limit of aggregate endorsement/ guarantee amount</p> <p>3. Delete the endorsement</p>

Article	Amended Clauses	Original Clauses	Note
	<p>financial statement. The amount of endorsements/guarantees for any single entity shall not exceed <u>20%</u> of the Company's net worth as stated in its latest financial statement.</p> <p>(Paragraph deleted on this article, and adjusted other items order accordingly)</p> <p>(Paragraph deleted on this article, and adjusted other items order accordingly)</p> <p>(2)The chairman of the board shall approve the endorsement/guarantee amount approved within 10% of the Company's <u>aforementioned net worth</u>.</p>	<p>financial statement. <del>The aggregate endorsement/guarantee amount of the Company and its subsidiaries shall not exceed 70% of the Company's net worth as stated in its latest financial statement.</del></p> <p><del>(2) The amount of endorsements/guarantees for any single entity shall not exceed 20% of the Company's net worth as stated in its latest financial statement. The amount of endorsements/guarantees of the Company and its subsidiaries for any single entity shall not exceed 20% of the Company's net worth as stated in its latest financial statement.</del></p> <p><del>(3)For those engaged in endorsement/guarantee due to business relationship, the total aggregate endorsement/guarantee amount shall not exceed the transaction amount in the most recent year (the higher amount of purchase or sale between the two parties). The net worth is based on latest financial statement.</del></p> <p><del>(4) Endorsement/guarantee fee charged</del> <del>(Omitted)</del></p> <p>&lt;This item is moved to 5.2.6.(5), and adjusted other items order accordingly &gt;</p> <p>(4) The chairman of the board shall approve the endorsement/guarantee amount approved within 10% of the Company's <del>net worth as stated in its latest financial statement.</del></p>	<p>guarantee limit of the Company and its subsidiaries</p> <p>4. Move the article order of endorsement/guarantee fee charged</p>

Article	Amended Clauses	Original Clauses	Note
5.2.4.	<u>Responsible division: Unless otherwise specified, the financial and accounting department is responsible for related matters of the endorsement guarantee.</u>	(New Paragraph)	Add responsible division
5.2.5.	<p>5.2.<del>5</del>.</p> <p>(1) Before making an endorsement/guarantee for others, the Company shall carefully evaluate whether the endorsement/guarantee is in compliance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” and the Company's <u>Procedures</u> for Governing Loaning of Funds and Making of Endorsements. The Company may make an endorsement/guarantee only after the evaluation results under Article 5.2.6.(2) and resolved upon by the board of directors, or approved by the chairman of the board, where empowered by the board of directors under Article 5.2.3.(3) to grant endorsements/guarantees within a specific limit, for subsequent submission to and ratification by the next board of directors' meeting.</p> <p>(Paragraph deleted on this article, and adjusted other items order accordingly)</p>	<p>5.2.4.</p> <p>(1) Before making an endorsement/guarantee for others, the Company shall carefully evaluate whether the endorsement/guarantee is in compliance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” and the Company's <del>Method</del> for Governing Loaning of Funds and Making of Endorsements. The Company may make an endorsement/guarantee only after the evaluation results under Article 5.2.<del>5</del>.(2) and resolved upon by the board of directors, or approved by the chairman of the board, where empowered by the board of directors under Article 5.2.3.<del>(5)</del> to grant endorsements/guarantees within a specific limit,<del>for subsequent submission to and ratification by the next board of directors' meeting.</del></p> <p><del>(2) Before making any endorsement/guarantee pursuant to Article 5.2.2.(2), a subsidiary in which the Company holds, directly or indirectly, 90% or more of the voting shares shall submit the proposed endorsement/guarantee to the Company's board of directors for a resolution,</del></p>	Revise according to the commercial practice

Article	Amended Clauses	Original Clauses	Note
		<p><del>provided that this restriction shall not apply to endorsements/guarantees made between companies in which the public company holds, directly or indirectly, 100% of the voting shares.</del></p> <p><del>(5) For circumstances in which an entity for which the Company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, relevant follow-up monitoring and control measures shall be expressly prescribed by the subsidiary.</del></p> <p>&lt;This item is moved to 5.2.8.(3)&gt;</p>	
5.2.6.	<p>5.2.6. Procedures for making endorsements/guarantees. (Omitted)</p> <p><u>(5) Endorsement/guarantee fee charged</u>  <u>The Company may charge 0.1% of endorsement/guarantee fee to a subsidiary in which the Company holds, directly or indirectly, 100% or more of the voting shares and companies that hold less than 100% of the amount will charge 0.1% of endorsement/guarantee fee to a subsidiary in which the Company holds less than 100% of the voting shares</u></p>	<p>5.2.5. Procedures for making endorsements/guarantees. (Omitted)</p> <p><del>(5) The financial and accounting department shall prepare a memorandum book .....</del></p> <p>&lt;This item is moved to 5.2.8.(1), and adjusted other items order accordingly &gt;</p>	Move the article order of endorsement /guarantee fee charged
5.2.8.	<p>5.2.8.</p> <p><u>(1) The financial and accounting department shall prepare a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: the entity for which the</u></p>	<p>5.2.7. (New paragraph)</p>	Move the article order

