

**NAN PAO RESINS CHEMICAL CO., LTD.**

# **2021 Annual Report**

**This annual report is available at:**

- **The Company's website:** <https://www.nanpao.com.tw/>
- **MOPS (Market Observation Post System):** <https://mops.twse.com.tw/>

**Printed on April 30, 2022**

**Notice to readers**

*This English version annual report 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.*

**I. Names, title, telephone number, and e-mail addresses of the Company's spokesperson and deputy spokesperson**

	Spokesperson	Deputy Spokesperson
Name	Kun-Chin, Lin	Sen-Mao, Kuo
Title	Assistant Manager of Financial Management Division	Executive General Manager of Adhesives and Specialty Business Division
Tel.	886-6-795-4766	886-6-795-4766
E-mail	IR@nanpao.com	IR@nanpao.com

**II. Address and telephone number of the head office and plant**

	Address	Tel
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Plant No. 1	No. 521, Zhongshan Rd., Xigang Dist., Tainan City	886-6-795-6634
Plant No. 5	No. 506, Zhongshan Rd., Xigang Dist., Tainan City	886-6-795-2719
Plant Bao Li	No. 508 and 510, Zhongshan Rd., Xigang Dist., Tainan City	886-6-795-2719

**III. Name, address, website, and telephone number of the stock transfer agency**

Name	Transfer Agency, Chinatrust Commercial Bank
Address	5F, No. 83, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City
Website	<a href="https://www.ctbcbank.com/">https://www.ctbcbank.com/</a>
Tel	886-2-6636-5566

**IV. Name of certificated public accountant ("CPA") who audited the most recent annual financial report and name, address, website and telephone number of the CPA Firm:**

Name of the CPA	Hung-Ju, Liao and Chi-Chen, Lee
Name of the Firm	Deloitte & Touche Taiwan
Address	13F, No. 189, Sec. 1, Yongfu Rd., Zhongxi Dist., Tainan City
Website	<a href="https://www.deloitte.com.tw/">https://www.deloitte.com.tw/</a>
Tel	886-6-213-9988

**V. Name of the stock exchange for traded overseas securities and method of inquiry: None.**

**VI. Company website: <https://www.nanpao.com.tw/>**

# TABLE OF CONTENTS

I.	Letter to Shareholders.....	1
II.	Company Profile .....	5
I.	Date of Incorporation.....	5
II.	Company History.....	5
III.	Corporate Governance .....	7
I.	Organization.....	7
II.	Board Members and Management Team .....	9
III.	Remuneration Paid to Directors, General Managers and Deputy General Managers .....	23
IV.	Implementation of Corporate Governance .....	29
V.	Information on CPA Professional Fees .....	68
VI.	Replacement of the CPA.....	68
VII.	Information on service of the company's chairman, president, and financial or accounting managers at the accounting firm or its affiliates.....	69
VIII.	Equity transfer or changes to equity pledge of directors, managerial officers, or shareholders holding more than 10% of Company shares during the past year prior to the publication date of this Report.....	69
IX.	Relationship among the Top Ten Shareholders.....	71
X.	Long-term Investment Ownership .....	72
IV.	Capital and Shares.....	73
I.	Capital and Shares.....	73
II.	Issuance of Corporate Bonds .....	77
III.	Preferred Share .....	77
IV.	Global Depositary Shares.....	77
V.	Status of Employee Stock Option Plan .....	77
VI.	Status of Employee Restricted Stock .....	77
VII.	Status of New Share Issuance in Connection with Mergers and Acquisitions .....	77
VIII.	Funding Plans and Implementation.....	77
V.	Operational Highlights.....	78
I.	Business Activities .....	78
II.	Market and Sale Overview.....	88
III.	Employee Information.....	94
IV.	Environmental protection expenditure.....	95
V.	Labor Relations.....	97
VI.	Cyber Security Management .....	99
VII.	Important Contracts.....	100
VI.	Financial Highlights.....	102
I.	Financial Highlights.....	102
II.	Financial Analyses .....	106
III.	Audit Committee's Review Report .....	109
IV.	Consolidated Financial Statements and Independent Auditors' Report.....	109
V.	Parent Company Only Financial Statements and Independent Auditors' Reports....	109
VI.	Any financial difficulties experienced by the Company and its affiliated companies during the most recent year up to the publication date of this annual report need to be stated as well as the impact on the Company's financial position need to be outlined.....	109

<b>VII.</b>	<b>Financial Status and Operating Results .....</b>	<b>110</b>
<b>I.</b>	<b>Financial Status.....</b>	<b>110</b>
<b>II.</b>	<b>Financial Performance .....</b>	<b>111</b>
<b>III.</b>	<b>Cash Flow .....</b>	<b>111</b>
<b>IV.</b>	<b>Recent Years Major Capital Expenditures and Impact on Financial and Business.....</b>	<b>112</b>
<b>V.</b>	<b>Long-term Equity Investment Policy and Results .....</b>	<b>112</b>
<b>VI.</b>	<b>Risk Management .....</b>	<b>112</b>
<b>VII.</b>	<b>Other Important Issues. ....</b>	<b>116</b>
<b>VIII.</b>	<b>Special Notes.....</b>	<b>117</b>
<b>I.</b>	<b>Subsidiary Information .....</b>	<b>117</b>
<b>II.</b>	<b>Private Placement Securities in 2021 and as of the Date of this Annual Report. ....</b>	<b>143</b>
<b>III.</b>	<b>Status of the Company’s Common Shares Acquired, Disposed of, and Held by Subsidiaries in 2021 and as of the Date of this Annual Report. ....</b>	<b>143</b>
<b>IV.</b>	<b>Other items that must be included. ....</b>	<b>143</b>
<b>IX.</b>	<b>Any Events in 2021 and as of the Date of this Annual Report that Had Material Impacts on Shareholders’ Interests or Securities Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Act of Taiwan. ....</b>	<b>143</b>
	<b>Appendix 1: 2021 Consolidated Financial Statements .....</b>	<b>144</b>
	<b>Appendix 2: 2021 Statutory Financial Statements .....</b>	<b>223</b>

## I. Letter to Shareholders

Dear Shareholders,

Looking back at 2021, the chemical industry was affected by the decline in petrochemical crude oil inventories, which led to an intensified imbalance between supply and demand, and caused the continuing rise of petrochemical-based raw material prices. Consequently, the annual profit of the company was significantly impacted. Although, concerted efforts were made to reflect the cost of raw materials to the selling prices, the situations from the pandemic, such as the suspension of Vietnamese customers' factories in the third quarter, offsetted the price increases. Fortunately, the vaccination rate has steadily increased and the global economy has gradually recovered with terminal demand still remaining strong. As customers gradually resumed work, increased manufacturing capacity utilization, and newly adopted price adjustments has resulted in the company's improvement in gross profit margin. In addition, since the beginning of the outbreak of COVID-19, the company enforced an emphasis to strict internal control of operating expenses. This has led to the improvement of operating efficiency, and has shown in the operating performance in the fourth quarter.

We hereby report the 2021 operating conditions and future prospects of the company and its subsidiaries as follows:

### I. Review of Business Performance in 2021

#### 1. Results of business plan

The total consolidated revenue of 2021 was NT\$ 17.98 billion, an increase of 15.62% from the previous year. The total gross profit was NT\$4.10 billion, a decrease of 6.14% from the previous year. The operating profit was NT\$ 1.05 billion, a decrease of 29.93% from the previous year. The net income was NT\$ 929 million, a decrease of 26.66% from the previous year. Earnings per share after taxes was NT\$7.26.

Unit : NT\$1,000 (EPS lists in dollars)

Item	Year	2021		2020		Varieties	
		Amount	%	Amount	%	%	%
Net Operating Revenue		17,980,007	100	15,551,344	100	2,428,663	15.62
Gross Profit		4,102,045	23	4,370,293	28	(268,248)	(6.14)
Operating Profit		1,052,194	6	1,501,700	9	(449,506)	(29.93)
Pre-tax Income		1,202,541	7	1,606,092	10	(403,551)	(25.13)
Net Income		929,353	5	1,267,122	8	(337,769)	(26.66)
Net Income attributed to	Shareholders	875,780	5	1,219,753	8	(343,973)	(28.20)
	Not Controlling Interest	53,573	-	47,369	-	6,204	13.10
Earning Per Share(dollar)		7.26		10.12		(2.86)	(28.26)

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\$1,000 ; %

Item	2021	2020
Cash inflow from operating	137,057	1,938,442
Cash outflow from investing	(528,849)	(1,465,195)
Cash inflow (outflow) from fundraising	322,399	(886,469)
Return on Assets (%)	4.27	6.93
Return on Equity (%)	6.77	11.65
Profit before tax to capital stock (%)	99.74	133.21
Net Profit Margin (%)	5.17	8.15

### 4. Research and Development

In order to pursue continuous growth and enhance innovation, the company has invested in the research and development of high-performance shoe adhesives, functional textile adhesives, adhesives for hygiene products, hot-melt adhesives for building materials, adhesives for flexible packaging materials, and optical pressure-sensitive adhesives. The research and development expenses invested in 2021 accounted for approximately 2.70% of the consolidated revenue.

2021 was the inaugural year for the company to assemble various resources to invest in disclosing ESG efforts. In terms of sustainable development, the company strategizes on focusing on green products, which includes:

- (1) Investment in environmental friendly products, including manufactured solvent-free or water-based products that contain reduced amounts of volatile organic compounds (VOC). Currently, 75% to 80% of the company's footwear adhesives products are low-VOC or zero-VOC.
- (2) Development of high-performance products that contribute positively to the environment, such as plastic free paper coating, used in recyclable and reusable paper cups and paper containers. The company has also developed insulating glass sealant, which can be resistant to sunlight, extreme weather, and moisture, and improve energy efficiency for buildings.
- (3) Development of bio-based and recyclable materials to reduce reliance on fossil fuel raw materials and lower carbon emissions. For example, the company has developed PU and EVA foam with bio-based materials to replace synthetic foam, and bio-based hot melt adhesives used for paper labels lamination on metal cans.
- (4) Currently, environmental-friendly products account for 63% of the company's total product output. In the next few years, the company will increase investment in research and development of green products, strive to develop a low-carbon environment, and continue to pursue sustainable growth.

## II. Outline of 2022 Business Plan

### 1. Business Policy

- (1) Diversified application of products: continuously develop products to enhance potential growth opportunities, expand the application of products in various industries, and explore strategic M&A targets with mutual synergies in order to achieve vertical or parallel integration.
- (2) Reinforcement of ESG: In response to international development trends, ESG strategies are being formulated with the goal of promoting energy conservation and carbon reduction and recognizing how to combat climate change. The disclosure of ESG information will also be strengthened to respond to investors' concerns and enhance sustainable competitiveness between enterprises.
- (3) Investment in research and development: Focus on the connection between environmental sustainability and green products, continue to develop products with sustainable value, and meet environmental and market needs at the same time.

### 2. Expected sales volume and its basis

The company's sales plan is determined based on contracts, historical sales records and market changes. It is expected that the business target in 2022 will maintain stable growth.

### 3. Important Production and Marketing Strategies

#### (1) Focus on industries with high growth opportunities

In terms of the adhesive business, the company will continue to focus on the development of footwear-related chemicals, and will concentrate on the product lines with sizeable addressable markets and growth opportunities, including textiles, non-woven, pressure-sensitive adhesives, woodworking, and food packaging adhesives.

#### (2) Green products and green industry opportunities

The company will continue to develop and promote more environmental-friendly products and take advantage of the opportunities in the green industry under the popular trends of sustainable growth, circular economy, and low carbon emissions. An example is the preliminary results in the company's coating business with new applications in the solar and water industry.

#### (3) Prospective Products Planning

A joint venture subsidiary was formed with a technical staff with expertise in composite materials. The team has taken the company's carbon fiber composite materials and combined composite injection technology to produce carbon fiber reinforced plastic components. The subsidiary has begun obtaining orders for 3C and automotive component products. The company will expand the application of carbon fiber composite materials, and develop a diversified product range, catering to the needs of customers in various industries.

### **III. External Competition, Legal Environmental, and Macroeconomical Impact on Future Development Policies**

Observing the recent international economic situation, the rapid spread of the new variant, Omicron, around the world bring these epidemic challenges: labor shortages, disrupted supply chains and rising inflation pressures. Looking forward, the global epidemic situation will continue to remain a headline, but with the gradual increase in virus screenings and vaccine coverage, the number of severe cases and deaths has dropped sharply. Therefore, major countries will slowly ease on the strict epidemic prevention measures and the global economy is expected to maintain a steady pace of recovery.

For the future development of the world, it is expected that the supply and demand of the industry will return to a relatively stable state. We will seize the opportunity by accelerating our core technological innovation capabilities and sound financial constitution. Through accumulation of corporate competitiveness, we will strive to implement corporate governance, risk management, and sustainable operations to create sustainable value for all stakeholders.

Due to the uncertainty brought by the development of the epidemic to the overall economy, the company will continue to strengthen its fundamentals, adhere to the highest guiding principles of “leading, integrity, teamwork, and efficiency” for business development, and deepen the company's competitive advantages of “quality first, leading technology, and service oriented”. The company will always pay close attention to domestic and foreign policy development trends and changes in regulations to minimize the adverse impact of external environmental factors. The utmost priority is to maintain operating growth and stable profit performance in order to reward shareholders for their support to the company.

Chairman: Cheng-Hsien, Wu

Chief Executive Officer: Ming-Hsien, Hsu

Chief Accounting Officer: Kun-Chin, Lin

## II. Company Profile

I. **Date of Incorporation:** October 2, 1963.

### II. Company History

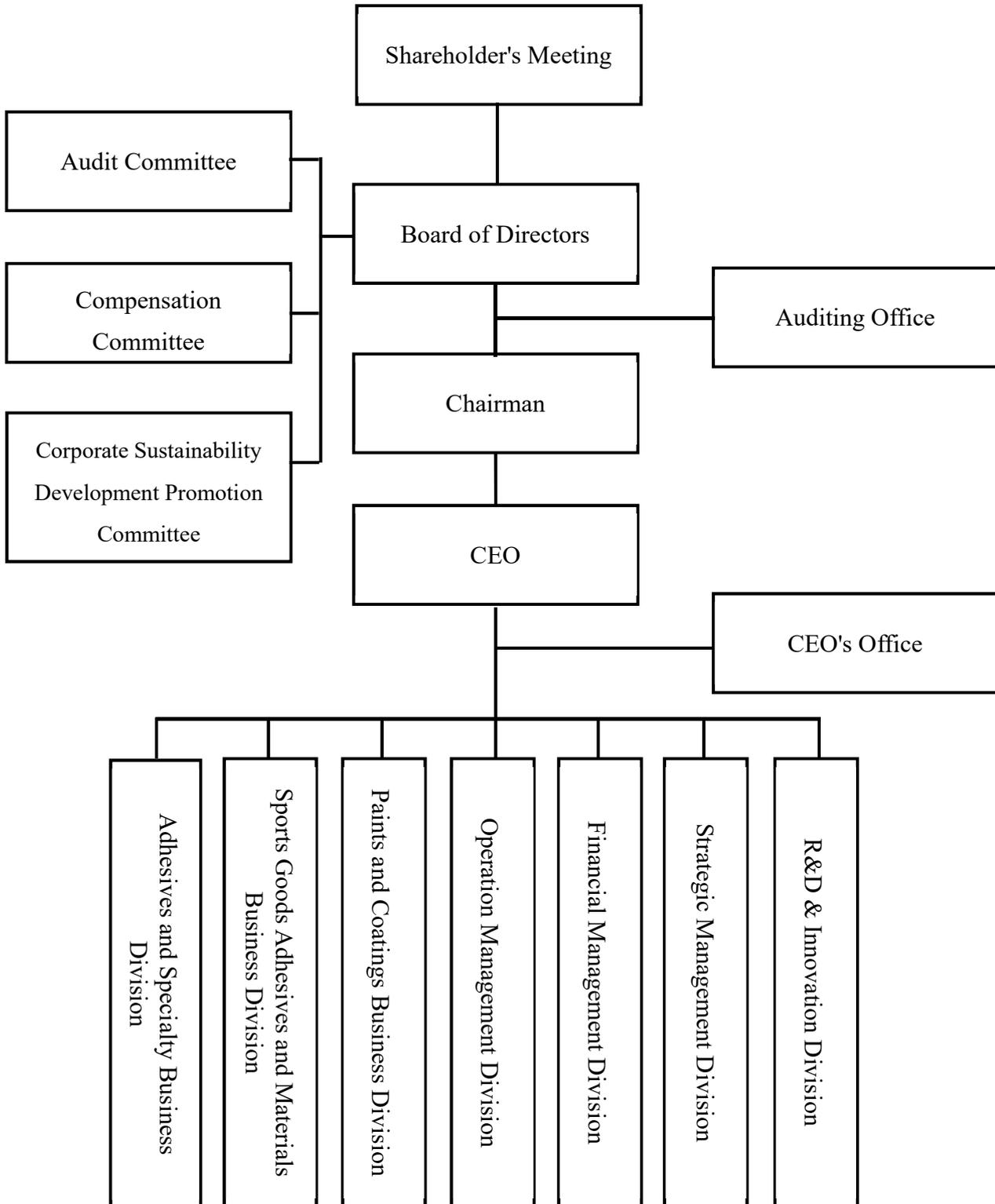
- 1963 • The Company was established.
- 1964 • Became the first company to produce 815 cement paint in Taiwan.
- 1965 • Produced footwear adhesives.
- 1968 • Produced graft chloroprene rubber adhesive.
- 1971 • Established the Research Center.
- 1973 • Collaborated with Hoechst Company to set up Bao Li Resins Co., Ltd., which produced water-based resins, unsaturated polyester resin, and polyurethane resin for synthetic leather.
- 1981 • Merged with Bao Li Resins Co., Ltd. and produced oil coatings and water-based coatings.
  - Produced silicone sealant as authorized by Bayer.
- 1982 • Participated in the NOVA Paint Club.
  - Produced chemical shoe puffs and counters and hot melt films.
- 1983 • Produced powder-based coating as authorized by French Ripolin Company.
- 1984 • Collaborated with Hayakawa Company in Japan to produce water-proof material and sealants.
- 1987 • Established Thai Nan Pao Resins Chemical., Co., Ltd.
- 1991 • Produced polyester resin for powder-based coatings.
- 1992 • Produced reinforcing resin for water-based leather.
- 1993 • Established Fuqing Nan Pao Resins Co., Ltd.
- 1994 • Established P.T Indo Nan Pao Resins Chemical Co., Ltd.
  - Produced water-based sealants.
- 1995 • Received SGS Yarsley ISO9002 certification.
  - Produced water-based polyurethane resin for dyeing and finishing industry.
- 1996 • Established Nan Pao Resins (China) Co., Ltd.
- 1997 • Produced footwear water-based adhesives.
- 1998 • Produced triphenyl-free adhesives.
  - Produced fireproof coatings.
- 1999 • Established Nan Pao Resins (Vietnam) Enterprise Ltd.
  - Received SGS ISO14001 certification
  - Produced footwear water-based processing adhesives and water-based coatings for plastics.
- 2000 • Received OHSAS 18001 Occupational Safety and Health Management System certification.
- 2003 • Received SGS Yarsley ISO 9001:2000 certification.
  - Received ISO 9001:2000 certification from Bureau of Standards, Metrology and Inspection, MOEA.
  - Produced transfer powder coatings and electronic solder-resistant coatings.
  - Group spin-off: Nan Pao Technology Co., Ltd., Nan Pao International Biotech Co., Ltd., and Nan Pao Industrial Co., Ltd. were divested in order for the Group to focus on the core business in chemical engineering.
- 2004 • Established Nan Pao Resins (Fo Shan) Co., Ltd.
- 2005 • Nan Pao updated trademark.
  - Business divisions were formed within the Group.
- 2006 • Established Nan Pao Social Welfare Foundation.
  - Established Nan Pao Electronic Material Co., Ltd.
- 2007 • Established Nan Pao Chemical Co., Ltd.
  - Produced reactive PU hot melt adhesive and non-chrome water-based metal anti-fingerprint surface treatment agent.