Article	Amended Clauses	Original Clauses	Note
	<p><u>endorsement/guarantee is made, the amount, the date of passage by the board of directors or of authorization by the chairman of the board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under paragraph 1 of the preceding article.</u></p> <p>(2) Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of these Regulations, or the amount of endorsement/guarantee exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.</p> <p>(3) <u>For circumstances in which an entity for which the Company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, relevant follow-up monitoring and control measures shall be expressly prescribed by the subsidiary.</u></p>	<p>Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of these Regulations, or the amount of endorsement/guarantee exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.</p> <p>(New paragraph)</p>	
5.4.1.	<p>(Omitted)</p> <p>(2) Subsidiaries shall report the previous month's loan balances, endorsement/guarantee amount, entity and duration to the Company by the 5th day of each month.</p>	<p>(Omitted)</p> <p>(2) Subsidiaries shall report the previous month's loan balances, endorsement/guarantee amount, entity and duration to the Company by the 5th day of each month. <del>The loan to others and endorsement/guarantee activities of last year shall submit for</del></p>	Revise according to the commercial practice



Article	Amended Clauses	Original Clauses	Note
		<del>approval by the shareholders' meeting.</del>	
5.5.4.	Matters that the Procedures fail to cover shall be conducted according to relative laws and regulations. If the competent authority announces amendments to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees <u>by Public Companies</u> , the Company shall act according to the new regulations.	Matters that the Procedures fail to cover shall be conducted according to relative laws and regulations. If the competent authority announces amendments to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees, the Company shall act according to the new regulations.	Revise according to the name of the Regulation
5.5.5.	Where the Company has appointed independent directors, when it submits the <u>amendment of</u> Procedures for Governing Loaning of Funds and Making of Endorsements <u>and related activities</u> for discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinions. Any dissent or reservation opinion from independent directors shall be included in the minutes of the board of directors' meeting.	Where the Company has appointed independent directors, when it submits the Procedures for Governing Loaning of Funds and Making of Endorsements <del>and related matters</del> for discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinions. Any dissent or reservation opinion from independent directors shall be included in the minutes of the board of directors' meeting.	Explain the scope of related matters
8.	Revision history: (Omitted) <u>Implemented after the revision of version 2.1 was resolved by the board of directors on March 25, 2021 and approved by the Shareholders' Meeting on June 17, 2021</u>	Revision history: (Omitted)	Add the last revision date

## Attachment 8

### Nan Pao Resins Chemical Co., Ltd Comparison Table of “Rules of Procedure for Shareholders Meetings”

Article	Amended Clauses	Original Clauses	Note
5.1.3.	Election or dismissal of directors or supervisors, amendments to the articles of incorporation, <u>reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares,</u> 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 Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out <u>and the essential contents explained in the notice of the reasons</u> for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.	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 Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.	The Announcement of No. 1100001446 from TWSE issued on January 28, 2021.
5.1.4.	<u>Where re-election of all directors and supervisors as well as their inauguration date is stated in the notice of the reasons for convening the shareholders meeting, after the completion of the re-election in said meeting such inauguration date may not be altered by any extraordinary motion or otherwise in the same meeting.</u>	(New Paragraph on this article, and adjusted other articles' order accordingly)	The Announcement of No. 1080024221 from TWSE issued on January 2, 2020.
5.7.1.	The chair shall call the meeting to order at the appointed meeting time <u>and disclose information concerning the number of nonvoting shares and number of shares represented by shareholders attending the meeting.</u> However, when the attending shareholders do not represent a majority of the total number of	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	The Announcement of No. 1100001446 from TWSE issued on January 28, 2021.

Article	Amended Clauses	Original Clauses	Note
	issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one 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.	than one 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.	
5.8.	If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. <u>Votes shall be cast on each separate proposal in the agenda (including extraordinary motions and amendments to the original proposals set out in the agenda).</u> The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.	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.	The Announcement of No. 1080024221 from TWSE issued on January 2, 2020.
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, call for a vote, <u>and schedule sufficient time for voting.</u>	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, call for a vote.	The Announcement of No. 1080024221 from TWSE issued on January 2, 2020.
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 this Corporation, 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, <u>and the names of directors and supervisors not elected and number of votes they received.</u>	The election of directors or supervisors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by this Corporation, 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.	The Announcement of No. 1100001446 from TWSE issued on January 28, 2021.

Article	Amended Clauses	Original Clauses	Note
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 <u>their voting results (including the number of voting rights), and disclose the number of voting rights won by each candidate in the event of an election of directors or supervisors</u> . The minutes shall be retained for the duration of the existence of this Corporation.	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 <del>the</del> results. The minutes shall be retained for the duration of the existence of this Corporation.	The Announcement of No. 1080024221 from TWSE issued on January 2, 2020.
8.	Revision history: (Omitted) <u>Implemented after the revision of version 1.2 was resolved by the board of directors on March 25, 2021 and approved by the Shareholders' Meeting on June 17, 2021</u>	Revision history: (Omitted)	Add the last revision date

# **Chapter IV. Appendices**

## **Appendix 1**

### **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 and named Nan Pao Resins Chemical Co., Ltd.
- 2 The scope of business of the Company are 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, and may, pursuant to a resolution adopted by the Board of Directors, set up branches, offices, or factories within domestic or overseas when deemed necessary.
- 4 The total amount of the Company's reinvested capital may exceed 40% of the paid-in capital and shall make an external guarantee for the entities 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, un issued shares may be issued by the resolution of the Board of Directors according to actual need. A total of 80 million New Taiwan Dollars among the total capital referred to 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 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 the meeting shall be 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, however a Board meeting may be convened on short notice when in emergency circumstances.  
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 of 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 other regulations shall govern.
- 29 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 2**

### **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 this 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 this Corporation'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, this Corporation's shareholders meetings shall be convened by the board of directors.
    - 5.1.1. This Corporation 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. This Corporation 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, this Corporation 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 this Corporation 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 Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.
    - 5.1.4. A shareholder holding one percent or more of the total number of issued shares may submit to this Corporation a proposal for discussion at a regular shareholders meeting. The number of items so proposed is limited to one only, and no proposal containing more than one item will be included in the meeting agenda. 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. A shareholder may propose a recommendation for urging the corporation to promote public interests or fulfill its social responsibilities, provided procedurally the number of items so proposed is limited only to one in accordance with Article 172-1 of the Company Act, and no proposal containing more than one item will be included in the meeting agenda.

- 5.1.5. Prior to the book closure date before a regular shareholders meeting is held, this Corporation shall publicly announce its acceptance of shareholder proposals in writing or electronically, 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, this Corporation 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 this Corporation 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 this Corporation before five 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 this Corporation, 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 this Corporation before two 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 this Corporation, 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. This Corporation 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. This Corporation 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. This Corporation 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 or supervisors, 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. This Corporation 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 chairperson shall appoint one of the directors 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 managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or 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, at least one supervisor in person, 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. This Corporation 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. This Corporation, 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 one 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 one 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 one 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, call for a vote, and schedule sufficient time for voting.
- 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 this Corporation, 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 three 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 this Corporation holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. 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 this Corporation 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 this Corporation before two 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 this Corporation, by the same means by which the voting rights were exercised, before two 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 this Corporation'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 this Corporation.
- 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 this Corporation, 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 one 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. This Corporation 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 the results. The minutes shall be retained for the duration of the existence of this Corporation.
- 5.14. On the day of a shareholders meeting, this Corporation 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, this Corporation 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 five days in accordance with Article 182 of the Company Act.
- 5.17. These Rules shall take effect after having been submitted to and approved by a shareholders meeting. Subsequent amendments thereto shall be effected in the same manner.
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 approved by the Board of Directors on March 20, 2018, and implemented after the approval of the resolution of the provisional Shareholders' Meeting on June 14, 2018.

**Appendix 3**

**Nan Pao Resins Chemical Co., Ltd**  
**Shareholding of Directors**

Date : April 19, 2021

Position	Name	Date Elected	Shareholding while elected		Current Shareholding	
			Shares	%	Shares	%
Chairman	Cheng-Hsien, Wu	20200616	441,808	0.37%	409,123	0.34%
Director	Guang Rong Investment Ltd. Representative : Ming-Hsien, Hsu	20200616	8,868,132	7.36%	8,868,132	7.36%
Director	Guang Rong Investment Ltd. Representative : Ying-Lin, Huang					
Director	Pou Chien Enterprise Co., Ltd Representative : Nai-Yung, Tsai	20200616	10,920,248	9.06%	10,920,248	9.06%
Independent director	Yun, Chen	20200616	0	0.00%	0	0.00%
Independent director	Yung-Cheng, Chiang	20200616	0	0.00%	0	0.00%
Independent director	Yi-Hsi, Lee	20200616	0	0.00%	0	0.00%
Total			20,230,188		20,197,503	

Note :

1. Total issued shares on June 16, 2020: 120,570,780 shares ;  
Total issued shares on April 19, 2021: 120,570,780 shares.
2. The minimum required combined shareholding of all directors by law: 8,000,000 shares ;  
The combined shareholding of all directors on the closure date: 20,197,503 shares.
3. The shares held by independent directors shall not be counted in the calculation of director shareholdings.
4. The Company has established Audit Committee, the minimum shareholding requirements for supervisors do not apply.