- 2008
  - Received “2008 Outstanding Institution for Professional Training” from Workforce Development Agency, Ministry of Labor.
  - 815 Latex Paints received “Green Building Materials Labeling” from the Ministry of Interior.
  - Established ITLS International Development Co., Ltd.
- 2009
  - Water Based PVAc received “Green Building Materials Labeling” from the Ministry of Interior.
  - Established Nan Pao Application Material Co., Ltd.
- 2010
  - Established Foshan Nan Pao Advanced Materials Co., Ltd.
  - Established Progroups Technology Co. Ltd.
  - Invested in Biorich Biotechnology Co., Ltd.
- 2011
  - Established Nan Pao Resins (Dongguan) Co., Ltd.
  - Established Nan Pao Resins Chemical Philippines, Inc.
- 2012
  - Nan Pao 815 Friendly Home Paint received “Green Building Materials Labeling” from the Ministry of Interior.
  - Established Nan Pao Resins India Pvt., Ltd.
- 2013
  - Nan Pao Water-Based Adhesive received “Carbon Footprint Label” from the Environmental Protection Agency, the Executive Yuan.
  - Established Nan Pao Advanced Materials Limited.
  - Established NP Australia Pty Ltd.
- 2014
  - M&A of Prince Pharmaceutical Co., Ltd.
  - M&A of RLA Holdings Pty., Ltd.
  - Established Nan Pao Materials Vietnam Co., Ltd. (Binh Duong Plant in southern Vietnam)
  - Taiwan Hot-melt Adhesives Factory was certified with the National Green Productivity and Green Factory Certification.
- 2015
  - Established Nan Pao Advanced Materials Co., Ltd. and entered the optical adhesive market
  - Established NanTong Nan Pao Resins Materials Co., Ltd.
- 2016
  - ITLS was renamed ITLS International Development Co., Ltd.
  - Established Nan Pao Advanced Materials Vietnam Co.,Ltd. (Ninh Binh Plant in northern Vietnam)
  - PSA factory completed.
- 2017
  - IPO and registration on Emerging Stocks on Taipei Exchange authorized by Taipei Exchange (GreTai Securities Market).
  - Water-based PU was certificated with the ISO/TS14067 inspection statement.
  - Nan Pao Materials Vietnam Co., Ltd has been awarded LEED Gold certification by the U.S. Green Building Council.
  - Established Nan Pao (KunShan) Electronic Commerce Co., Ltd.
- 2018
  - Established Nan Pao Resins (Yunan) Co., Ltd.
  - 105G Eco Friendly adhesive certificated Green Labels both in Taiwan and Singapore.
  - Obtained approval for public offering of stock to be listed on the Taiwan Stock Exchange Corporate.
- 2019
  - Officially certificated the "Best Voted Glue Potion Supplier" at Nike's first WHQ Campus Global Chemical Conference
  - Officially certificated with AS9100:D Quality Management Systems standard for aerospace.
  - Established Nan Pao Resins (HK) Limited.
  - Established Nan Pao Philippines Export Inc.
- 2020
  - Established Nanpao New Materials (Huaian) Co., Ltd.
  - Established Nanpao Fine Materials Co., Ltd.
- 2021
  - Established Nanpao Optoelectronic Materials (Kunshan) Co., Ltd.
  - Established Nan Pao Resins Chemical (Bangladesh) Co., Ltd.

### III. Corporate Governance

#### I. Organization

##### (I) Organization Chart



## (II) Major Division Functions

- |  |  |
|--|--|
| CEO's Office   | <ul style="list-style-type: none"><li>• Establishing the Company's vision and action plans and leading teams to realize short and long-term goals; complying with corporate governance, Code of Ethical Conduct, legal regulations, and environmental policies to ensure the Company's sustainable development; implementing talent development and fostering future management teams in order to realize sustainable operating; carrying out resolutions from the Board of Directors.</li></ul> |
| R&D & Innovation Division                              | <ul style="list-style-type: none"><li>• Developing relevant new products, improving quality of existing products, and lowering costs in accordance with needs of the Company and various business units; exploring technologies, products, and businesses suitable for long-term development to undertake technical collaboration and evaluate the feasibility of new ideas.</li></ul>   |
| Strategic Management Division                          | <ul style="list-style-type: none"><li>• Establishing the Company's development strategies; coordinating the Company's HR, IT, business investments, and CSR tasks to achieve the Company's revenue and profitability goals and ensuring effective organizational operation and continued future growth.</li></ul>  |
| Financial Management Division                          | <ul style="list-style-type: none"><li>• Establishing the Company's financial and accounting strategies, financial and accounting management; proposing financial and accounting plans; managing the Company's financing, tax, and capital management.</li></ul>  |
| Operation Management Division                          | <ul style="list-style-type: none"><li>• Coordinating the Company's production, procurement, factory affairs, sales, and administrative tasks; assisting the operation of each business unit to achieve relevant revenue and profitability goals and ensure effective organizational operation and future continued growth.</li></ul>   |
| Paints and Coatings Business Division                  | <ul style="list-style-type: none"><li>• Establishing development strategies and coordinating all operation and management tasks for the coating business to achieve relevant revenue and profitability goals and ensure effective organizational operation and future continued growth.</li></ul>  |
| Sports Goods Adhesives and Materials Business Division | <ul style="list-style-type: none"><li>• Establishing development strategies and coordinating all operation and management tasks for the footwear business to achieve relevant revenue and profitability goals and ensure effective organizational operation and future continued growth.</li></ul>   |
| Adhesives and Specialty Business Division              | <ul style="list-style-type: none"><li>• Establishing development strategies and coordinating all operation and management tasks for the adhesive business to achieve relevant revenue and profitability goals and ensure effective organizational operation and future continued growth.</li></ul>   |
| Auditing Office  | <ul style="list-style-type: none"><li>• Establishing and improving the Company's internal control system, planning and performing audits on the Company's system operations, regularly submitting reports and tracking subsequent improvements.</li></ul>  |

## II. Board Members and Management Team

### (I) Board Members

#### 1. Information Regarding Board Members

April 25, 2022

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse or Minors		Shares Currently Held by Nominees		Education and Experience	Other Position	Executives, Directors or Supervisors, who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Taiwan, R.O.C.	Cheng-Hsien, Wu	Male/71~80	20200616	3	20140627	441,808	0.37	393,065	0.33	141,342	0.12	—	—	• M.S. in Applied Chemistry, National Tsing Hua University; • Bachelor of Chemistry, National Tsing Hua University; • Adhesive Business Executive General Manager and General Manager of Nan Pao Resins Chemical Co., Ltd.	Note 1	—	—	—
Director	Taiwan, R.O.C.	Pou Chien Enterprise Co., Ltd.	—	20200616	3	20081212	10,920,248	9.06	10,920,248	9.06	—	—	—	—	—	—	—	—	—
	Taiwan, R.O.C.	Nai-Yung, Tsai	Male 61~70	20200616	3	20191129	—	—	—	—	—	—	—	—	• LuKang Junior High School; • Deputy General Manager of Global Supply Chain Management Head Office, Pou Chen Corporation	Note 2	—	—	—
Director	Taiwan, R.O.C.	Guang Rong Investment Ltd.	—	20200616	3	20140627	8,868,132	7.36	8,868,132	7.36	—	—	—	—	—	—	—	—	—
	Taiwan, R.O.C.	Ming-Hsien, Hsu	Male 51~60	20200616	3	20140627	483,211	0.40	483,211	0.40	121,554	0.10	—	—	• M.S. in Industrial Engineering, National Cheng Kung University; • Bachelor of Business Management, National Sun Yat-sen University; • Deputy General Manager of Nan Pao Resins Chemical Co., Ltd. ; • Chief Executive Officer of Nan Pao Resins Chemical Co., Ltd.	Note 3	—	—	—
Director	Taiwan, R.O.C.	Guang Rong Investment Ltd.	—	20200616	3	20140627	8,868,132	7.36	8,868,132	7.36	—	—	—	—	—	—	—	—	—
	Taiwan, R.O.C.	Ying-Lin, Huang	Male 21~30	20200616	3	20200616	4,695,936	3.89	4,709,936	3.91	—	—	—	—	• M.S. in Applied Chemistry, Waseda University; • Chief Executive's Office Special Assistant of Nan Pao Resins Chemical Co., Ltd.	Note 4	—	—	—

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse or Minors		Shares Currently Held by Nominees		Education and Experience	Other Position	Executives, Directors or Supervisors, who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	Taiwan, R.O.C.	Yun, Chen	Male 71~80	20200616	3	20171212	—	—	—	—	—	—	—	—	<ul style="list-style-type: none"> <li>• Ph.D. of Synthetic Chemistry, Faculty of Engineering, University of Tokyo, Japan;</li> <li>• M.S. of Macromolecule, National Tsing Hua University;</li> <li>• Bachelor of Industrial Chemistry, Tung Hai University;</li> <li>• Professor/Dean/ Distinguished Professor of National Cheng Kung University</li> </ul>	—	—	—	—
Independent Director	Taiwan, R.O.C.	Yung-Cheng, Chiang	Male 61~70	20200616	3	20171212	—	—	—	—	—	—	—	—	<ul style="list-style-type: none"> <li>• Bachelor of Law, Soochow University;</li> <li>• Judge of Taiwan Kaohsiung District Court;</li> <li>• Judge of Taiwan High Court Kaohsiung Branch Court;</li> <li>• Attorney of Cheng Bang &amp; Cheng Yang Joint Law Firm</li> </ul>	Note 5	—	—	—
Independent Director	Taiwan, R.O.C.	Yi-Hsi, Lee	Male 41~50	20200616	3	20171212	—	—	—	—	—	—	—	—	<ul style="list-style-type: none"> <li>• Ph.D. and M.S. of Department of Finance, National Sun Yat-sen University;</li> <li>• Bachelor of Operating and Management, Tung Hai University;</li> <li>• Associate Professor at Department of Financial Engineering and Actuarial Mathematics, Soochow University;</li> <li>• Assistant Professor at Finance Department, National Kaohsiung University of Science and Technology;</li> <li>• Adjunct Assistant Professor at Department of Finance, National Sun Yat-sen University;</li> <li>• Chief Deputy CEO, Digital Financial Innovation Block Chain Lab, FinTech Center at College of Commerce, National Cheng Chi University;</li> <li>• Deputy CEO, AI Innovation Lab, FinTech Center at College of Commerce, National Cheng Chi University;</li> <li>• Researcher, Risk and Insurance Research Center at College of Commerce, National Cheng Chi University;</li> <li>• Supervisor of Taiwan Risk and Insurance Association;</li> <li>• Executive Supervisor of Asia Pacific RegTech Association</li> </ul>	—	—	—	—

Note 1: Corporate Director Representative and Chairman of ITLS International Development Co., Ltd. and Nan Pao Application Material Co., Ltd.; Director of Nan Pao Overseas Holdings Ltd.; Nan Pao Group Holdings Ltd.; Treasure Wealth (HK) Ltd.; Greatwill Materials (HK) Ltd.; Goldford Investments Ltd.; Nan Pao Resins (Holdings) Ltd.; Eastlion Enterprises Ltd.; Nan Pao Resins (Dongguan) Co. Ltd.; Nan Pao Resins Development Ltd.; Dongguan Jiaqin Electronics Ltd.; NP Australia Pty. Ltd.; RLA Polymers Pty. Ltd.; RLA Polymers (M) SDN. BHD.; Nanpao Advanced Investment Co., Ltd.; Nantong Nanpao Resins Materials Co., Ltd.; Nan Pao (KunShan) Electronic Commerce Co., Ltd.; Nan Pao Resins (Yunan) Co., Ltd.; Nan Pao Resins (HK) Limited; Profit Land Ltd.; Nan Pao Resins (Foshan) Co., Ltd.; All Saints Enterprises Ltd.; Nan Pao Resins (China) Co., Ltd.; Fuqing Nan Pao Investment Ltd.; Fuqing Nan Pao Resins Co., Ltd.; Thai Nan Pao Investments Ltd.; Thai Nanpao Resins Chemical Co., Ltd.; ITLS Holding Pte. Ltd.; Aftek Materials Vietnam Co., Ltd.; Nan Pao Advanced Materials Vietnam Co., Ltd.; Director and Corporate Director Representative of Nan Pao Resins Chemical Philippines, Inc.; Corporate Director Representative of Nan Pao Philippines Export Inc.; Supervisor of PT. Indo Nan Pao Resins Chemical Co., Ltd.; PT. ITLS Indonesia.

Note 2: Deputy General Manager of Global Supply Chain Management Headquarters of Pou Chen Corporation; Corporate Director Representative of Evermore Chemical Industry Co., Ltd.; Chang Yang Material Corp.; Limao Digital Printing Co., Ltd.

Note 3: Director of Greatwill Materials (HK) Ltd.; Ongoing Profits Ltd.; Rising Sun Associate Ltd.; Nan Pao Resins (Vietnam) Enterprise Ltd.; Nan Pao Resins Chemical Philippines, Inc.; Goldford Investments Ltd.; Nan Pao Resins (Holdings) Ltd.; Eastlion Enterprises Ltd.; Nan Pao Resins (Dongguan) Co. Ltd.; Nan Pao Resins Development Ltd.; Nan Pao Materials Vietnam Co.,Ltd.; Nan Pao Resins International Ltd.; Nanpao Advanced Investment Co., Ltd.; Nantong Nanpao Resins Materials Co., Ltd.; Nan Pao (KunShan) Electronic Commerce Co., Ltd. ; Nan Pao Resins (HK) Limited; Giant Profit Development Ltd.; All Saints Enterprises Ltd.; Nan Pao Resins (China) Co., Ltd.; Fuqing Nan Pao Investment Ltd.; Wealth Castle Development Ltd.; Fuqing Nan Pao Resins Co., Ltd.; Thai Nan Pao Investments Ltd.; Thai Nanpao Resins Chemical Co., Ltd.; Nan Pao Advanced Materials Vietnam Co., Ltd.; Nanpao New Materials (Huaian) Co., Ltd.; Earnest Wealth Co., Ltd. ; Supervisor of Foshan Nan Pao Advanced Materials Co., Ltd.; Dongguan Jiaqin Electronics Co., Ltd.; Nan Pao Resins (Yunan) Co., Ltd.; Nan Pao Resins (Foshan) Co., Ltd.

Note 4: Corporate Director Representative and Chairman of Sheng Lin Investment Ltd. ; Sheng Bao Investment Co., Ltd. ; Nan Pao Electronic Material Co., Ltd.; Director of Greatwill Materials (HK) Ltd.; Ongoing Profits Ltd.; Rising Sun Associates Ltd.; Nan Pao Resins (Vietnam) Enterprise Ltd.; Goldford Investments Ltd.; Nan Pao Resins (Holdings) Ltd.; Eastlion Enterprises Ltd.; Nan Pao Resins Development Ltd.; Nan Pao Materials Vietnam Co., Ltd.; Nan Pao Resins International Ltd.; Profit Land Ltd.; Giant Profit Development Ltd.; Great Mount Enterprises Ltd.; Fuqing Nan Pao Investment Ltd.; Wealth Castle Development Ltd.; ITLS Holding Pte. Ltd.; Corporate Director Representative of Apogee Optocom Co., Ltd.; Ferrule Precision Co., Ltd.; Opulence Optronics Co., Ltd.; Advant Analytics Tactics Ltd.; Biorich Biotechnology Co., Ltd.; FlexUP Technologies Corp.; Nan Pao Village Industry Co., Ltd.

Note 5: Independent Director of Long Da Construction & Development Corporation. ; Taiwan Secom Co., Ltd.; Top High Image Corp.

Table 1: Major Shareholders of Institutional Shareholder

April 25, 2022

Institutional Shareholder	Major Shareholders of the Institutional Shareholder	Shareholding Percentage
Pou Chien Enterprise Co., Ltd.	Pao Chien Chemical Engineering Holdings	100%
Guang Rong Investment Ltd.	Samoan Guang Rong Investment Ltd.	100%

Table 2: Major Shareholder of the Major Institutional Shareholder

April 25, 2022

Institutional Shareholder	Major Shareholders of the Institutional Shareholder	Shareholding Percentage
Pao Chien Chemical Engineering Holdings	Key International Co., Ltd.	100%
Samoan Guang Rong Investment Ltd.	Worthy Virtue Electronic Industrial Co., Ltd.	100%

## 2. Directors' Professional Qualifications and Independent Directors' Independence Status

Criteria Name	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Cheng-Hsien, Wu S Committee member (Note 3)	<ol style="list-style-type: none"> <li>1. Mr. Cheng-Hsien, Wu obtained a M.S. degree in Applied Chemistry from National Tsing Hua University. Mr. Wu has over 40 years work experience. Since joined the Nan Pao Research Department in 1977, he has served as the director of Bao Li Plant, the general manager of the R&amp;D Department, the executive general manager of the Adhesive Business and general manager of Nan Pao. He served as the chairman of Nan Pao Resins Chemical Co., Ltd. from 2013. He is professionally proficient in industry knowledge and corporate operating leadership.</li> <li>2. Without cases mentioned in various clauses of Article 30 of Company Law. (Note 1)</li> </ol>	Not Applicable	0
Pou Chien Enterprise Co., Ltd. Representative: Nai-Yung, Tsai	<ol style="list-style-type: none"> <li>1. Mr. Nai-Yung, Tsai has over 40 years work experience. Since joined the Pou Chien Chemical Department in 1979, he has served as the manager of Footwear R&amp;D, the management assistant of the overseas factory production practice. He currently serves as the Deputy General Manager of Global Supply Chain Management Headquarters of Pou Chen Corporation and Corporate Director Representative of Evermore Chemical Industry Co., Ltd, He is professionally proficient in industry knowledge and corporate operating leadership.</li> <li>2. Without cases mentioned in various clauses of Article 30 of Company Law. (Note 1)</li> </ol>		0

Criteria Name	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Guang Rong Investment Ltd. Representative: Ming-Hsien, Hsu ☐ Committee member (Note 3)	<ol style="list-style-type: none"> <li>1. Mr. Ming-Hsien, Hsu obtained a M.S. degree in Industrial Engineering from National Cheng Kung University. Mr. Hsu has over 30 years work experience. Since joined the Nan Pao Enterprise Management Office in 1986, he has served as director of the Enterprise Management Office, manager of the General Management Office and deputy general manager of the Planning Office. He served as the CEO of Nan Pao Resins Chemical Co., Ltd. from 2017. He is professionally proficient in industry knowledge, corporate operating leadership and business strategy.</li> <li>2. Without cases mentioned in various clauses of Article 30 of Company Law. (Note 1)</li> </ol>	Not Applicable	0
Guang Rong Investment Ltd. Representative: Ying-Lin, Huang	<ol style="list-style-type: none"> <li>1. Mr. Ying-Lin, Huang obtained a M.S. degree in Applied Chemistry from Waseda University. Mr. Huang currently serves as the Chief Executive's Office Special Assistant of Nan Pao Resins Chemical Co., Ltd. and Director of Apogee Optocom Co., Ltd. He is professionally proficient in industry knowledge.</li> <li>2. Without cases mentioned in various clauses of Article 30 of Company Law. (Note 1)</li> </ol>		0

Criteria Name	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Yun, Chen <input type="checkbox"/> Convener <input type="checkbox"/> Convener <input type="checkbox"/> Convener (Note 3)	<ol style="list-style-type: none"> <li>Mr. Yun, Chen graduated from Industrial Chemistry of Tung Hai University and subsequently obtained a M.S. degree in Macromolecule from National Tsing Hua University and a Ph.D. degree in Synthetic Chemistry, Faculty of Engineering from University of Tokyo, Japan. Mr. Chen has over 40 years work experience. He has served as Distinguished Professor of National Cheng Kung University. He is professionally proficient in industry knowledge.</li> <li>Without cases mentioned in various clauses of Article 30 of Company Law. (Note 1)</li> </ol>	<p>All of the following situations apply to each and every of the Independent Directors:</p> <ul style="list-style-type: none"> <li>Satisfy the requirements of Article 14-2 of "Securities and Exchange Act" and Article 3 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" (Note 2) issued by Taiwan's Securities and Futures Bureau</li> <li>I, my spouse and relative within the second degree of kinship do not serve as the director, supervisor or employee of the Company or its affiliated companies.</li> <li>I, my spouse and relative within the second degree of kinship (or under other's name) do not hold any percentage or number of issued shares of the Company;</li> <li>Do not serve as a director, supervisor or employee of the Company that has a special relationship with the Company;</li> <li>Do not provide commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years.</li> </ul>	0
Yung-Cheng, Chiang <input type="checkbox"/> Committee member <input type="checkbox"/> Committee member <input type="checkbox"/> Committee member (Note 3)	<ol style="list-style-type: none"> <li>Mr. Yung-Cheng, Chiang graduated from Faculty of Law of Soochow University. Mr. Chiang has over 30 years work experience. He has served as Judge of Taiwan Kaohsiung District Court and Taiwan High Court Kaohsiung Branch Court. Currently he serves as the lawyer of Attorney of Cheng Bang &amp; Cheng Yang Joint Law Firm and the Independent Director of Taiwan Secom Co., Ltd. and Top High Image Corp. He is professionally proficient in legal.</li> <li>Without cases mentioned in various clauses of Article 30 of Company Law. (Note 1)</li> </ol>	<p>All of the following situations apply to each and every of the Independent Directors:</p> <ul style="list-style-type: none"> <li>Satisfy the requirements of Article 14-2 of "Securities and Exchange Act" and Article 3 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" (Note 2) issued by Taiwan's Securities and Futures Bureau</li> <li>I, my spouse and relative within the second degree of kinship do not serve as the director, supervisor or employee of the Company or its affiliated companies.</li> <li>I, my spouse and relative within the second degree of kinship (or under other's name) do not hold any percentage or number of issued shares of the Company;</li> <li>Do not serve as a director, supervisor or employee of the Company that has a special relationship with the Company;</li> <li>Do not provide commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years.</li> </ul>	2

Criteria Name	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
<p>Yi-Hsi, Lee</p> <p><input type="checkbox"/> Committee member</p> <p><input type="checkbox"/> Committee member</p> <p><input type="checkbox"/> Committee member</p> <p>(Note 3)</p>	<p>1. Mr. Yi-Hsi, Lee graduated from Operating and Management of Tung Hai University and subsequently obtained a Ph.D. degree and a M.S. degree in Finance from National Sun Yat-sen University. Mr. Lee has over 20 years work experience. He has served as Advisor at Global Capital Market Division of CTBC Bank and Supervisor of Du Dong Technology Co., Ltd. Currently he serves as the Deputy CEO of AI Innovation Lab, FinTech Center at College of Commerce in National Cheng Chi University, the researcher of Risk and Insurance Research Center at College of Commerce in National Cheng Chi University, the supervisor of Taiwan Risk and Insurance Association and the Executive Supervisor of Asia Pacific RegTech Association. He is professionally proficient in accounting, financial management, financial investment and blockchain technology.</p> <p>2. Without cases mentioned in various clauses of Article 30 of Company Law. (Note 1)</p>	<p>All of the following situations apply to each and every of the Independent Directors:</p> <ul style="list-style-type: none"> <li>• Satisfy the requirements of Article 14-2 of "Securities and Exchange Act" and Article 3 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" (Note 2) issued by Taiwan's Securities and Futures Bureau</li> <li>• I, my spouse and relative within the second degree of kinship do not serve as the director, supervisor or employee of the Company or its affiliated companies.</li> <li>• I, my spouse and relative within the second degree of kinship (or under other's name) do not hold any percentage or number of issued shares of the Company;</li> <li>• Do not serve as a director, supervisor or employee of the Company that has a special relationship with the Company;</li> <li>• Do not provide commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years.</li> </ul>	<p>0</p>

Note 1: A person shall not act in a management capacity for a company, and if so appointed, must be immediately discharged if they have been:

- (1) Convicted for a violation of the Statutes for the Prevention of Organizational Crimes and: has not started serving the sentence; has not completed serving the sentence; or five years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
- (2) Convicted for fraud, breach of trust or misappropriation, with imprisonment for a term of more than one year, and: has not started serving the sentence; has not completed serving the sentence; or two years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
- (3) Convicted for violation of the Anti-Corruption Act, and: has not started serving the sentence; has not completed serving the sentence; or two years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
- (4) Adjudicated bankrupt or adjudicated to commence a liquidation process by a court, and having not been reinstated to his or her rights and privileges;
- (5) Sanctioned for unlawful use of credit instruments, and the term of such sanction has not expired yet;
- (6) If she/he does not have any or limited legal capacity; or
- (7) If she/he has been adjudicated to require legal guardianship and such requirement has not been revoked yet.

Note2: Circumstances that for any independent director who fulfills the relevant condition(s) for two fiscal years before being elected to the office or during the term of office:

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. (The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds in accordance with domestic or local regulations.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not the managers as item 1 or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of the person as item 2 &3.
- (5) Directors, supervisors, or legal shareholders who are not directly holding more than 5% of the company's total issued shares, holding the top five shares, or appointing representatives as company directors or supervisors in accordance with Article 27, paragraph 1 or 2 of the Company Law Employee (but if the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, it is not limited to this)
- (6) More than half of the shares that are not on the board of directors of the company or have voting rights are the directors, supervisors or employees of other companies controlled by the same person (but if it is the company or its parent company, subsidiary or subsidiary of the same parent company (The independent directors established by the laws or local laws and regulations of the country serve concurrently with each other, this is not the case)
- (7) Directors (directors), supervisors (supervisors) or servants of other companies or organizations who are not the same person or spouse with each other and are the same person or spouse (Or independent directors set up by subsidiaries of the same parent company in accordance with this law or local national laws and regulations serve concurrently, not subject to this limit)
- (8) Directors (directors), supervisors (supervisors), managers or shareholders holding more than 5% of a specific company or organization that does not have financial or business dealings with the company (but if a specific company or organization holds 20% of the company's total issued shares Above, not more than 50%, and the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations concurrently serve each other, not limited to this)
- (9) Professionals, sole proprietorships, partnerships, business owners of companies or institutions that do not provide audits for companies or related companies or business, legal, financial, accounting and other related services that have not received more than NT\$ 500,000 in cumulative compensation in the past two years Partners, directors (directors), supervisors (supervisors), managers and their spouses. However, members of the Compensation Committee, Public Takeovers Review Committee, or M&A Special Committee performing their functions and powers in accordance with the relevant laws and regulations of the Securities Exchange Act or the Corporate M&A Act are not limited to this.

Note 3: Functional Committees :  Audit Committee  Compensation Committee  Corporate Sustainability Development Promotion Committee

### 3. Board Diversity and Independence

#### Diversification of the Board:

In line with the policy of membership diversification for the board of directors, as stipulated in the "Corporate Governance Best Practice Principles." Include but not restrict the following two standards:

Basic condition: gender, age, nationality, race and culture, etc.

Professional knowledge and skill: professional background (such as law, accounting, industry, finance, marketing or technology), professional skill and industrial experience.

The Company select 7 directors (including 3 independent directors) at 2020 Shareholders' Meeting. The members of the board are all outstanding figures in industry and academia, boasting mutually complemented industrial experience, as well as expertise in finance, accounting and law, meeting the diversified board management goals (See Note 1: Implement the policy of diversification in the board).

#### Management targets :

#### Target achievements :

(1)At least 1 female director of the board members ;

(1)The board members do not include female directors and will be elected in 2023 ;

(2)More than one-third of the board seats are independent directors ;

(2)The proportion of independent directors is 42.86% ;

(3)Directors concurrently act as managerial officers shall not be more than one-third of the board seats ;

(3)Directors concurrently act as managerial officers is 14.29% ;

(4)No more than two directors have a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(4)No directors have a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

Unachieved
Achieved
Achieved
Achieved

### Independence of the Board:

The board of the Company is independent:

(1) 7 seats include 3 independent directors (42.86%). 3 directors meet all independence requirements (42.86%).

(2) The tenure of the independent directors shall not exceed cumulative term limit of three years and no independent director may concurrently serve as an independent director of more than three other public companies. Three independent directors have a cumulative term of 4-6 years.

(3) The directors have no spouse and second degree of kinship who serve as directors (no circumstance that describes in Article 26-3-3 and Article 26-3-4 of Securities and Exchange Act).

(4) The directors exercise a high degree of self-discipline. In case involving interests of their or of the legal entities that they represent, they shall explain key contents of the involvement at the board meeting. They shall voluntarily abstain from discussion and voting as well as evade during discussion and voting, for themselves or proxy for another director, on a proposal submitted to the board that risks the involvement of the director's own interest to the detriment of the interest of the Company (please refer to Page 29 The implementation of Directors' avoidance of motions in conflict of interest).

### Note 1: Implement the Policy of Diversification in the Board

Name	Diversification Core Items	Basic Condition and Value			Date First Appointment	Tenure of Independent Directors	Employed by Nan Pao	Concurrently Serve as Manager	Professional Knowledge and Expertise				
		Gender	Age	Nationality					Industry experience	Leadership	Accounting	Financial	Legal
Cheng-Hsien, Wu		Male	71-80	ROC	20140627				✓	✓			
Guang Rong Investment Ltd. Representative: Ming-Hsien, Hsu		Male	51-60	ROC	20140627		✓	✓	✓	✓			
Guang Rong Investment Ltd. Representative: Ying-Ling, Huang		Male	21-30	ROC	20200616		✓		✓				
Pou Chien Enterprise Co., Ltd. Representative: Nai-Yung, Tsai		Male	61-70	ROC	20191129				✓	✓			
Yun, Chen		Male	71-80	ROC	20171212	4-6 year			✓				
Yung-Cheng, Chiang		Male	61-70	ROC	20171212	4-6 year							✓
Yi-Hsi, Lee		Male	41-50	ROC	20171212	4-6 year					✓	✓	

## (II) Information Regarding Management Team

April 25, 2022

Title	Nationality	Name	Gender	Date Effective	Shares Held		Shares Held by Spouse and Minors		Share Held In the Name Of Others		Education and Experience	Other Position	Managers Who are Spouses or within two degrees of kinship		
					Sares	%	Sares	%	Sares	%			Title	Name	Relation
CEO	Taiwan R.O.C.	Ming-Hsien, Hsu	Male	20161215	483,211	0.40	121,554	0.10	—	—	<ul style="list-style-type: none"> <li>• M.S. in Industrial Engineering, National Cheng Kung University;</li> <li>• Bachelor of Business Management, National Sun Yat-sen University;</li> <li>• Deputy General Manager of Nan Pao Resins Chemical Co., Ltd.</li> </ul>	Note 1	—	—	—
Executive General Manager of Sports Goods Adhesives and Materials Business Division	Taiwan R.O.C.	Chao-Chian, Tsai	Male	20170101	109,293	0.09	—	—	—	—	<ul style="list-style-type: none"> <li>• EMBA of National Sun Yat-sen University;</li> <li>• Bachelor of Chemistry, Soochow University;</li> <li>• Executive General Manager of Adhesive Business Division, Nan Pao Chemical Co., Ltd.</li> </ul>	Note 2	—	—	—
Executive General Manager of Paints and Coatings Business Division	Taiwan R.O.C.	Yi-Fa, Tsai	Male	20140401	32,464	0.03	—	—	—	—	<ul style="list-style-type: none"> <li>• Bachelor of Chemical Engineering, Kun Shan University;</li> <li>• Deputy General Manager of Paints and Coatings Business Division, Nan Pao Resins Chemical Co., Ltd.</li> </ul>	Note 3	—	—	—
Executive General Manager of Adhesives and Specialty Business Division	Taiwan R.O.C.	Sen-Mao, Kuo	Male	20170101	80,616	0.07	—	—	—	—	<ul style="list-style-type: none"> <li>• M.S. in Chemical Engineering, National Cheng Kung University;</li> <li>• Bachelor of Industrial Chemistry, National Taiwan University of science and Technology;</li> <li>• Assistant Manager in Adhesives and Specialty Business Division, Nan Pao Resins Chemical Co., Ltd.;</li> <li>• Deputy General Manager in Adhesives and Specialty Business Division, Nan Pao Chemical Co., Ltd.</li> </ul>	Note 4	—	—	—
General Manager of Operation Management Division	Taiwan, R.O.C.	Yi-Jen, Fang	Male	20160401	11,809	0.01	—	—	—	—	<ul style="list-style-type: none"> <li>• EMBA of National Sun Yat-sen University;</li> <li>• Chemical Engineering Dept., Southern Taiwan University of Science and Technology;</li> <li>• Technical Service Manager in Sports Goods Adhesives and Materials Business Division, Nan Pao Resins Chemical Co., Ltd.;</li> <li>• Assistant Manager in Shoe Material Technical Service Department of Sport Goods Adhesives and Materials Business Division</li> </ul>	—	—	—	—

Title	Nationality	Name	Gender	Date Effective	Shares Held		Shares Held by Spouse and Minors		Share Held In the Name Of Others		Education and Experience	Other Position	Managers Who are Spouses or within two degrees of kinship		
					Sares	%	Sares	%	Sares	%			Title	Name	Relation
R&D Deputy General Manager of R&D & Innovation Division (R&D Officer)	Taiwan, R.O.C.	Yong-Ching, Shen	Male	20160401	25,500	0.02	—	—	—	—	<ul style="list-style-type: none"> <li>• Ph.D. in Applied Chemistry, National Chiao Tung University;</li> <li>• M.S. in Chemistry, National Tsing Hua University;</li> <li>• Bachelor of Chemistry, National Chung Hsing University;</li> <li>• Deputy Researcher, Full-time Researcher, Supervisor, Deputy Head of Industrial Technology Research Institute (ITRI);</li> <li>• Visiting Scholar in Sheffield University</li> </ul>	Note 5	—	—	—
R&D Deputy General Manager in Sports Goods Adhesives and Materials Business Division	Taiwan, R.O.C.	Sen-Pei, Hung	Male	20101001	38,564	0.03	—	—	—	—	<ul style="list-style-type: none"> <li>• M.S. in Chemical Engineering, Chung Yuan Christian University;</li> <li>• Bachelor of Chemical Engineering, Chung Yuan Christian University;</li> <li>• R&amp;D Manager in Sports Goods Adhesives and Materials Business Division, Nan Pao Resins Chemical Co., Ltd.;</li> <li>• Shoe Material R&amp;D Assistant Manager in R&amp;D &amp; Innovation Division</li> </ul>	—	—	—	—
Deputy General Manager of Planning Department of Strategic Management Division	Taiwan, R.O.C.	Ping-Feng, Lai	Male	20210811	—	—	—	—	—	—	<ul style="list-style-type: none"> <li>• M.S. in Chemical and Materials Engineering, National Taiwan University Of Science And Technology;</li> <li>• Bachelor of Chemical and Materials Engineering, Tamkang University;</li> <li>• General Manager, Vietnam factory of Nan Pao Chemical Co., Ltd.;</li> <li>• Technical General Manager, Southeast Asia of Nan Pao Chemical Co., Ltd.;</li> </ul>	—	—	—	—
Assistant Manager of Overseas Sales Division	Taiwan, R.O.C.	Chin-Fu, Hsu	Male	20191111	238,666	0.23	3,000	0.00	—	—	<ul style="list-style-type: none"> <li>• EMBA of National Sun Yat-sen University;</li> <li>• Manager of Adhesive Business Division, Nan Pao Chemical Co., Ltd.</li> </ul>	Note 6	—	—	—
Assistant Manager of Footwear Production Dept. in Operation Management Division	Taiwan, R.O.C.	Ming-Ding, Tsai	Male	20191111	9,500	0.01	—	—	—	—	<ul style="list-style-type: none"> <li>• Bachelor of Chemical Engineering, National Cheng Kung University;</li> <li>• Manager of Footwear Production Department in Operation Management Division</li> </ul>	—	—	—	—

Title	Nationality	Name	Gender	Date Effective	Shares Held		Shares Held by Spouse and Minors		Share Held In the Name Of Others		Education and Experience	Other Position	Managers Who are Spouses or within two degrees of kinship		
					Sares	%	Sares	%	Sares	%			Title	Name	Relation
Polyester Polyol Technology Assistant Manager of R&D & Innovation Division	Taiwan, R.O.C	Yan-Cheng, Chen	Male	20181108	5,000	0.01	—	—	—	—	<ul style="list-style-type: none"> <li>• M.S. in Chemical, Chun -Yuan University;</li> <li>• Bachelor of Chemical, Chun -Yuan University;</li> <li>• R&amp;D Manager at Eternal Materials Co., Ltd.</li> </ul>	—	—	—	—
Assistant Manager in Financial Management Division (Company Secretary and Accounting Officer)	Taiwan, R.O.C.	Kun-Chin, Lin	Male	20160503	15,120	0.01	—	—	—	—	<ul style="list-style-type: none"> <li>• Bachelor of Accounting, Soochow University;</li> <li>• Team Leader in Ernst &amp; Young Taiwan;</li> <li>• Manager and Spokesperson in Administration Dept., Mildex Optical Inc.;</li> <li>• CFO in Tai Shih Fu Enterprise Co., Ltd.;</li> <li>• CFO in Mirada Hwa Tai Co. Ltd.</li> </ul>	Note 7	—	—	—
Assistant Manager in HR Dept. of Strategic Management Division	Taiwan, R.O.C.	Hui-Fen, Lee	Female	20160401	26,883	0.02	—	—	—	—	<ul style="list-style-type: none"> <li>• EMBA of Preston University;</li> <li>• General Administration Branch ,National Taipei University of Business;</li> <li>• HR Manager at Flextronics International (Taiwan) Ltd.;</li> <li>• Recruitment Manager at Vishay General Semiconductor Taiwan Ltd.</li> </ul>	Note 8	—	—	—
Assistant Manager in Business Development Dept. of Strategic Management Division	Taiwan, R.O.C.	Yuan-Yang, Luo	Male	20180412	3,111	0.00	—	—	—	—	<ul style="list-style-type: none"> <li>• Bachelor of Mathematics, Chung Yuan Christian University;</li> <li>• Factory Leader, Picvue Electronics, Ltd.;</li> <li>• Executive Assistant to the General Manager, Joyin Co., Ltd.;</li> <li>• General Manager, Wonderful Optronics Co., Ltd.;</li> <li>• Executive Assistant to the General Manager, Jin Yong Han Technology Co., Ltd.</li> </ul>	—	—	—	—
Assistant Manager in IT Dept. of Strategic Management Division	Taiwan, R.O.C.	Pei-Yi, Kuo	Male	20210325	3,460	0.00	—	—	—	—	<ul style="list-style-type: none"> <li>• M.S. in Graduate Institute of Automation and Control, National Taiwan University of Science and Technology;</li> <li>• Bachelor of Control Engineering, National Chiao Tung University;</li> <li>• IT Manager, Nan Pao Resins Chemical Co., Ltd.</li> </ul>	—	—	—	—
Assistant General Manager of Auditing Office (Audit Officer)	Taiwan, R.O.C.	Li-Jung, Huang	Female	20220211	—	—	—	—	—	—	<ul style="list-style-type: none"> <li>• Bachelor of Accounting, National Changhua University of Education;</li> <li>• Supervisor in Ernst &amp; Young Taiwan;</li> <li>• Section Manager of Financial Management Division, Nan Pao Resins Chemical Co., Ltd.</li> </ul>	—	—	—	—

Note 1: Director of Greatwill Materials (HK) Ltd.; Ongoing Profits Ltd.; Rising Sun Associate Ltd.; Nan Pao Resins (Vietnam) Enterprise Ltd.; Nan Pao Resins Chemical Philippines, Inc.; Goldford Investments Ltd.; Nan Pao Resins (Holdings) Ltd.; Eastlion Enterprises Ltd.; Nan Pao Resins (Dongguan) Co. Ltd.; Nan Pao Resins Development Ltd.; Nan Pao Materials Vietnam Co.,Ltd.; Nan Pao Resins International Ltd.; Nanpao Advanced Investment Co., Ltd.; Nantong Nanpao Resins Materials Co., Ltd.; Nan Pao (KunShan) Electronic Commerce Co., Ltd. ; Nan Pao Resins (HK) Limited; Giant Profit Development Ltd.; All Saints Enterprises Ltd.; Nan Pao Resins (China) Co., Ltd.; Fuqing Nan Pao Investment Ltd.; Wealth Castle Development Ltd.; Fuqing Nan Pao Resins Co., Ltd.; Thai Nan Pao Investments Ltd.; Thai Nanpao Resins Chemical Co., Ltd.; Nan Pao Advanced Materials Vietnam Co., Ltd.; Nanpao New Materials (Huaian) Co., Ltd.; Earnest Wealth Co., Ltd. ; Supervisor of Foshan Nan Pao Advanced Materials Co., Ltd.; Dongguan Jiaqin Electronics Co., Ltd.; Nan Pao Resins (Yunan) Co., Ltd.; Nan Pao Resins (Foshan) Co., Ltd.

Note 2: Corporate Director Representative and Chairman of Nan Pao Chemical Co., Ltd.; Nan Pao Advanced Materials Co., Ltd.; Nanpao Fine Materials Co., Ltd.; Director of Thai Nan Pao Investments Ltd.; Nan Pao Philippines Export Inc.; Supervisor of PT. Indo Nan Pao Resins Chemical Co., Ltd.

Note 3: Chairman of Progrouops Technology Co. Ltd.; Director of Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.; Corporate Supervisor Representative of Nan Pao Application Material Co., Ltd.; Supervisor of Nanpao Advanced Investment Co., Ltd.; Nantong Nanpao Resins Materials Co., Ltd.; Nan Pao (KunShan) Electronic Commerce Co., Ltd.; Nan Pao Resins (China) Co., Ltd.; Fuqing Nan Pao Resins Co., Ltd.

Note 4: Corporate Director Representative of ITLS International Development Co., Ltd.; Director of Nan Pao Resins Chemical Philippines, Inc.; NP Australia Pty. Ltd.; RLA Polymers Pty. Ltd.; RLA Polymers (M) SDN. BHD.; Nan Pao Resins India Pvt. Ltd.; Nan Pao Philippines Export Inc.

Note 5: Corporate Director Representative and Chairman of Phymed Bio-Tec Co., Ltd.; FlexUP Technologies Corp.; Corporate Director Representative of Opulence Optronics Co., Ltd.; Nan Pao Advanced Materials Co., Ltd.; Director of Progrouops Technology Co. Ltd.; Profit Land Ltd.

Note 6: Director of Nan Pao Resins India Pvt Ltd.; General Manager of Nan Pao Resins Chemical (Bangladesh) Co., Ltd.

Note 7: Corporate Director Representative of Phymed Bio-Tec Co., Ltd.; Nanpao Fine Materials Co., Ltd.; Nan Pao Resins Chemical (Bangladesh) Co., Ltd.; Corporate Supervisor Representative of Nan Pao Electronic Material Co., Ltd.; Opulence Optronics Co., Ltd.; Supervisor of Prince Pharmaceutical Co., Ltd.; Jointech Fasteners Industrial Co., Ltd.; Nanpao New Materials (Huaian) Co., Ltd.; FlexUP Technologies Corp.

Note 8: Corporate Director Representative of Nan Pao Chemical Co., Ltd.; Supervisor of Progrouops Technology Co., Ltd.

### III. Remuneration Paid to Directors, General Managers and Deputy General Managers

#### (I) Remuneration Paid to Directors and Independent Directors in 2021

Unit: NT\$1,000

Title	Name	Director's Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income		Compensation Earned by a Director who is an Employee of the Company								Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income		Compensation Received from Non-consolidated Affiliates or Parent Company
		Basic Compensation (A)		Pensions (B)		Compensation to Directors (C)		Allowances (D)				Basic Compensation, Bonuses, and Allowances (E)		Pensions (F)		Profit Sharing (G)						
		The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements	Cash Dividend	Stock Dividend	Cash Dividend	Stock Dividend	The Company	Companies in the Consolidated Financial Statements	
Chairman	Cheng-Hsien, Wu																					
Director	Pao Chien Enterprise Co., Ltd. Representative: Nai-Yung, Tsai	-	-	-	-	15,100	15,100	-	-	15,100 (1.72%)	15,100 (1.72%)	10,042	10,042	397	397	2,188	-	2,188	-	27,727 (3.16%)	27,727 (3.16%)	-
	Guang Rong Investment Ltd. Representative: Ming-Hsien, Hsu																					
	Representative: Ying-Lin, Huang																					
Independent Director	Yun, Chen																					
	Yung-Cheng, Chiang	540	540	-	-	900	900	-	-	1,440 (0.17%)	1,440 (0.17%)	-	-	-	-	-	-	-	-	1,440 (0.17%)	1,440 (0.17%)	-
	Yi-Hsi, Lee																					

1. Please describe the policy, system, standard and structures of remuneration payment of independent directors, and their association with the amount of remuneration payment according to their responsibilities, risks, and time spent by independent directors, among other factors: The Company takes into account the general standards adopted by the industry on the remuneration of independent directors.

2. Except as disclosed above, remuneration received by directors in the latest year for on-balance sheet services (e.g. acting as a non-employee consultant) rendered to the Company: None.

Table of Remuneration Ranges

Remuneration Range	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements
Under NT\$ 1,000,000	Cheng-Hsien, Wu/ Yun, Chen/ Yung-Cheng, Chiang/ Yi-Hsi, Lee	Cheng-Hsien, Wu/ Yun, Chen/ Yung-Cheng, Chiang/ Yi-Hsi, Lee	Yun, Chen/ Yung-Cheng, Chiang/ Yi-Hsi, Lee	Yun, Chen/ Yung-Cheng, Chiang/ Yi-Hsi, Lee
NT\$ 1,000,000 ~Under NT\$ 2,000,000	-	-	-	-
NT\$ 2,000,000 ~Under NT\$ 3,500,000	Pao Chien Enterprise Co., Ltd.	Pao Chien Enterprise Co., Ltd.	Pao Chien Enterprise Co., Ltd./ Ying-Lin, Huang	Pao Chien Enterprise Co., Ltd./ Ying-Lin, Huang
NT\$ 3,500,000 ~Under NT\$ 5,000,000	-	-	Cheng-Hsien, Wu	Cheng-Hsien, Wu
NT\$ 5,000,000 ~Under NT\$ 10,000,000	-	-	Ming-Hsien, Hsu	Ming-Hsien, Hsu
NT\$ 10,000,000 ~Under NT\$ 15,000,000	Guang Rong Investment Ltd.	Guang Rong Investment Ltd.	Guang Rong Investment Ltd.	Guang Rong Investment Ltd.
NT\$ 15,000,000 ~Under NT\$ 30,000,000	-	-	-	-
NT\$ 30,000,000 ~Under NT\$ 50,000,000	-	-	-	-
NT\$ 50,000,000 ~Under NT\$ 100,000,000	-	-	-	-
Over NT\$ 100,000,000	-	-	-	-
Total	6	6	8	8

## (II) Compensation Paid to General Managers and Deputy General Managers in 2021

Unit: NT\$1,000

Title	Name	Salary (A)		Pensions (B)		Bonuses and Allowances (C)		Profit Sharing (D)				Ratio of Total Compensation (A+B+C+D) to Net Income		Compensation Received from Non-consolidated Affiliates or Parent Company
		The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements	The Company		Companies in the Consolidated Financial Statements		The Company	Companies in the Consolidated Financial Statements	
								Cash	Stock	Cash	Stock			
CEO	Ming-Hsien, Hsu													
Executive General Manager of Sports Goods Adhesives and Materials Business Division	Chao-Chian, Tsai													
Executive General Manager of Paints and Coatings Business Division	Yi-Fa, Tsai													
Executive General Manager in Adhesives and Specialty Business Division	Sen-Mao, Kuo													
General Manager of Operation Management Division	Yi-Jen, Fang	11,234	11,234	1,323	1,323	7,225	7,225	3,053	-	3,053	-	22,835 (2.61%)	22,835 (2.61%)	-
R&D Deputy General Manager in Sports Goods Adhesives and Materials Business Division	Sen-Pei, Hung													
Deputy General Manager of Paints and Coatings Business Division	Zhi-Wei, Chen (Note)													
R&D Deputy General Manager of R&D & Innovation Division	Yong-Ching, Shen													
Deputy General Manager of R&D Innovation Division	Ping, Wang (Note)													
Deputy General Manager of Planning Department of Strategic Management Division	Ping-Feng, Lai													

Note : Zhi-Wei, Chen resigned on Dec. 31<sup>st</sup>, 2021; Ping, Wang resigned on Mar. 31<sup>st</sup>, 2021.

Table of Compensation Ranges

Compensation Range	Name of the General Manager and Deputy General Manager	
	The Company	Companies in the Consolidated Financial Statements
Under NT\$ 1,000,000	Ping-Feng, Lai	Ping-Feng, Lai
NT\$ 1,000,000 ~Under NT\$ 2,000,000	Zhi-Wei, Chen / Pin, Wang / Sen-Pei, Hung / Yi-Jen, Fang	Zhi-Wei, Chen / Pin, Wang / Sen-Pei, Hung / Yi-Jen, Fang
NT\$ 2,000,000 ~Under NT\$ 3,500,000	Yong-Ching, Shen	Yong-Ching, Shen
NT\$ 3,500,000 ~Under NT\$ 5,000,000	Chao-Chian, Tsai / Yi-Fa, Tsai / Sen-Mao, Kuo	Chao-Chian, Tsai / Yi-Fa, Tsai / Sen-Mao, Kuo
NT\$ 5,000,000 ~Under NT\$ 10,000,000	Ming-Hsien, Hsu	Ming-Hsien, Hsu
NT\$ 10,000,000 ~Under NT\$ 15,000,000	-	-
NT\$ 15,000,000 ~Under NT\$ 30,000,000	-	-
NT\$ 30,000,000 ~Under NT\$ 50,000,000	-	-
NT\$ 50,000,000 ~Under NT\$ 100,000,000	-	-
Over NT\$ 100,000,000	-	-
Total	10	10

## (III) Employees' Profit Sharing Paid to Management Team in 2021

December 31, 2021 / Unit: NT\$1,000

Title	Name	Stock	Cash	Total	Ratio of Total Amount to Net Income
CEO	Ming-Hsien, Hsu				
Executive General Manager of Sports Goods Adhesives and Materials Business Division	Chao-Chian, Tsai				
Executive General Manager of Paints and Coatings Business Division	Yi-Fa, Tsai				
Executive General Manager of Adhesives and Specialty Business Division	Sen-Mao, Kuo				
General Manager of Operation Management Division	Yi-Jen, Fang				
R&D Deputy General Manager of R&D & Innovation Division	Yong-Ching, Shen				
R&D Deputy General Manager in Sports Goods Adhesives and Materials Business Division	Sen-Pei, Hung				
Deputy General Manager of Planning Department of Strategic Management Division	Ping-Feng, Lai	-	6,409	6,409	0.73%
Assistant Manager of Overseas Sales Division	Chin-Fu, Hsu				
Assistant Manager of Footwear Production Dept. in Operation Management Division	Ming-Ding, Tsai				
Polyester Polyol Technology Assistant Manager of R&D & Innovation Division	Yan-Cheng, Chen				
Assistant Manager of Financial Management Division	Kun-Chin, Lin				
Assistant Manager of HR Dept. of Strategic Management Division	Hui-Fen, Lee				
Assistant Manager in Business Development Dept. of Strategic Management Division	Yuan-Yang, Luo				
Assistant Manager in IT Dept. of Strategic Management Division	Pei-Yi, Kuo				

Note: As of the date of publication of this Report, the 2021 employees' profit sharing has not been resolved; hence, the distribution is calculated based on the ratio of last year's actual distribution.

(IV) Comparison of Remuneration for Directors, General Managers and Deputy General Managers in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, General Managers and Deputy General Managers

I. Analysis of ratio of total remuneration to net income

Title	2020		2019	
	Ratio of Total Remuneration to Net Nncome (%)		Ratio of Total Remuneration to Net Nncome (%)	
	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements
Directors	2.78	2.78	3.33	3.33
General and Deputy General Managers	2.11	2.11	2.61	2.61

Note: The total amount of director remunerations include the compensation paid to concurrent employees, hence there are parts of overlap with the total amount paid to general managers and deputy general managers.

II. Remuneration policies, standards, and packages for remuneration payment, as well as the procedures for determining remuneration, and its linkage to business performance and future risk exposure:

1. Directors

According to Article 25 of the Company's Articles of Incorporation that before distributing the profit to shareholders, the Company allocates no more than 3% of its profits of the period as directors' compensation.

2. General Managers and Deputy General Managers

Remunerations for CEO, general managers and deputy general managers include salaries, bonuses, and employee profit sharing. Salary standards are established upon positions in the Company, respective responsibilities, levels of contribution to the Company, and in reference to industry standards. The distribution of employee profit sharing is in compliance with Article 25 of the Company's Articles of Incorporation, before distributing the profit to shareholders, the Company allocates 2% to 6% of its profits of the period as employees' remuneration.

In summary, the Company shall determine remuneration in accordance with the Company's "Regulations Governing Remuneration Payment of Directors, Functional Committees and Managers" by not only referring to the Company's overall operational performance, future business risks and development trends of the industry, but also taking into account an individual employee's performance achievement and contribution to the Company's operating performance, in order to offer reasonable remuneration which has a positive correlation with business performance. The relevant performance appraisal and the reasonable of compensation shall be reviewed by the Compensation Committee and the Board of Directors. In addition, the remuneration system shall be reviewed in a timely manner according to actual operating conditions and the relevant laws and regulations to strike a balance between sustainable management and risk control at the Company.

#### IV. Implementation of Corporate Governance

##### (I) Board of Directors

The Chairman convened 6 meetings in 2021. The attendance status is as follows.

Title	Name	Attendance in Person	By proxy	Attendance Rate (%)	Remarks
Chairman	Cheng-Hsien, Wu	7	0	100	Should attend 7 times
Director	Pou Chien Enterprise Co., Ltd. Representative: Nai-Yung, Tsai	7	0	100	Should attend 7 times
Director	Guang Rong Investment Ltd. Representative: Ming-Hsien, Hsu	7	0	100	Should attend 7 times
Director	Guang Rong Investment Ltd. Representative: Ying-Lin, Huang	6	1	86	Should attend 7 times
Independent Director	Yun, Chen	6	1	86	Should attend 7 times
Independent Director	Yung-Cheng, Chiang	7	0	100	Should attend 7 times
Independent Director	Yi-Hsi, Lee	7	0	100	Should attend 7 times

Other matters to be specified:

I. Where any of the following circumstances occurs with respect to the operation of the Board of Directors, meeting dates, sessions, contents of resolutions, opinions of all independent directors, and actions taken by the Company in response to opinions of independent directors shall be noted:

1. Matters prescribed under Article 14-3 of the Securities and Exchange Act. Please refer to "Audit Committee" in this annual report. All the independent directors agreed to pass all the proposals.
2. Except for the matters mentioned in the preceding paragraph, matters resolved by the Board of Directors, to which an independent director has a dissenting or qualified opinion that is on record or stated in a written statement : None.

II. For any recusal of Directors due to conflict of interests in certain proposals, name of the Director, contents of resolutions, reasons for the recusal and participation in the voting shall be noted :

Date	Contents of Resolutions	Name of Director	Reason for Recusal
20210121	The Company's proposal of 2020 performance-based bonuses for managers.	Cheng-Hsien, Wu / Ming-Hsien, Hsu	Abstained from voting as the above directors also serve as managers concurrently
20210325	The Company's proposal of promotion and the salary adjustment for managers.	Cheng-Hsien, Wu / Ming-Hsien, Hsu	Abstained from voting as the above directors also serve as managers concurrently
20210811	The Company's proposal of appointment and the salary adjustment for managers.	Cheng-Hsien, Wu / Ming-Hsien, Hsu	Abstained from voting as the above directors are independent directors

III. Board of Directors' Performance Evaluation Implementation Status				
Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Content of Evaluation
Annual	20210101~ 20211231	<ul style="list-style-type: none"> <li>• The Board of Directors as a whole</li> <li>• The individual directors</li> <li>• The Functional Committees</li> </ul>	<ul style="list-style-type: none"> <li>• Internal assessment of the Board</li> <li>• Self-assessments by each board member</li> </ul>	<ul style="list-style-type: none"> <li>• The Board of Directors are assessed on the following five aspects:               <ol style="list-style-type: none"> <li>1. Involvement in the Company's operation</li> <li>2. Enhancement of the quality of the board's decision-making</li> <li>3. Makeup and structure of the board</li> <li>4. Election of board members and continuing knowledge development</li> <li>5. Internal controls</li> </ol> </li> <li>• The individual directors are assessed on the following six aspects:               <ol style="list-style-type: none"> <li>1. Understanding of the Company's goals and mission</li> <li>2. Awareness of director's duties</li> <li>3. Involvement in the Company's operations</li> <li>4. Internal relationship and communication</li> <li>5. Director's professionalism and continuing knowledge development</li> <li>6. Internal controls</li> </ol> </li> <li>• The Functional Committees is assessed on the following five aspects:               <ol style="list-style-type: none"> <li>1. Involvement in the Company's operation</li> <li>2. Awareness of the functional committees' duties</li> <li>3. Enhancement of the quality of the functional committees' decision-making</li> <li>4. Makeup of the functional committees and election of its members</li> <li>5. Internal controls</li> </ol> </li> </ul>
Every three years by an external professional independent institution	20200701~ 20210630	Composition of the Board, guidance of the Board, authorization of the Board, supervision of the Board, communication of the Board, internal control and risk management, self-discipline of the Board, other such as board meetings, support systems, etc.	The China Corporate Governance Association is entrusted to carry out the evaluation by "data review", "online self-assessment questionnaire", "on-site interview", etc.	<ol style="list-style-type: none"> <li>1. The board of directors shall plan the inheritance and development of the board of directors, and regularly review the composition and division of labor of the existing board of directors, and whether the selection, nomination and appointment of members are rigorous and thorough.</li> <li>2. The board of directors should set and adjust the company's goals and response strategies, and effectively manage and ensure that the management department implements strategies to achieve goals.</li> </ol>

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Content of Evaluation
				<ol style="list-style-type: none"> <li>3. Through the division of responsibilities and the authorization of the management department, the board of directors ensures that the enterprise implements the established policies, systems, goals and strategies. An effective and immediate reporting mechanism should be established to serve as a reference for decision-making or management adjustments.</li> <li>4. The supervision of the board of directors should be implemented by setting up independent internal audit staff, relying on external professional accountants, and other effective mechanisms to reasonably ensure corporate compliance and effective operation.</li> <li>5. The communication objects of the board of directors include members of the board of directors, management departments, shareholders, and other stakeholders. Attention should be paid to the topics of communication, the communication and feedback mechanism, and the culture of the board of directors.</li> <li>6. The board of directors should identify important risk issues, define risk tolerance, and establish a sound internal control system to ensure corporate operating results.</li> <li>7. The board of directors must regularly evaluate its own participation, investment and performance, and make sure to review and improve it so as to be able to respond to changes in the operating environment.</li> <li>8. Others, such as board meetings, support systems, etc., include the establishment of corporate governance personnel, the planning of agendas, the preparation of meetings, the provision of information, the recording of meetings and post-meeting tracking management, etc.</li> </ol>
<p>The evaluation items of the board of directors and the functional committees in 2021 are all in effective operation, and the evaluation results has been report to the board meeting on March 24, 2022. The external professional independent agency TCGA was entrusted to implemented the external performance evaluation, and the recommendation report have been submitted to the board meeting on Nov. 10, 2021 reporting as a basis for improvement.</p>				

IV. Goals to strengthen the functionality of the board of directors and assessment of implementation results in the current year and previous year:

1. Strengthen the functions of the board of directors

(1) In order to continuously improve the professional knowledge and legal literacy of directors to assist for the effective operating, the stock affairs unit assists in arranging advanced education courses for directors. In 2021, all directors complete the advanced education in accordance with the hours specified in the "Key Points of Advanced Education for Directors and Supervisors of Listed Companies".

(2) According to the recommendations of the external expert TCGA's "Performance Evaluation Report of the Board of Directors" (2021.09.17), the implementation improvement projects are as follows:

a. On December 22, 2021, the Board of Directors approved the "Director's First Appointment Orientation System and Continuous Participation Measures" to help new directors quickly grasp the company's current situation and industry information, so as to facilitate the performance of directors' functions.

b. On December 22, 2021, the Board of Directors approved the revision of the "Measures for Handling Internal and External Personnel Whistleblowing", adding a new reporting channel of independent directors simultaneously, further strengthening the whistleblower mechanism.

2. Strengthen investor communication

The investors' conference has been held quarterly in 2021 to regularly update corporate financial and business information and provide an opportunity for public investors to directly communicate with the operating team.

(II) Audit Committee

The Company set up "Audit Committee" on December 12, 2017 to replace the original supervisor system. The committee consists of three independent directors, who select one among them as the convener and chairman of its meeting, and functions according to the company's "Organizational Rules of Audit Committee" with the scope of its auditing covering the company's financial statement, the company's auditing and accounting policy and procedure, the company's internal-control system, major transactions in assets or derivatives, raising or issuance of securities, appointment and dismissal of, along with compensations for, certified public accountant, and appointment and dismissal of financial, accounting, and internal auditing officers.

Key Focus in 2021:

1. Review financial reports

The company's board of directors submitted the 2020 annual financial statements (including the consolidated financial statements) which has been audited and certified by accountants Hung Ju Liao and Chi Chen Lee, of Deloitte & Touche. entrusted by the Board of Directors. Together with annual business report and earning distribution motion, they are reviewed and approved by the 4th meeting of the 2nd Audit Committee (2021.3.25), were submitted to the Resolution of the Board of Directors meeting (2021.3.25), and were acknowledged by general shareholders meeting in 2021 (2021.7.20).

2. Evaluate the effectiveness of the internal control system

The company judges whether the design and implementation of the internal control system for the year 2020 are effective based on the judgment items on the effectiveness of the internal control system as stipulated in the "Principles for Establishing Internal Control Systems for Public Offering Companies". The design and implementation of its internal control system did not reveal any major deficiencies. Determining the design and implementation of the company's internal control system should be effective. After being reviewed and approved by the 4th meeting of the 2nd Audit Committee (2021.3.25), and submitted to the Resolution of the Board of Directors meeting (2021.3.25), the "Internal Control System Statement" for 2020 was issued.

The Chairman of Audit Committee convened 6 meetings in 2021. The attendance status is as follows.

Title	Name	Attendance in Person	By proxy	Attendance Rate (%)	Remarks
Convener & Chairman	Yun, Chen	5	1	83	Should attend 6 times
Member	Yung-Cheng, Chiang	6	0	100	Should attend 6 times
Member	Yi-Hsi Lee	6	0	100	Should attend 6 times

Other matters to be specified:

I. Where any of the following circumstances occurs with respect to the operation of the Audit Committee, meeting dates, sessions, contents of resolutions, resolutions adopted by the Audit Committee, and actions taken by the Company in response to the opinion of the Audit Committee shall be noted:

1. Items specified in article 14-5 of Securities and Exchange Act: Please see the following charts.
2. Other items resolved by the audit committee member with support of two thirds of directors but without approval of the auditing committee: None.

Board Meeting	Contents of the Case and Follow-up	Article 14-5 of Securities and Exchange Act	Other Items Not Approved by the Audit Committee but Approved by Two Thirds of All Directors
20210325	Approved the Company's proposal of 2020 business report and financial statements.	V	
	Approved the Company's proposal of 2020 earnings distribution plan.	V	
	Approved the Company's proposal of 2020 "Statement on Internal Control System".	V	
	Approved the Company's proposal to provide and cancel endorsements or guarantees for subsidiaries.	V	
	Approved the Company's proposal to provide letter of support for subsidiaries.	V	
	Approved the Company's proposal to amend internal control system of "Rules of Procedure for Board of Directors Meetings".	V	
	Approved the Company's proposal to amend internal control system of "Rules of Procedure for Shareholders Meetings".	V	
	Approved the Company's proposal to amend internal control system of "Procedures for Governing Loaning of Funds and Making of Endorsements".	V	
	Approved the Company's proposal to amend internal control system of "Corporate Governance Code of Practice".	V	
	Approved the Company's proposal to amend internal control system of "Corporate Social Responsibility Best Practice Principles".	V	
	Approved the Company's proposal to amend internal control system of "Rules Governing the Scope of Powers of Independent Directors".	V	

Board Meeting	Contents of the Case and Follow-up	Article 14-5 of Securities and Exchange Act	Other Items Not Approved by the Audit Committee but Approved by Two Thirds of All Directors	
20210325	Approved the Company's proposal to amend "Organizational Rules of Audit Committee" and the abolition of the internal control system of "Administrative Measures for the Audit Committee's Discussion and Operation".	V		
	Approved the Company's proposal to amend "Organizational Rules of Compensation Committee" and the abolition of the internal control system of the "Compensation Committee Operation Management Measures".	V		
	Approved the Company's proposal to amend "Directors and Managers Performance Evaluation Measures" and formulated the internal control system of "Regulations Governing Remuneration Payment of Directors, Functional Committees and Managers".	V		
	Approved 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.	V		
	The Company's handling of the opinion of the Audit Committee: The above proposal was approved by the chairman after consultation with all the directors present.			
	Audit Committee Resolution Results (2021.03.25) : Approved by all present members of the Audit Committee.			
20210510	Approved the Company's proposal to provide endorsements or guarantees for subsidiaries.	V		
	Approved the Company's proposal to provide letter of support for subsidiaries.	V		
	Approved the Company's proposal to to amend "Level of Authority".	V		
	The Company's handling of the opinion of the Audit Committee: The above proposal was approved by the chairman after consultation with all the directors present.			
Audit Committee Resolution Results (2021.05.10) : Approved by all present members of the Audit Committee.				
20210625	Approved the Company's proposal to cancel the investment in the subsidiary "Nan Pao Resins (Yunan) Co., Ltd.".	V		
	The Company's handling of the opinion of the Audit Committee: The above proposal was approved by the chairman after consultation with all the directors present.			
	Audit Committee Resolution Results (2021.06.25) : Approved by all present members of the Audit Committee.			
20210811	Approved the Company's proposal to invest in the newly established "InnoLux Development Venture Capital Limited Partnership" (name tentative).	V		
	Approved the Company's proposal to provide endorsements or guarantees for subsidiaries.	V		

Board Meeting	Contents of the Case and Follow-up	Article 14-5 of Securities and Exchange Act	Other Items Not Approved by the Audit Committee but Approved by Two Thirds of All Directors
20210811	<p>Approved the Company's proposal to provide letter of support for subsidiaries.</p> <p>The Company's handling of the opinion of the Audit Committee: The above proposal was approved by the chairman after consultation with all the directors present.</p> <p>Audit Committee Resolution Results (2021.08.11) : Approved by all present members of the Audit Committee.</p>	V	
20211110	<p>Approved the Company's proposal of disposition of Total Acrylic Polymer Industry (TAPI) Corp. common shares.</p> <p>Approved the Company's proposal to provide and cancel endorsements or guarantees for subsidiaries.</p> <p>The Company's handling of the opinion of the Audit Committee: The above proposal was approved by the chairman after consultation with all the directors present.</p> <p>Audit Committee Resolution Results (2021.11.10) : Approved by all present members of the Audit Committee.</p>	V	
	<p>Approved the Company's proposal to provide and cancel endorsements or guarantees for subsidiaries.</p>	V	
20211222	<p>Approved the Company's proposal of 2022 Business Plan.</p> <p>Approved the Company's proposal of 2022 internal audit plan.</p> <p>Approved the Company's proposal to cancel the investment in the subsidiary "NanTong Nan Pao Resins Materials Co., Ltd. ".</p> <p>Approved the Company's proposal to amend internal control system of "Regulations Governing Whistle-blowing from Internal and External Parties".</p> <p>Approved the Company's proposal to formulate internal control system of "Director's First Appointment Orientation System and Continuous Participation Measures ".</p> <p>Approved the Company's proposal to amend internal control system of "Corporate Governance Code of Practice".</p> <p>Approved the Company's proposal to provide endorsements or guarantees for subsidiaries.</p> <p>Approved the Company's proposal to cancel letter of support for subsidiaries.</p> <p>The Company's handling of the opinion of the Audit Committee: The above proposal was approved by the chairman after consultation with all the directors present.</p> <p>Audit Committee Resolution Results (2021.12.22) : Approved by all present members of the Audit Committee.</p>	V	
	<p>Approved the Company's proposal of 2022 internal audit plan.</p>	V	
	<p>Approved the Company's proposal to cancel the investment in the subsidiary "NanTong Nan Pao Resins Materials Co., Ltd. ".</p>	V	
	<p>Approved the Company's proposal to amend internal control system of "Regulations Governing Whistle-blowing from Internal and External Parties".</p>	V	
	<p>Approved the Company's proposal to formulate internal control system of "Director's First Appointment Orientation System and Continuous Participation Measures ".</p>	V	
	<p>Approved the Company's proposal to amend internal control system of "Corporate Governance Code of Practice".</p>	V	
	<p>Approved the Company's proposal to provide endorsements or guarantees for subsidiaries.</p>	V	
	<p>Approved the Company's proposal to cancel letter of support for subsidiaries.</p>	V	
	<p>The Company's handling of the opinion of the Audit Committee: The above proposal was approved by the chairman after consultation with all the directors present.</p> <p>Audit Committee Resolution Results (2021.12.22) : Approved by all present members of the Audit Committee.</p>		

II. For any recusal of independent directors due to conflict of interests in certain proposals, names of independent directors, contents of resolutions, reasons for the recusal and participation in the voting shall be noted: None.

III. Communication between independent directors, internal audit and CPA:

1. Communication method of independent directors with internal auditing chief and certified public accountants: The Company has put in place direct contact channel for independent directors to communicate with internal auditing officer and certified public accountant. In line with the regulation of the regulator, the company audits its finance and business status regularly and communicates directly with management and corporate governance unit.

(1)The company’s internal auditing officer delivers internal auditing report at the quarterly meeting of the audit committee, covering status of execution of auditing operation and improvement and tracking, as well as effects, of the audited defects. In addition to delivery of written auditing report to independent directors monthly, internal auditing officer also makes specific business reports annually to the independent directors.

(2)After completing the reviewing of the semiannual financial statements and the auditing of the annual financial statements, the company’s certified public accountants report the result of the auditing or checking of the financial statements of the company and its subsidiaries both domestic and overseas ones at the auditing committee. In addition, the company’s certified public accountants at least twice a year, through separate meetings to conduct annual audit planning and audit summary report to independent directors, as well as other legally required communications items.

2. The independent directors and internal auditing officer have good communication, and independent directors have no other suggestions. Communication issues in 2021 are showed as follows.

Date and Communication Channel	Communication Items	Communication Result
20210325 Audit Communication Meeting	1. Structure and members of audit department . 2. Audit planning and audit result.	Independent directors have no other suggestions.
20210325 Board of Director	1. Audit result and improvement tracking. 2. Audit information declaration. 3. Annual self-assessment of internal control.	Independent directors have no other suggestions.
20210510 Board of Director	1. Audit result and improvement tracking. 2. Audit information declaration.	Independent directors have no other suggestions.
20210811 Board of Director	1. Audit result and improvement tracking. 2. Audit information declaration. 3. Implementation of Ethical Corporate Management	Independent directors have no other suggestions.
20211110 Board of Director	Audit result and improvement tracking.	Independent directors have no other suggestions.
20211222 Audit Planning Meeting	Annual audit plan of 2022.	Independent directors have no other suggestions.

3. The independent directors and certified public accountants have good communication, and independent directors have no other suggestions. Communication issues in 2021 are showed as follows.

Date and Communication Channel	Communication Items	Communication Result
20210325 Audit Summary Stage Communication Meeting	Summary of 2020 audit items: 1. Group auditing scope and method. 2. Identification of significant risk and reaction 3. Key audit matters of statutory and consolidated financial statements.	Independent directors have no other suggestions.
20210325 Audit Committee/ Board of Director	Audit summary of 2020 statutory and consolidated financial statements.	Independent directors have no other suggestions.
20210510 Audit Committee/ Board of Director	Review summary of 2021Q1 consolidated financial statements.	Independent directors have no other suggestions.
20210811 Audit Committee/ Board of Director	Review summary of 2021Q2 consolidated financial statements.	Independent directors have no other suggestions.
20211111 Audit Committee/ Board of Director	Review summary of 2021Q3 consolidated financial statements.	Independent directors have no other suggestions.
20211110 Audit Planning Stage Communication Meeting	Summary of 2022 audit items: 1. Group auditing scope and method. 2. Identification of significant risk and reaction. 3. Key audit matters of statutory and consolidated financial statements.	Independent directors have no other suggestions.

(III) Corporate Governance Execution Status and Deviations from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

Assessment Item	Implementation Status			Discrepancy and The Reasons
	Yes	No	Explanation	
1. Does the Company establish and disclose the Corporate Governance Best Practice Principles based on “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company has formulated Corporate Governance Code of Practice and has been approved by the Board on April 12, 2018, which is also accordance with “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies”. These Principles have been revised three times from 2018 to 2021 in response to corporate development trend and the latest development of social and international issues concerned. These Principles have been announced on TWSE MOPS and the Company's website.	No significant discrepancy
2. Shareholding Structure & Shareholders' Rights				
(1) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigation, and implement based on the procedure?	✓		(1) The Company has established a spokesperson and the deputy spokesperson system which handles shareholders' suggestions or disputes.	No significant discrepancy
(2) Does the Company possess the list of its major shareholders who control the Company substantially as well as the ultimate controller of these major shareholders?	✓		(2) The Company is aware of substantial shareholders and their identities, also discloses such information in accordance with the law. The Company has got hold of the list of major shareholders and their ultimate controllers, which is updated regularly and is disclosed in accordance with the law.	No significant discrepancy
(3) Does the Company establish and execute the risk management and firewall system with its affiliates?	✓		(3) The Company has formulated “Subsidiary Monitoring Work Procedures” and “Instructions for Related Party Transactions”, and has clear personnel, assets and financial management rights and responsibilities with related companies. The Company regularly checks the accounting and internal control systems of affiliated companies, and establishes appropriate risk control and firewall mechanisms.	No significant discrepancy
(4) Does the Company establish internal rules against insiders trading securities with undisclosed information?	✓		(4) The Company has followed the “Procedures for the Prevention of Insider Trading” and “Code of Ethical Conduct” to prevent the Company's insiders from using information that has not been disclosed on the market to purchase and sell securities. On December 22, 2021, the board of directors approved the revision of the "Corporate Governance Code of Practice", which regulates that directors shall not trading in securities within the closed period of 30 days before the announcement of the annual financial report, and 15 days before the announcement of the quarterly financial report.	No significant discrepancy
3. Composition and Responsibilities of the Board of Directors				
(1) Does the Board of Directors formulate and implement diversified policies and specific management objectives?	✓		(1)I. In line with the policy of membership diversification for the board of directors, as stipulated in the "Corporate Governance Code of Practice" Include but not restrict the following two standards: 1. Basic condition and value: gender, age, nationality and culture, etc.;	No significant discrepancy

Assessment Item	Implementation Status			Discrepancy and The Reasons
	Yes	No	Explanation	
			<p>2. Professional knowledge and skill: professional background (such as law, accounting, industry, finance, marketing and technology), professional skills and industrial experience.</p> <p>II. Management target: The members of the board of directors include at least one female director; the director who concurrently serves as the manager of the Company does not exceed one third of the number of directors; no more than two of the directors have a relationship within the scope of spouse or second degree kinship.</p> <p>III. Execution:</p> <p>1. There are 7 current board members of the Company (including 3 independent directors). The members of the board of directors boast mutually complemented industrial experience, as well as expertise in finance, accounting, law and management. Members of the board actively attend board meetings, and effectively supervised and understood the implementation of the business plan. The actual attendance rate was 95.92% in 2021. Two directors are employed by the Company (accounting for 28.57%); one director concurrently serves as the manager of the Company (accounting for 14.29%); the proportion of independent directors is 42.86% (three independent directors have a tenure of 4~6 years); two directors are over 70 years old, three directors are in the age of 60~69 years old, one is 40~49 years old, and one is under 30 years old; none of any director have a relationship within the scope of spouse or second degree kinship. The goal of diversified board members has been met.</p> <p>2. The Company pays attention to gender equality in the composition of the board of directors. It is expected that one female director will be added to the next board of directors to achieve management goals.</p>	
(2) In addition to compensation committee and audit committee established according to law, has the Company voluntarily established other functional committees?	✓		(2) In order to establish a good governance system, rationalize and strengthen management functions, fulfill corporate social responsibilities, and attain sustainable development, the board of directors resolved to set up the "Corporate Social Responsibility Management Committee" on March 26th, 2020 meeting, and further resolved to change the name to "Corporate Sustainability Development Promotion Committee" on May 11st, 2022 (please refer to Note 1: Information Regarding Corporate Sustainability Development Promotion Committee).	No significant discrepancy
(3) Does the company formulate the performance evaluation methods for the Board of Directors, conduct performance evaluations annually and regularly, and report the results of the performance evaluations to the Board of Directors, and use them as a reference for individual directors' remuneration and	✓		(3) 1. In order to materialize corporate governance and clearly delineate performance objective, for enhancing the function and operating efficiency of the board of directors, the board of directors resolved to amend the "Regulations Governing Performance Evaluation of Directors and Managers" on March 24th, 2022, in line with Article 37 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies". Since 2017, at the end of every year, the stock affairs unit would collect information on the activities of the board of directors and issue questionnaires for self evaluation before recording the evaluation results and reporting them to the board of directors for review and improvement.	No significant discrepancy

Assessment Item	Implementation Status			Discrepancy and The Reasons
	Yes	No	Explanation	
nomination and renewal?			<p>2. In addition, an external professional independent agent or external expert team is entrusted to evaluate the performance of BOD and issue external evaluation report every three years. The board evaluation team from Taiwan Corporation Governance Association was invited to evaluate the performance of board of directors in 2020 through "data review", "online self-assessment questionnaire", "on-site interview".</p> <p>The evaluation results are as follows:</p> <p>(1) Since 2021, an external professional and independent organization has been appointed to conduct the performance evaluation of the board of directors for three consecutive years. It is expected that through the objective review of external units, continuous improvement will be made through rolling revisions, which fully demonstrates the positive intention of the Company to continuously improve the effectiveness of the board of directors.</p> <p>(2) According to the actual operational needs, the CSR management committee was set up proactively earlier than the laws and regulations, with independent directors as the convener, and 2021 was defined as the inaugural year of ESG, with environmental sustainability issues such as carbon neutrality, circular economy, energy conservation, etc. , as the direction of future efforts, continue to develop the research of green products and low-pollution technological innovation that is in line with the concept of environmental protection and sustainability.</p> <p>(3) The Board of Directors attaches great importance to the cultivation of talents. In addition to some external recruitment of senior managers, the Company also actively trains middle and senior managers through various channels such as project learning, agency system, overseas rotation, and encouragement to study EMBA courses. The company reserves talents for sustainable development.</p> <p>(4) The Company has formulated the "Risk Management Policies and Procedures" and has been approved by the Board. The Company also set up a risk management team to implement risk control such as operation, strategy, finance, information security and climate change, and report the implementation to the Audit Committee and the Board of Directors, so that the Board of Directors can supervise the management of company risks more efficiently.</p> <p>Recommendations for improvement:</p> <p>(1) In addition to the needs of the Company's operational development, the composition of the board of directors can also be considered in terms of increasing the number of female directors and reducing the proportion of internal directors, as a basis for future board members.</p> <p>(2) Formulate the director's first appointment orientation system to help new directors quickly grasp the Company's current situation and industry information, so as to facilitate the performance of directors' functions.</p>	

Assessment Item	Implementation Status			Discrepancy and The Reasons
	Yes	No	Explanation	
			<p>(3) Set up a reporting channel that can be simultaneously received by independent directors (or the audit committee) to further strengthen the whistleblower mechanism.</p> <p>The above performance evaluation report of the board of directors of 2020 has been submitted to the board of directors on November 10th, 2021.</p> <p>3. The "Board Performance Evaluation" and "Functional Committee Performance Evaluation" in 2021 was carried out by the stock affairs unit in the form of "Self-evaluation Questionnaire for Board Performance Evaluation", "Self-evaluation Questionnaire for Board Member Evaluation" and "Self-evaluation Questionnaire for Functional Committee Performance Evaluation". All assessment items in 2021 have reached the standard, the board of directors operates efficiently, and the functions of the functional committees have been effectively exerted, which has been reported to the board of directors on March 24th, 2022.</p> <p>4. The "Board Performance Evaluation Results" for each year will be provided to the "Compensation Committee" as a reference for individual directors' remuneration and nomination for renewal.</p>	
(4) Does the Company regularly implement assessments on the independence of CPA?	✓		(4) The Company evaluates the independence and competency of the certified public accounts on an annual basis, the evaluation results will be submitted to Audit committee for review and Board meeting for approval. The stock affairs unit completes the 2021 evaluation for the independent auditors Hung-Ju, Liao and Chi-Chen, Lee of Deloitte & Touche (Note 2), both of them were ascertained their conformance to the Company's evaluation standards, in terms of independence and suitability, proving their qualification to become the Company's contracted CPA. The evaluation result was reported to the Board of Directors on March 24th, 2022.	No significant discrepancy
4. Has the Company appointed competent and appropriate number of personnel responsible for corporate governance matters, and delegated the company's corporate governance supervisors to be in charge of such matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors in complying with laws and regulations, handling matters related to Board meetings and shareholders' meetings according to the law, and producing minutes of the Board meetings and shareholders' meetings)?	✓		<p>I. The company complies with Article 4 of the "Code of Practice on Corporate Governance" to appoint the Assistant Manager of Financial Management Division Kun-Chin, Lin as the company's corporate governance supervisors, and assign two dedicated personnel to handle corporate governance related affairs. He has more than three years of experience of corporate governance related affairs in a public company, and is responsible for handling in a legal manner affairs related to the meetings of the board of directors and shareholders' meeting, production of minutes of the meetings of the board of directors and shareholders' meeting, assistance for directors in assuming their offices and continual training, undertaking continuing provision of data needed by directors in the execution of their duties, assistance for directors in legal compliance, and strengthening of the function of the board of directors.</p> <p>II. The implementation of corporate governance related affairs in 2021 includes:</p> <p>(1) Arrangement of the meetings of the board of directors according to law/regulation: Notify all directors seven days in advance and provide related data, to facilitate their understanding of items on the agenda; remind directors avoiding interest of conflict, should the items be related to their interests or the interests of legal entities they represent; distribute minutes for the meeting within 20 days.</p>	No significant discrepancy

Assessment Item	Implementation Status			Discrepancy and The Reasons
	Yes	No	Explanation	
			<p>(2) Arrangement of shareholders' meeting according to law/regulation: Register date for shareholders' meeting by legal deadline, produce and submit notice, manual, and minutes of the meeting by deadline, and change corporate registration after revision of corporate charter or election of directors.</p> <p>(3) Based upon "Regulations Governing Performance Evaluation of Directors and Managers" to launch performance evaluation of periodically: Collect the related information of activities of the board, distributing the questionnaire to collect self evaluation of the board of directors, turning in to the board to review and improve at the end of the year.</p> <p>(4) Assisting directors in compliance with various laws and codes of practice: assisting in arranging directors' refresher courses every year, and providing directors with information needed to perform their business from time to time, so that directors can understand the latest legal developments related to operating the company; the board of directors invites certified accountants to attend at least twice a year Communicate with directors on the impact of annual reports, semi-annual reports, international financial reporting standards, securities control laws, and tax regulations updates. Assistance for directors in compliance with various laws, regulations, and guidelines: Arrange study courses for directors annually and provide data irregularly needed by directors in the execution of their duties, conducive to their understanding of latest legal development related to the Company's operation; invite certified public accountant to attend meetings of the board of directors at least twice a year to exchange opinions with directors on annual report and semiannual report, as well as the updating of IFRSs, securities laws/regulations and tax laws/regulations.</p> <p>(5) Oversee "Corporate Governance Evaluation": Based on the evaluation indicators of the "corporate governance evaluation," drafted by the Taiwan Stock Exchange, review and discuss matters related to corporate governance with all units, and formulate the goals of corporate governance, and the platform regularly tracks the implementation and results of the responsible unit.</p> <p>(6) Handle related issue about investor relations: Providing information on shareholder meetings, material information announcement, financial statements, presentation material about finance and operation, and information about domestic and overseas conferences.</p> <p>III. According to article 36-3 of "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets," the Company's corporate governance supervisor will arrange courses related to execution of duties with study time meeting legal requirement. Mr. Lin has completed 12 hours of training, and the details of the training has been disclosed at the Company's website.</p>	
5. Has the Company set up channels of communication for stakeholders (including but not limited to shareholders,	✓		I. The Company attaches great importance to stakeholders' communication topics and channels (Note 3). It has smooth communication channels with stakeholders in various fields such as employees, customers, suppliers, investors, local communities, NGOs and competent authorities.	No significant discrepancy

Assessment Item	Implementation Status			Discrepancy and The Reasons
	Yes	No	Explanation	
employees, customers and suppliers), dedicated a section of the company's website for stakeholder affairs and adequately responded to stakeholders' inquiries on significant corporate social responsibility issues?			Regular/irregularly publish information or communicate directly with stakeholders, respect and maintain their legitimate rights and interests, and implement corporate governance integrity and transparency. The communication status with stakeholders in 2021 will be reported to the board of directors on May 11st, 2022. II. A CSR section has also been established on the Company's website to appropriately address material topics of concern for our stakeholders, and a dedicated person was appointed to respond the important corporate social responsibility issues that stakeholders are concerned about.	
6. Has the Company commissioned a professional stock affair agency to manage shareholders' meetings relevant affairs?	✓		The Company has entrusted the Transfer Agency of CTBC Bank to handle affairs relevant to the Shareholders' Meeting. Stock Agency: Stock Affairs Agency of China Trust Commercial Bank (Tel: 886-2-6636-5566, Address: 5th Floor, No. 83, Section 1, Chongqing South Road, Zhongshan District, Taipei City).	No significant discrepancy
7. Information Disclosure				
(1) Does the Company establish a website to disclose information on financial operations and corporate governance?	✓		(1) The Company institutes a website ( <a href="http://www.nanpao.com.tw">http://www.nanpao.com.tw</a> ) for disclosing the status of finance and corporate governance.	No significant discrepancy
(2) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing specific personnel to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company's website)?	✓		(2) The Company institutes an English website ( <a href="http://www.nanpao.com">http://www.nanpao.com</a> ) and appoints a designated personnel to disclosure of Company information. In addition, a spokesperson system is established to clearly define the division of rights and responsibilities of the spokesperson. Spokesman should disclose company information to all investors and media at the same time in a fair manner. Information related to the investor conferences are also disclosed on the Company's website.	No significant discrepancy
(3) Does the Company announce and report the annual financial report within two months after the end of the fiscal year, and announce and file the first, second and third quarter financial reports and operating conditions of each month as early as possible before the prescribed deadline?	✓		(3) The company publishes and declares annual financial reports within three months after the end of the fiscal year (on March 28th, 2022), which was in accordance with Article 36 of the Securities Exchange Law. The first, second, and third quarter financial reports (within 45 days) and monthly operating conditions (before 10th of each month) were announced within the time limit specified in the preceding Regulations. For the disclosure of the above information, please refer to the Market Observation Post System and Company website.	No significant discrepancy
8. Has the Company disclosed other information to facilitate a better	✓		I. In order to safeguard employees' benefits, labor union has been established, on top of regular labor management meeting, as a bridge of communications with employees.	No significant discrepancy

Assessment Item	Implementation Status			Discrepancy and The Reasons
	Yes	No	Explanation	
understanding of its corporate governance (including but not limited to staffers' interests, concern for staffers, investor relationship, supplier relationship, stakeholders' rights, advanced study of directors and supervisors, execution of risk-management policy and criteria for risk assessment, execution of customer policy, and taking out of liabilities insurance for directors, and supervisors)?			<p>II. The company set up committee of employees' welfare as early as 1975, in charge of pushing various welfare measures and planning series of measures caring caring for employees' families, so as helping employees build a harmonious familial relationship and improve their health, so as to enhance their performance.</p> <p>III. The Company has set up a unit dedicated to periodic disclosure the Company's major business information, boosting information transparency, as well as a feedback mechanism for accepting suggestions of investors on the Company's development, in addition to active participation in investor conference, so that investors can have firm grip on the Company current business status and development planning.</p> <p>IV. In order to achieve the goal of sustainable development of the supply chain, the Company ensures that suppliers meet social and ethical standards in the process of providing products and services, understand and abide by the law, and actively respond to environmental protection and social issues. In 2020, the suppliers were required to sign the "Supplier Code of Ethical Conduct" and "Environmental Protection Requirements Commitment" as one of the criteria for supplier selection. In addition, in order to manage the source of raw materials, the suppliers are also encouraged to sign the "RSL Restricted Substances List" to ensure compliance with the Company's requirements for restricted substances. In 2021, more than 80% of suppliers complete the signing of the above three commitments.</p> <p>V. To uphold the rights of stakeholders, they can express their suggestions and complaints via telephone, fax or e-mail, which will be handled by designated staffers, and employees are also encouraged to report violation of laws or regulations via dedicated mailbox.</p> <p>VI. In 2021, all the directors of the Company engaged in advanced study with hours meeting the requirements of "Directions for the Implementation of Countinuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies," with total study time reaching 42 hours, on top of total study time of 58 hours for managers.</p> <p>VII.The Company has dedicated to the establishment of a complete risk-management system, actively taking into account all the risks which may occur in the Company's operation and assuring compliance by the Company with related laws and regulations. Meanwhile, assure continuing effectiveness of the Company's internal control system via auditing system. Various auditing tasks by the auditing department ascertain the effectiveness of the Company's internal control system, as shown in the low risk of various environmental indicators in 2021.</p> <p>VIII.In order to provide customers with a full range of services and guarantees, the Company's technical service department has assembled professionals with experienced technical to accumulate solutions of technical problems for a long time, and establish a complete big database that can provide customers with professional technical services nearby; in terms of customer privacy protection, the</p>	

Assessment Item	Implementation Status			Discrepancy and The Reasons
	Yes	No	Explanation	
			<p>business information, transaction data, or any data related to customer privacy they provide are sorted and archived by dedicated personnel, and personal information management is implemented to comply with the personal data protection law Regulations.</p> <p>IX. The Company has taken out liabilities insurance for directors covering possible liabilities related to their responsibilities during their tenure since 2017. Report on the insurance, including insurance amount (US\$8 million), coverage (all the directors), premium rate, and insurance period (2021) was delivered at the meeting of the board of directors on November 10th, 2021.</p>	
<p>9. Please explain the improvement of the Company's corporate governance evaluation results released by the Corporate Governance Center of the Taiwan Stock Exchange Corporation in the past year, and propose priorities and measures for criteria that have not been improved:</p> <p>(1) Improved situation:</p> <p>(I) Formulate a policy for the diversity of board members, and disclose the specific management goals and implementation of the diversity policy on the Company's website and annual report.</p> <p>(II) Formulate risk management policies and procedures, disclose the scope of risk management, organizational structure and the implementation, and report to the board of directors once a year.</p> <p>(III) Establish an information security risk management framework, formulate information security policies and specific management plans, and disclose them on the company's website.</p> <p>(IV) Appoint an external professional independent organization to carry out the performance evaluation of the board of directors, and disclose the implementation and evaluation results on the Company's website and annual report.</p> <p>(2) Priorities and measures for strengthening:</p> <p>(I) In order to actively implement the policy of diversity of directors and achieve management goals, it is planned to add one female director in next director re-election.</p> <p>(II) The 2021 Sustainability Report is based on the Climate-related Financial Disclosure Recommendation (TCFD) framework, and discloses information on corporate governance, strategies, risk management, indicators and targets for climate-related risks and opportunities.</p> <p>(III) The 2021 Sustainability Report discloses relevant ESG information with reference to SASB standards, and appoints an external verification agency to provide assurance or assurance.</p>				

Note 1 : Information Regarding Corporate Sustainability Development Promotion Committee

In order to establish a good governance system, rationalize and strengthen management function, fulfill corporate social responsibilities, and attain sustainable development, the Company's board of directors resolved on March 26th, 2020 to set up "Corporate Society Responsibility Management Committee" and change the name to "Corporate Sustainable Development Promotion Committee" on May 11st, 2022. The committee consists of more than three directors, over half of them independent directors, with convener and chairman of committee meetings being served by an independent director to be elected by committee members.

According to the Company's "Organizational Rules of Corporate Sustainability Development Promotion Committee", the committee convenes at least twice a year and is in charge of the formulation of sustainable policies, the planning and implementation of sustainable development goals, and sustainability. Implementation of business matters, etc.

The Chairman of Corporate Sustainability Development Promotion Committee convened 2 meetings in 2021. The attendance status is as follows.

Title	Name	Attendance in Person	By proxy	Attendance Rate (%)	Remarks
Convener & Chairman	Yun, Chen	2	0	100	Industry Knowledge
Member	Ming-Hsien, Hsu	2	0	100	Industry Knowledge and Management
Member	Cheng-Hsien, Wu	2	0	100	Industry Knowledge and Management
Member	Yung-Cheng, Chiang	2	0	100	Law Expertise
Member	Yi-Hsi, Lee	2	0	100	Accounting Management, Financial Investment and Blockchain Technology

Note: For details, please refer to page 14~15 Directors' Professional Qualifications and Independent Directors' Independence Status.

Other mentionable items:

I. In case the board of directors turns down suggestions of corporate sustainability development promotion committee, specify the date and number of the meeting, contents of the case, resolutions of the board of directors, and status of the handling of the committee's opinions by the company: None.

II. Opposition or reservation of members on record or in written statement against resolutions of corporate sustainability development promotion committee: None.

III. The main items reviewed are summarized below:

Corporate Sustainability Development Promotion Committee	Item	Result
2-2 (2021.08.11)	1、Completion of the 2020 Sustainability Report 2、2021 ESG Work Statement	The following motions were approved by the chairman after consultation with all present members without objection.
2-3 (2021.12.22)	1、2021 ESG first year achievement report. 2、2022 ESG Plans and Targets Report.	The following motions were approved by the chairman after consultation with all present members without objection.

Note 2 : Assessment Table of Independence and Adaptability of Certified Public Accountant

A. Requirement of Independence			
Item		Result	Comply with the standard
01	Do certified public accountants, their spouses, or minor children have relationship of investment or financial-interest sharing with the company?	No	V
02	Whether certified public accountants, their spouses, or minor children have borrowing or loaning relationship with the company? It doesn't cover cases involving financial institutions as clients for normal dealings.	No	V
03	Whether certified public accountants or members of auditing service panel serve as the company's directors, managing staffers, or other positions with significant influence on the audited cases at present or recent two years?	No	V
04	Whether certified public accountants or members of auditing service panel undertake promotion or brokerage of stocks or other securities floated by the company?	No	V
05	Whether certified public accountants or members of auditing service panel represent the company in defending cases involving the company and third parties or other disputes?	No	V
06	Whether certified public accountants or members of auditing service panel are spouses, direct blood relatives, direct relatives by marriage, or relatives within second-degree kinship of the company's directors, managerial staffers, or employees with significant influence on audited cases?	No	V
07	Whether there are certified public accountants relieving joint practice within one year who now serve as the company's directors, managerial staffers, or other positions with significant influence on audited cases?	No	V
08	Whether certified public accountants or members of auditing service panel receive major gifts or preferential treatments from the company's directors, managerial staffers, or major shareholders?	No	V
09	Whether certified public accountants are hired by clients or persons under investigation for regular jobs, reception of fixed pays, or service of directors or supervisors?	No	V
B. Operation of Independence			
Item		Result	Comply with the standard
01	Whether certified public accountants can maintain independence in substance and form for audition, perusal, recheck, or special inspection of financial statements before offering opinions?	Yes	V
02	Whether members of auditing service panel, other certified public accountants with joint practice or shareholders of legal firms, legal firms, affiliates of legal firms, or allied legal firms can keep independence with the company?	Yes	V
03	Whether certified public accountants carry out professional service in upright and rigorous manner?	Yes	V
04	Whether certified public accountants can keep fair and objective stance, avoiding influence of prejudice, conflicting interest, or relationship of interest on professional judgment?	Yes	V

Note 3 : Stakeholder Communication Topics and Channels in 2021

Stakeholder	Topics of Communication	Channels and Frequency	Communication Efficiency/Achievement
Employee	<ul style="list-style-type: none"> <li>✓ Increase the operating performance and policy</li> <li>✓ Enhance safety and health management</li> <li>✓ Workplace well-being</li> <li>✓ Complete the employee career planning</li> </ul>	<ul style="list-style-type: none"> <li>✓ E-bulletin board(in real time)</li> <li>✓ Bi-weekly meeting(bi-weekly)</li> <li>✓ Toolbox meeting(weekly)</li> <li>✓ Union meeting(every season)</li> <li>✓ Labor conference(every season)</li> <li>✓ Employee welfare committee(every season)</li> <li>✓ Email(in real time)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Managers shares the current situation of business operating and technology development</li> <li>✓ Establish a complete rotation policy, encourage the employees to accept the new challenges</li> <li>✓ Set up a emergency response team and regularly practice the responses</li> </ul>
Customer	<ul style="list-style-type: none"> <li>✓ Innovative products and services</li> <li>✓ Customer management</li> <li>✓ Circular economic and product life cycle</li> <li>✓ Information safety and customer privacy</li> </ul>	<ul style="list-style-type: none"> <li>✓ Email and phonecalls(in real time)</li> <li>✓ Questionnaire(every year)</li> <li>✓ Corporate sustainability report (every year)</li> <li>✓ Customer service email(in real time)</li> <li>✓ Sales representatives(in real time)</li> <li>✓ Innovation Fair(every year)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Participate in the annual Innovation Fair</li> <li>✓ There was no any customer complaint about violation of information security or privacy records received in 2021</li> <li>✓ Have the honor to win the Best Voted Glue Supplier Award of Nike Global Chemical Conference</li> <li>✓ Annual customer satisfaction survey and visit</li> </ul>
Supplier	<ul style="list-style-type: none"> <li>✓ Code of business conduct and ethics</li> <li>✓ Product quality</li> <li>✓ Safety and health management</li> <li>✓ Wastes management</li> </ul>	<ul style="list-style-type: none"> <li>✓ CSR questionnaire(every year)</li> <li>✓ Supplier questionnaire (irregular)</li> <li>✓ Service mailbox(irregular)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Establish the supplier evaluation mechanism, and request for the signature of the code of conduct and ethics commitment</li> <li>✓ Hold a contractor meeting</li> <li>✓ Before the suppliers starting the high risk operations, describe the safety procedures and precautions thoroughly.</li> </ul>
Investor	<ul style="list-style-type: none"> <li>✓ Financial performance</li> <li>✓ Risk management</li> <li>✓ Climate change</li> </ul>	<ul style="list-style-type: none"> <li>✓ Shareholders meeting/investor conference(every year)</li> <li>✓ Company annual and quarterly financial statements and corporate sustainability report(every year)</li> <li>✓ Roadshow(every year)</li> <li>✓ Web page for investors (monthly)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Annual shareholder meeting for the operating and developing report</li> <li>✓ Uploading annual and quarterly financial statements in time</li> <li>✓ Actively participate in investor conferences at least once a quarter</li> <li>✓ Collecting the comments from investors and reporting to the management and the board</li> </ul>
Local community & NGO	<ul style="list-style-type: none"> <li>✓ Community communication</li> <li>✓ Donations</li> <li>✓ Charity events</li> </ul>	<ul style="list-style-type: none"> <li>✓ Corporate sustainability report (every year)</li> <li>✓ Social Welfare Charity Foundation(in real time)</li> <li>✓ Charity projects(in real time)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Nan Pao Social Welfare Charity Foundation completed the management procedure with the Social Welfare Bureau</li> <li>✓ Funding the afterschool lessons in elementary schools in the neighborhood for years</li> <li>✓ Total accumulated donation: NT\$66.66 million</li> </ul>
Competent Authority	<ul style="list-style-type: none"> <li>✓ Corporate governance</li> <li>✓ Transparent disclosure</li> <li>✓ Energy and climate change</li> </ul>	<ul style="list-style-type: none"> <li>✓ Official letters and visiting(irregular)</li> <li>✓ Public communication platform(irregular)</li> <li>✓ Thematic meetings-Such as conference, lectures and other seminar(irregular)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completing corporate governance evaluation</li> <li>✓ Disclose the company relevant information in annual report, corporate sustainability report and the Company website</li> <li>✓ Cooperate with interviews and project counseling</li> </ul>

(IV) Compensation Committee

1. Information Regarding Compensation Committee Members

Criteria		Professional Qualifications and Experience	Independence Status (Note 2)	Number of Other Public Companies Concurrently Serving as a Compensation Committee Member
Roles	Name			
Independent Director (Convener)	Yun, Chen	Please refer to Page 14~15 disclosed information about director qualification and independence.	The qualifications of the independent directors of the Company meet Article 6 regarding independence regulations of the "Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange". <ul style="list-style-type: none"> <li>• I, my spouse and relative within the second degree of kinship do not serve as the director, supervisor or employee of the Company or its affiliated companies;</li> <li>• I, my spouse and relative within the second degree of kinship (or under other's name) do not hold any percentage or number of issued shares of the Company;</li> <li>• Do not serve as a director, supervisor or employee of the Company that has a special relationship with the Company;</li> <li>• Do not provide commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years.</li> </ul>	0
Independent Director	Yung-Cheng, Chiang			0
Independent Director	Yi-Hsi, Lee			0

2. Compensation Committee Meeting Status

- (1) There are three members in Compensation Committee of the Company.
- (2) The tenure of current committee members: From June 16, 2020 to June 15, 2023. The Chairman of Compensation Committee convened 3 meetings in 2021. The attendance status is as follows.

Title	Name	Attendance in person	By proxy	Attendance Rate (%)	Remarks
Convener & Chairman	Yun, Chen	3	0	100	Should attend 3 times
Member	Yung-Cheng, Chiang	3	0	100	Should attend 3 times
Member	Yi-Hsi, Lee	3	0	100	Should attend 3 times

Other matters to be specified:

1. If the Board of Directors rejects or amends the suggestions submitted by the Compensation Committee, there shall be elaborated with the meeting dates, sessions, contents of resolutions, resolution adopted by the Board of Directors and actions taken by the Company in response to the Compensation Committee's opinions: None.
2. If any member has expressed opposition or reservation with respect to the resolution of the Compensation Committee and there was a written record or written statement, there shall be elaborated with the meeting dates, sessions, contents of resolutions, the opinions of all members of the Compensation Committee and actions taken in response to the member's opinions: None.
3. Discussion and resolutions adopted by the Compensation Committee in 2021:

Compensation Committee	Contents of Resolutions	The Opinion of the Compensation Committee
3-3 (2021.01.21)	The Company's proposal of 2020 performance-based bonuses for managers.	The Compensation Committee stated no objection; the above proposals have been passed and submitted to the Board of Directors for resolution.
3-4 (2021.03.25)	<ol style="list-style-type: none"> <li>1. The Company's 2020 employee remuneration and directors' remuneration distribution proposal.</li> <li>2. The Company's proposal of salary adjustment and appointment and promotion for managers.</li> <li>3. The Company's proposal to amend "Directors and Managers Performance Evaluation Measures" and formulated the internal control of "Directors, Functional Committees and Managers' Remuneration Payment Measures".</li> </ol>	The Compensation Committee stated no objection; the above proposals have been passed and submitted to the Board of Directors for resolution.
3-5 (2021.08.11)	<ol style="list-style-type: none"> <li>1. The Company's proposal of 2020 employee profit sharing for managers.</li> <li>2. The Company's proposal of salary adjustment and appointment for managers.</li> </ol>	The Compensation Committee stated no objection; the above proposals have been passed and submitted to the Board of Directors for resolution.

(V) The Company's implementation of sustainable development, differences from the practices of TWSE/TPEX Listed Companies, and reasons for the differences

Assessment Item	Implementation Status		Discrepancy and The Reasons	
	Yes	No		Summary
1. Does the company establish exclusively (or concurrently) dedicated units to implement sustainable development, and does the Board of Directors appoint executive level positions with responsibility for sustainable development to supervise the status of the implementation to the Board of Directors?	✓		<p>1. The Company's board of directors resolved to to set up the "Corporate Social Responsibility Management Committee" on March 26th, 2020 meeting, and further resolved to change the name to "Corporate Sustainability Development Promotion Committee" on May 11st, 2022. The committee consists of more than three directors, over half of them independent directors, with convener and chairman of committee meetings being served by an independent director to be elected by committee members. Meetings are held regularly every year.</p> <p>2. The committee is responsible for supervising the implementation of sustainable development goals and tracking the implementation of sustainable development policies. It has organized a sustainable development work implementation team and a project secretary to summarize the Company's sustainable development performance every year and prepare the corporate sustainability report. The results are regularly reported to the Board of Directors on a regular basis.</p> <p>3. The 2021 annual work plan and achievement report have been submitted to the 2-1st Corporate Social Responsibility Management Committee on December 17th, 2020 and the 2-3rd Corporate Social Responsibility Management Committee on December 22nd, 2021. The relevant implementation report is expected to be presented to the board of directors on May 11st, 2022.</p>	No significant discrepancy
2. Does the Company conduct risk assessment of environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	✓		<p>1. The Company established the Risk Management Policy and Procedure in accordance with Article 44 of the Regulations Governing Establishment of Internal Control Systems by Public Companies at board of directors on December 17th, 2020. The strategy, scope, organizational structure and implementation status of the risk management of 2021 have been reported to the board of directors on December 22nd, 2021 and disclosed on the official website of the Company.</p> <p>2. The "Board of Directors" is the highest level of risk management in the company, which is in charge of various risks, with a clear professional division of labor for risk control at different levels, and reports to the chairman; in addition, through the audit team directly under the board of directors, it is responsible for monitoring and audit the entire risk management mechanism, ensure the effectiveness of the Ccompany's risk control through internal audit operations, and properly manage potential risks.</p> <p>3. The scope of material risk assessment in 2021 is mainly based on Taiwan Nanbao Resin, which is the same as the subject boundary of the environmental and social information in the sustainability report.</p> <p>4. In 2021, the sustainable development work implementation team will lead the analysis of major issues, and make a stakeholder questionnaire to communicate with various stakeholders through different channels and collected information and updated the extent of attention. The Company has formulated the following risk management policies or strategies pertaining to the environmental, social and corporate governance issues based on the principle of materiality:</p>	No significant discrepancy

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3. Environmental Topic																							
(1) Has the Company set an environmental management system designed to industry characteristics?	✓		<p>(1) The Company believes that when promoting environmental protection, safety and health business, in addition to complying with relevant laws and regulations, it also needs to be in line with internationally recognized standards. In order to establish a safe, healthy and comfortable working environment and continuously reduce the rate of occupational disasters, the "Occupational Safety and Health Policy" has been formulated as the highest guiding principle of safety and health management. The Company has also passed the following international certifications:</p> <table border="1"> <thead> <tr> <th>Certification</th> <th>Certificated Date</th> <th>EffectiveDate</th> </tr> </thead> <tbody> <tr> <td>ISO14001 Environment Management System</td> <td>20201214</td> <td>20201214~20231214</td> </tr> <tr> <td>ISO50001 Energy Management System</td> <td>20191116</td> <td>20191116~20221116</td> </tr> <tr> <td>ISO45001 Health and Safety Management System</td> <td>20201209</td> <td>20201209~20231209</td> </tr> </tbody> </table>	Certification	Certificated Date	EffectiveDate	ISO14001 Environment Management System	20201214	20201214~20231214	ISO50001 Energy Management System	20191116	20191116~20221116	ISO45001 Health and Safety Management System	20201209	20201209~20231209	No significant discrepancy							
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(2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	✓		<p>(2)1. In recent years, the Company has been committed to the research and development of chemical raw material replacement, using castor oil extracted from non-edible plants to replace non-renewable petroleum raw materials, and developing adhesives and foaming materials with environmental advantages and excellent performance. It also masters the technology of self-made low-carbon raw materials, and makes polyester polyols based on recycled PET bottles. As the raw materials of water-based PU products, it not only reduces the dependence of polyester on petroleum, but also reduces resource consumption and promotes resource recycling.</p> <p>2. The Company regards energy and greenhouse gas management as an important issue in daily operations, and continues to promote energy conservation and carbon reduction measures to improve energy efficiency. At the same time, it also actively cooperates with local government energy policies to install solar power generation in factories. The goal is to complete the installment of renewable energy power generation equipment in 40% of the plant by 2023, and 70% by 2025.</p> <p>3. The Company completed the environmental footprint analysis of the water-based PU dispersion (including packaging) by LCA technology, and obtained the ISO14067 certification. In addition, the waste solvent (acetone, butanone) produced in the water-based PU process was distilled and recovered, and the recycled acetone will be returned to the process for repeated use, and also can be sold to customers. These measures can not only improve the efficiency of resource use, but also improve the operational performance, and implement a circular economy of waste.</p> <p style="text-align: right;">Recycle Unit: metric tons</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Major Environmental Impact RM of water-based PU</th> <th>2020</th> <th>2021</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Acetone</td> <td>3,853</td> <td>1,679</td> <td>-56.42</td> </tr> <tr> <td>Butanone</td> <td>1,173</td> <td>3,995</td> <td>240.58</td> </tr> <tr> <td>Total</td> <td>5,026</td> <td>5,674</td> <td>12.89</td> </tr> </tbody> </table> <p>4. In order to reduce the impact of the production process on the environment, the Company has replaced the burning heavy oil into natural gas since 2018, which has greatly reduced the emissions of various air pollutants, and the amount of VOCs generated in the manufacturing process has also continued to decline. In recent years, the Company has gradually adopted clean energy to reduce dependence on fossil fuels.</p> <p>5. In 2021, the Company implements the runoff wastewater reduction plan for new plant, focusing on three main improvement directions of wastewater recovery, equipment improvement, and water conservation, and sets the goal of reducing the average daily wastewater to under 15 CMD. Currently the first plant has achieved the goal, and the 2022 target will further set at reducing the average daily wastewater to under 13CMD.</p>	Major Environmental Impact RM of water-based PU	2020	2021	%	Acetone	3,853	1,679	-56.42	Butanone	1,173	3,995	240.58	Total	5,026	5,674	12.89	No significant discrepancy
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	Yes	No	Summary																	
(3) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?	✓		(3) The Company promises to achieve carbon neutrality by 2050, build and purchase renewable energy in stages, and gradually move towards the goal. In 2021, the GHG scope 1 and scope 2 specification will cover all the Group's factories, and from 2022 onwards Started the inventory of Scope 3, aiming to complete the promotion of 100% of the factory area by 2026. In 2021, the GHG scope 1 and scope 2 specification covers all the factories of the group, and from 2022, the scope 3 specification will be carried out in all the factories of the group. The goal is to complete 100% of the factories specification by 2026.	No significant discrepancy																
(4) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?	✓		<p>(4)1. To control greenhouse gas emissions, the Company introduced the Greenhouse Gas (GHG) Specification from 2009, followed the ISO14064-1 issued by the standards every year to conduct the specification in order to understand the Company's greenhouse gas emissions and continue to reduce. In 2012, carbon footprint check was introduced to inspect the carbon emissions during the operation activities including the raw material stage, the material transportation stage, and the production stage throughout each product cycle, and obtain the reasonable assurance level verification of the SGS carbon footprint verification statement. The Company will further report the implementation status to the board of directors on a quarterly basis starting from the second quarter of 2022, and continue to control the completion of the GHG specification and verification of disclosure.</p> <p>2. The scope of the Company's GHG emissions specification can be divided into direct greenhouse gas emissions (Scope 1) and indirect greenhouse gas emissions (Scope 2).</p> <p style="text-align: center;">Emission Unit: metric tons</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Scope of inventory audit</th> <th>2020</th> <th>2021</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Scope 1 (CO2e): (Gasoline + Diesel + Liquefied Natural Gas (LNG) + Liquefied Petroleum Gas (LPG) + Heavy Oil)</td> <td style="text-align: center;">5,068</td> <td style="text-align: center;">3,793</td> <td style="text-align: center;">-25.16%</td> </tr> <tr> <td>Scope 2 (CO2e): (Electric Power)</td> <td style="text-align: center;">8,308</td> <td style="text-align: center;">8,821</td> <td style="text-align: center;">6.17%</td> </tr> <tr> <td>Total emissions = Scope 1 + Scope 2</td> <td style="text-align: center;">13,376</td> <td style="text-align: center;">12614</td> <td style="text-align: center;">-5.70%</td> </tr> </tbody> </table> <p>3. In order to effectively reduce air pollution and prevent emissions, the Company strengthens the improvement of equipment availability and adds condensing equipment to recover vaporized solvents for reuse to ensure that the emitted concentrations meet regulatory standards, and no ozone depleting substances (ODS) are produced, imported, exported or discharged. Due to the large number of chemicals in the factories, the odor of chemicals often escapes. The Company has carried out project improvement for the odor emission in the process EA, and implemented the management of odor emission monitoring by modifying the process, updating components and self-testing.</p>	Scope of inventory audit	2020	2021	%	Scope 1 (CO2e): (Gasoline + Diesel + Liquefied Natural Gas (LNG) + Liquefied Petroleum Gas (LPG) + Heavy Oil)	5,068	3,793	-25.16%	Scope 2 (CO2e): (Electric Power)	8,308	8,821	6.17%	Total emissions = Scope 1 + Scope 2	13,376	12614	-5.70%	No significant discrepancy
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4. Social Topic																														
(1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	✓		(1) The Company respects and encourages implementation of the labor standards of The UN Universal Declaration of Human Rights, The UN Global Compact, and The International Labor Organization Conventions, and the Company is committed to ensuring that everyone is equally treated in a dignified manner within and outside the Company. Conduct risk assessments and formulate relevant mitigation measures for issues of concern such as safe and healthy work environment, no compulsory and forced labor, no child labor, non-discrimination, freedom of association and collective bargaining rights.		No significant discrepancy																									
(2) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	✓		(2) 1.The Company established the Employee Welfare Committee in 1975 to handle employees' benefit and welfare measures. The Company also formulate comprehensive retirement methods that comply with laws and regulations. On top of the compensation, the Company offers incentive bonus by not only referring to the Company's overall operational performance, future business risks and development trends of the industry, but also taking into account an individual employee's performance achievement rate and degree of contribution to Company performance, in order to offer reasonable remuneration which has a positive correlation with business performance. 2. The Company established an employee stock ownership association in 2019. Colleagues above the supervisor level can contribute part of their salary each month. The company also appropriates the same amount to purchase the Company's shares in the form of shareholding trusts. In the future, the Company will continue to optimize the long-term reward and remuneration methods for employees, and incorporate sustainability indicators into employee assessment items.		No significant discrepancy																									
(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	✓		(3) 1. All factories of the Company also take a number of preventive measures, such as high-risk operation management, contractor management, chemical safety management, personal protective equipment requirements and safety audit management, etc., in order to ensure that every colleague can be familiar with occupational safety and health regulations and various rights of occupational accident labor protection. The Company also regularly arranges employee safety and hygiene training courses and various hazard prevention publicity activities. In addition, the Company convenes an emergency response team every year to conduct field drills in each factory, so as to prevent the loss of employees and company assets and minimize the social and environmental impacts of disasters.		No significant discrepancy																									

Assessment Item	Implementation Status			Discrepancy and The Reasons
	Yes	No	Summary	
			<p>2. In order to effectively manage and confirm the normal operation of equipment in each plant, the Company introduced a mobile inspection management system, conduct plant and equipment safety inspections in an electronic way to grasp the inspection dynamics in real time and reduce the risk of abnormalities. Analysis and report output can also be performed through inspection records to achieve the purpose of effective control and management.</p> <p>3. The Company hires full-time labor health service nurses, providing first aid and emergency treatment, one-on-one health consultation, and employee health management, with professional nurses guide employees of correct health concepts. In addition, the Company arranges health checkups for all employees, and performs hierarchical management of health checkups based on employee health checkup reports.</p> <p>4. A special health checkup is arranged by occupational health and safety personnel. An occupational doctor will evaluate the tiered results and undertake comprehensive tiered management. Individual health instructions will be provided for employees who require tier-2 management or above, and the occupational doctor will provide consulting service and educational training in order to prevent occupational diseases.</p> <p>5. The Company holds free physical checks and lectures for all employees, all the security rooms equipped with blood pressure measuring machine. The Company establishes an automatic external cardiac defibrillator (AED) at the guard's office in each plant to prevent emergencies in the plants, and also regularly arranges educational training of CPR and first aid courses.</p>	
(4) Has the Company established effective career development training plans?	✓		<p>(4)1. The Company's education and training system is divided into three categories, education and training for new recruits, professional and management according to their functions, so that the classification achieves the purpose of systematically training the professional required by each position and rank. The Company provides diversified and enriched learning channels and developmental resources according to individual working needs, performance evaluation results, and career developmental needs which include on-the-job training, courses training, work coaching, the mentorship system, job rotation.</p> <p>2. The Company actively enhances the research and development energy of the Company's products. In 2021, the focus will be on education and training in R&amp;D and quality control categories. With the outbreak of COVID-19, in order to implement epidemic prevention measures, reduce the planning of physical courses, and actively invest in the establishment of digital courses and platforms, online courses are adopted as training methods, and all teaching materials for online courses are electronically stored for preservation.</p>	No significant discrepancy

Assessment Item	Implementation Status			Discrepancy and The Reasons
	Yes	No	Summary	
(5) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set policies to protect consumers' or customers' rights and consumer appeal procedures?	✓		<p>(5)1. The Company's products are required to comply with special directives such as RoHS, SVHC, eight heavy metals and other special directive standards in the development and design. All shoe products are sent to third-party impartial units such as SGS every year to obtain compliance with the banned substances directive report of NIKE, Adidas, Converse and other brands; 100% of the products sold in the EU only can leave the factory after passing the quality inspection. The quality of the exported products conforms to the EU RoHS and REACH specifications, and has obtained the bluesign@SYSTEM PARTNER certification.</p> <p>2. The Company's technical service department has assembled professionals with rich technical experience to accumulate solutions of technical problems for a long time, establish a complete big database and send them to each business office to provide professional technical services to customers nearby. In addition, according to product attributes, the customer's production team will be provided with complete usage guidance and support.</p> <p>3. The Company arranges dedicated personnel to archive and manage the business information, transaction information, or any information involving customer privacy provided by customers, and comply with the relevant provisions of the Personal Data Protection Law. Access to customer information within the Company must be approved and authorized before relevant information can be obtained. In this way, information involving customer privacy rights will not be easily leaked. Activities such as product marketing and promotion are handled in accordance with relevant legal procedures. In 2021, we did not receive any complaints about destroying customer privacy or losing customer information, nor did any counterfeiting, infringement or other incidents occur.</p> <p>4. The Company conducts field visits every year to understand customers' perceptions and evaluations of products and services. Through the collection of data, in the quarterly quality control meeting, the Company review and follow up the deficiencies in products and services, and propose improvement plans in order to provide services that better meet customers' expectations.</p> <p>5. The company provides customers with direct and timely complaint channels to safeguard the basic rights and interests of customers.</p>	No significant discrepancy
(6) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?	✓		<p>(6)1. The Company requires the suppliers to sign the CSR statement to assure the suppliers comply with the CSR and moral standard, and proactively respond to the environmental protection issues. The purchasing department also assesses the suppliers on environment, labor, human-rights and social relevant impacts through good communication channels and regular meetings to control and supervise supplier behavior and work conditions.</p> <p>2. The suppliers are encouraged to sign the "Supplier Code of Ethical Conduct", "Environmental Protection Requirements Commitment" and "RSL Restricted Substances List" as one of the criteria for supplier selection. In 2021, more than 80% of suppliers complete the signing of the above three commitments.</p>	No significant discrepancy

Assessment Item	Implementation Status			Discrepancy and The Reasons
	Yes	No	Summary	
5. Does the Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Has the said Report acquire third party verification or statement of assurance?	✓		In accordance with the core options of the GRI guidelines and Sustainability Accounting Standards Board Chemical Industry Standards, the Company has prepared a corporate sustainability report and an English version of the e-book, and placed them on the Company's website for investors to review. The 2021 Sustainability Report will be published with an assurance or assurance opinion issued by Ernst & Young.	No significant discrepancy
6. If the Company has established its corporate social responsibility code of practice according to "Listed Companies Corporate Social Responsibility Code of Practice," please describe the operational status and differences: None.				
7. Other important information to facilitate better understanding of the Company's implementation of sustainable development: (1) The Company is committed to achieving carbon neutrality by 2050. (2) The Community participation of education and charity please refers to the corporate sustainability report on chapter six. (3) The Company's corporate sustainable development promotion related operational information is disclosed in the corporate sustainability section of the Company's website on <a href="https://www.nanpao.com.tw/">https://www.nanpao.com.tw/</a>				

#### (VI) Adherence to the Ethical Corporate Management and Measures

Assessment Item	Implementation Status			Discrepancy and The Reason
	Yes	No	Summary	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
(1) Does the Company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	✓		(1) The Company has formulated "Procedures for Ethical Management and Guidelines for Conduct" and "Code of Ethical Conduct" on April 5th, 2017 board meeting. And the latest revision was approved by the resolution of the board of directors on December 17th, 2020 and March 20th, 2018 respectively. Except for the policies and practices of the Company's integrity management to clearly demonstrate the policy and methods of ethical management, the company's directors and management have signed "Integrity Statement" to cautiously fulfilling their duties in compliance with the obligation of attention of a prudent administrator. In addition, the Board of Directors and the management also actively fulfill the promise to ethical management policy. The enactment of "Procedures for Ethical Management and Guidelines for Conduct" and "Code of Ethical Conduct" has been disclosed on the Company's website.	No significant discrepancy

Assessment Item	Implementation Status		Discrepancy and The Reason	
	Yes	No		Summary
(2) Whether the Company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	✓		(2) The Company has formulated "Procedures for Ethical Management and Guidelines for Conduct", which have already covered the preventive measures for each paragraph of paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies". The Company has also set up a dedicated unit which affiliated to the board of directors, regularly analyzes and evaluates business activities with a high risk of dishonesty in the business scope, and formulate a plan to prevent dishonesty against bribery, providing illegal political contributions, improper charitable donations or sponsorships, providing or accepting unfair interests, infringing business secrets, engaging in unfair competition, and damaging the rights and interests of interested parties.	No significant discrepancy
(3) Whether the Company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?	✓		(3) The "Procedures for Ethical Management and Guidelines for Conduct" of the Company is clearly stipulated that directors, managers, employees, assignees and persons with substantial control capabilities should not directly or indirectly provide, promise, request or receive any illegitimate benefits in the execution of their business, or make other acts that violate good faith, illegality or breach of acceptance. In order to urge employees to maintain an awareness of integrity behaviors, the Company will not only disclose the integrity standards related to business behaviors to internal website, and encourage employees to sign the "Statement of Ethics" and "Compliance with the Code of Ethics Data Registration". In addition, through regularly or irregularly in weekly meetings or other internal meetings and other multiple methods to conduct honest behaviors for colleagues, the system and related case propaganda should be followed. In order to implement the high requirements of compliance with laws and regulations and professional ethics, the Company has set up a "Regulations Governing Whistle-blowing from Internal and External Parties". Financial Management Division of the Company, under the board of directors as the responsible unit for integrity management has responsible for the implementation of integrity management policies and prevention plans. At the same time, the relevant systems and measures are regularly reviewed and revised.	No significant discrepancy
<b>2. Ethic Management Practice</b>				
(1) Whether the Company has assessed the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?	✓		(1) When conducting external commercial activities, the Company will consider the integrity record before dealing with the counterparty. The Company's Legal unit also incorporates the terms of good faith into the Company's various types of system contracts, requiring the transaction partners to strictly observe integrity code. If there is any dishonest behavior, the Company may unconditionally terminate or cancel the contract at any time.	No significant discrepancy

Assessment Item	Implementation Status		Discrepancy and The Reason
	Yes	No	
			In 2010, the Company will encourage suppliers to sign the "Supplier Code of Ethics and Conduct". The priority is given to those enterprises that sign the integrity commitment.
(2) Whether the Company has set up a unit which is dedicated to promoting the company's ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?	✓		(2) The Company has assigned Financial Management Division under the board of directors, which is responsible for the integrity management policy and prevention plan, as well as reporting implementation results to the Board of Directors on an annual basis. The implementation of ethical corporate management was reported to the Board of Directors on August 11th, 2021.
(3) Whether the Company has established policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	✓		(3) The Company's "Procedures for Ethical Management and Guidelines for Conduct" and "Code of Ethical Conduct" have clearly stipulates that all employees can not receive improper benefits, to avoid damage on company rights. If any violation of the integrity regulations is found, the Company can follow the "Regulations Governing Whistle-blowing from Internal and External Parties" which provide grievance channels. For the accused, the opportunity to express their opinions or appeal is also provided.
(4) To implement relevant policies on ethical conducts, has the Company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically?	✓		(4) To fulfill ethical management in practice, the Company has already established an effective accounting system and internal control system, and internal auditors consider compliance with laws and regulations every year, based on the Company's strategic goals and past audit experience. After evaluating the risks at all levels of the Company, put forward an audit plan for the following year, submit it to the Audit Committee and the Board of Directors for approval, and regularly check the compliance of the system. In addition, the internal control system self-assessment of each internal unit and subsidiary is carried out every year, and the results of the self-assessment of the internal control system are compiled and reported to the Audit Committee and the Board of Directors. Based on this, the management level of the Company is examined to control the overall internal and external environmental risks, and a conclusion is drawn on the effectiveness of the design and implementation of the internal control system.
(5) Does the Company provide internal and external ethical conduct training programs on a regular basis?	✓		(5) The Company clearly stipulates in the employment contract of new recruits that employees are required to abide by the Company's integrity management policy, and sign the "Declaration of Ethics Standards" when they arrive on the job. In addition, it regularly holds internal education and training courses for new recruits every year, and at the same time disseminates the "Procedures for Ethical Management and Guidelines for Conduct" and "Code of Ethical Conduct" and other relevant norms of honest management. The

Assessment Item	Implementation Status		Discrepancy and The Reason
	Yes	No	
			Company also arranges education course at least once a year for the current directors, managers and employees about relevant laws and regulations. On March 3rd, 2021, the Company has held a weekly meeting disseminating the ethics and workplace bullying, with a total of 143 participants and 71.5 hours. In addition, in accordance with the "Regulations Governing Prevention of Insider Trading" regulations, the Company arranges education course at least once a year for the directors, supervisors, managers and employees on laws and regulations related to insider trading prevention procedures. On November 25th, 2021, a total of 18 participants of directors, managers and employees were given a total of 27 hours education and publicity on "Insiders' Shareholding Declaration Instructions and Prevention of Insider Trading". The course content includes confidential work of important information. As well as the reasons for the formation of insider trading, the identification process and transaction examples.
<b>3. Implementation of Complaint Procedures</b>			
(1) Does the Company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	✓		(1) The Company has established "Procedures for Ethical Management and Guidelines for Conduct" and "Regulations Governing Whistle-blowing from Internal and External Parties" to standardize the standards for employees to conduct business in good faith and conduct ethics. There is also a reporting mailbox (audit@nanpao.com) and a dedicated line for employees, outsiders and suppliers to directly report any financial, legal and integrity-related unfair practices. The acceptance unit is the Auditing Office of the board of directors, and the Auditing Office is responsible for handling.
(2) Whether the Company has established standard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?	✓		(2) Articles 4 and 5 of the Company's "Regulations Governing Whistle-blowing from Internal and External Parties" specify the reporting channels and handling procedures, the standard operating procedures for the investigation of reported matters, and the follow-up measures to be taken after the investigation is completed. In addition, a confidentiality mechanism is established in Article 6. Regarding the whistleblower or the personnel involved in the investigation and their contents, the Company adopts the procedures of confidentiality and prudence in accordance with the regulations.
(3) Does the Company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	✓		(3) Article 6 of the Company's "Regulations Governing Whistle-blowing from Internal and External Parties" clearly defines the whistleblower protection mechanism. The Company will protect the whistleblower or the personnel involved in the investigation and the contents of the whistleblower. Any form of unfair treatment or retaliation against those who report in good faith or assist in an investigation is strictly prohibited.

Assessment Item	Implementation Status		Discrepancy and The Reason
	Yes	No	
4. Information Disclosure			
Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System (“MOPS”)?	✓		The Company has placed relevant norms and disseminated information on honest management on the internal website for colleagues to inquire at any time. The Company's external website ( <a href="https://www.nanpao.com.tw">https://www.nanpao.com.tw</a> ) placed the annual report under “Investor Relations” (also placed at the Public Information Observatory), important internal regulations and the sustainability report under under “Corporate Social Responsibility” are also fully disclosed with the relevant policy requirements, rules and regulations and information on integrity management.
5. If the Company has established corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any discrepancy between the policies and their implementation.: None			
6. Other important information to facilitate better understanding of the Company’s corporate conduct and ethics compliance practices (e.g., review the Company’s corporate conduct and ethics policy).			
<p>1. As the basis to fulfilling ethical management in practice, the Company is in compliance with the Company Act, the Securities and Exchange Act, relevant regulations for TWSE/TPEX listed companies, and other legal regulations related to business activities.</p> <p>2. The Company's board of directors approved the amendment of the "Code of Ethical Conduct" on March 20th, 2018. The Company's board of directors approved the amendment of the "Procedures for Ethical Management and Guidelines for Conduct " on December 17th, 2020. The Company's board of directors approved the amendment of the "Regulations Governing Whistle-blowing from Internal and External Parties" on December 22nd, 2021.</p>			

(VII) If the Company sets up corporate governance practice and related bylaws, the Company shall disclose how these can be searched:

The Company has established “Corporate Governance Code of Practice” and relevant regulations, and such regulations have been disclosed on the Company website for investors, investors can also find the information on the website of <http://mops.twse.com.tw>, the relevant regulations are also been disclosed on the Company’s website.

(VIII) Other important information that could facilitate the understanding of corporate governance could be disclosed:

1. The score of the Company's first corporate governance evaluation in 2020 reached 80.73, and the ranking interval of listed companies was 21-35%. The score in 2021 was up to 95.15, and the ranking interval of listed companies was also up to 6-20%. Measures related to corporate governance will be continuously improved and strengthened.
2. The Company’s website establishes a CSR Section, in which the Company prepares and updates the annual Corporate Sustainability Report to disclose the Company’s implementation effectiveness for corporate governance. The Company's website has a "Corporate Social Responsibility" section, which an annual Corporate Sustainability Report is prepared and updated to disclosure the effectiveness of corporate governance.
3. The important information of the Company is announced on the MOPS in accordance with the regulations of the competent authority.

## (IX) Internal Control System Execution Status

### 1. Statement of Internal Control System

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

#### Statement of Internal Control System

March 24, 2022

This Statement of Internal Control System is issued based on the self-assessment of the Company for the year 2021:

1. The Company is clearly aware that establishing, implementing, and maintaining the internal control system is the responsibility of the Company's Board of Directors and the managers. The Company has already implemented this system in place. The objectives of ICS include achieving various objectives in business benefits and efficiency (including profitability, performance, and protection of assets and safety), ensuring the reliability, timeliness, transparency, and regulatory compliance of reporting, and providing reasonable assurance.
2. The internal control system has inherent constraints, and no matter how comprehensive its design may be, an effective internal control system is only capable of providing adequate assurance for achieving the above-mentioned objectives. Moreover, the effectiveness of the internal control system may be altered from changes in the environment and under different situations. Hence, the Company's internal control system has been implemented with a self-monitoring system, in which the Company will immediately undertake rectification measures once a deficiency has been identified.
3. The Company assesses for the effectiveness of the internal control system's design and practices through the effectiveness of internal control system, as stated in the "Protocols and Measures for the Establishment of Internal Control System in Publicly Listed Companies" (hereinafter referred to as "the Protocols"). "The Protocols" determines the effectiveness of internal control system by separating internal control system into five compositions through management control processes, including 1. control environment, 2. risk evaluation, 3. control procedures, 4. information and communication, and 5. supervision. Each composition further includes various items. Please see "the Protocols" for the aforementioned items.
4. The Company has already adopted the above-mentioned internal control system evaluation to assess the design and effectiveness of the internal control system in practice.
5. Based on the above assessment, the Company has assessed that the internal control system (covering monitoring and management of its subsidiaries) as of December 31, 2021 is effectively designed and implemented and is sufficient to ensure that the following objectives are achieved, including understanding the degree of achievement of operational effectiveness and efficiency objectives, reliable, timely and transparent reporting and compliance of applicable rules, laws, regulations, and bylaws.
6. This statement will become the primary content of the Company's Annual Report and Public Statement to Investors, and will also be disclosed to the public. If the aforementioned content contains illegal matters such as any fraudulent or hidden information, the Company will be in question of breaching Articles 20, 32, 171, and 174 in the Securities and Exchange Act and face legal consequences.
7. This statement was passed by the Board of Directors meeting held on March 24, 2022, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Nan Pao Resins Chemical Co., Ltd.

Chairman: Cheng-Hsien, Wu  
General Manager: Ming-Hsien, Hsu

2. Disclosing the review report of independent auditors if they are engaged for reviewing the internal control system: None.

(X) In the recent year and up to the publication of the annual report, legal penalties for the company and internal staffers, penalties of internal staffers by the company for violation of internal control system and regulation, major defects and improvement status: None.

(XI) Major Resolutions of Shareholders' Meeting and Board Meetings

1. Shareholder's Meeting

Date	Major resolutions	Implementation status
20210720 Annual General Meeting	(I) Acknowledged matters: (1) Acknowledgment of the 2020 business report and financial statements (Proposed by the Board of Directors) (2) Acknowledgment of the 2020 earnings distribution (Proposed by the Board of Directors)	※ The proposal was approved by the participating Shareholders with 98.04% approved percentage.  1. The proposal was approved by the participating Shareholders with 98.04% approved percentage. 2. The ex-dividend date was set on August 11th, 2021. Cash dividends totaled NT\$843,995,460 (NT\$7 per share) has been distributed on August 31st, 2021.
	(II) 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 (Proposed by the Board of Directors)	※ The proposal was approved by the participating Shareholders with 97.88% approved percentage.
	(2) Amendments to the Company's "Procedures for Governing Loaning of Funds and Making of Endorsements" (Proposed by the Board of Directors)	1. The proposal was approved by the participating Shareholders with 97.90% approved percentage. 2. It has been announced on the Company's website and will comply with the revised regulations.
	(3) Amendments to the Company's "Rules of Procedure for Shareholders Meetings" (Proposed by the Board of Directors)	1. The proposal was approved by the participating Shareholders with 97.90% approved percentage. 2. It has been announced on the Company's website and will comply with the revised regulations.
	(III) Extemporary Motions: Amendments to the Company's "Regulations Governing the Acquisition and Disposal Assets" (Proposed by shareholders holding more than 1% of the shares)	1. The proposal was approved by the participating Shareholders with 76.44% approved percentage. 2. It has been announced on the Company's website and will comply with the revised regulations.

## 2. Board Meetings

Date	Major resolutions
20210121	<ol style="list-style-type: none"> <li>1. Approved the Company's proposal of 2020 performance-based bonuses for managers.</li> <li>2. Approved the Company's proposal to apply for loan facilities from banks.</li> </ol>
20210325	<ol style="list-style-type: none"> <li>1. Approved the Company's proposal of appointment and promotion for managers and salary adjustment.</li> <li>2. Approved the Company's proposal of 2020 business report and financial statements.</li> <li>3. Approved the Company's proposal of 2020 earnings distribution plan.</li> <li>4. Approved the Company's proposal of 2020 employee and director's bonus distribution plan.</li> <li>5. Approved the Company's proposal of 2020 "Statement on Internal Control System".</li> <li>6. Approved the Company's proposal to provide and cancel endorsements or guarantees for subsidiaries.</li> <li>7. Approved the Company's proposal to provide letter of support for subsidiaries.</li> <li>8. Approved the Company's proposal to apply for loan facilities from banks.</li> <li>9. Approved the Company's proposal to amend internal control system of "Rules of Procedure for Board of Directors Meetings".</li> <li>10. Approved the Company's proposal to amend internal control system of "Rules of Procedure for Shareholders Meetings".</li> <li>11. Approved the Company's proposal to amend internal control system of "Procedures for Governing Loaning of Funds and Making of Endorsements".</li> <li>12. Approved the Company's proposal to amend internal control system of "Corporate Governance Code of Practice".</li> <li>13. Approved the Company's proposal to amend internal control system of "Corporate Social Responsibility Best Practice Principles".</li> <li>14. Approved the Company's proposal to amend internal control system of "Rules Governing the Scope of Powers of Independent Directors".</li> <li>15. Approved the Company's proposal to amend "Organizational Rules for the Audit Committee" and the abolition of the internal control system of "Administrative Measures for the Audit Committee's Discussion and Operation".</li> <li>16. Approved the Company's proposal to amend "Organizational Rules for the Compensation Committee" and the abolition of the internal control system of the "Compensation Committee Operation Management Measures".</li> <li>17. Approved the Company's proposal to amend "Directors and Managers Performance Evaluation Measures" and formulated the internal control of "Directors, Functional Committees and Managers' Remuneration Payment Measures".</li> <li>18. Approved 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.</li> <li>19. Approved the Company's proposal to convene 2021 Annual General Meeting and accept shareholders' proposals.</li> </ol>
20210510	<ol style="list-style-type: none"> <li>1. Approved the Company's proposal to provide endorsements or guarantees for subsidiaries.</li> <li>2. Approved the Company's proposal to provide letter of support for subsidiaries.</li> <li>3. Approved the Company's proposal to apply for loan facilities from banks.</li> <li>4. Approved the Company's proposal to amend "Level of Authority".</li> </ol>
20210625	<ol style="list-style-type: none"> <li>1. Approved the Company's proposal to postpone the 2021 shareholders meeting.</li> <li>2. Approved the Company's proposal to cancel the investment in the subsidiary "Nan Pao Resins (Yunan) Co., Ltd.".</li> </ol>

Date	Major resolutions
20210811	<ol style="list-style-type: none"> <li>1. Approved the Company's proposal of appointment for managers and salary adjustment.</li> <li>2. Approved the Company's proposal of investment in the newly established "InnoLux Development Venture Capital Limited Partnership" (name tentative).</li> <li>3. Approved the Company's proposal to provide endorsements or guarantees for subsidiaries.</li> <li>4. Approved the Company's proposal to provide letter of support for subsidiaries.</li> <li>5. Approved the Company's proposal to apply for loan facilities from banks.</li> </ol>
20211110	<ol style="list-style-type: none"> <li>1. Approved the Company's proposal of disposition of Total Acrylic Polymer Industry (TAPI) Corp. common shares</li> <li>2. Approved the Company's proposal to provide and cancel endorsements or guarantees for subsidiaries.</li> <li>3. Approved the Company's proposal to apply for loan facilities from banks.</li> </ol>
20211222	<ol style="list-style-type: none"> <li>1. Approved the Company's proposal of 2022 Business Plan.</li> <li>2. Approved the Company's proposal of 2022 internal audit plan.</li> <li>3. Approved the Company's proposal to cancel the investment in the subsidiary "NanTong Nan Pao Resins Materials Co., Ltd. ".</li> <li>4. Approved the Company's proposal of donation to the affiliate "Nan Pao Social Welfare Foundation".</li> <li>5. Approved the Company's proposal to amend internal control system of "Regulations Governing Whistle-blowing from Internal and External Parties".</li> <li>6. Approved the Company's proposal to formulate internal control system of "Initial Directors Training System and Continuous Participation Measures".</li> <li>7. Approved the Company's proposal to amend internal control system of "Corporate Governance Code of Practice".</li> <li>8. Approved the Company's proposal to provide endorsements or guarantees for subsidiaries.</li> <li>9. Approved the Company's proposal to cancel letter of support for subsidiaries.</li> <li>10. Approved the Company's proposal to apply for loan facilities from banks.</li> </ol>

(XII) Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors in 2021 and as of the Date of this Annual Report: None.

(XIII) Resignation or Dismissal of Chairman, President, and Heads of Accounting, Finance, Internal Audit, Corporate Governance Officer and R&D in 2021 and as of the Date of this Annual Report:

Title	Name	On Board Date	Date of Resignation	Reason
Internal Audit Officer	Chi-Feng Tu	20131119	20220211	Resignation

#### V. Information on CPA Professional Fees

Unit: NT\$1,000

Name of Accounting Firm	Name of CPA	Audit Period	Auditing Fee	Non-auditing Fee	Total	Remark
Deloitte & Touche Taiwan	Hung-Ju, Liao	20210101~	5,800	2,091	7,891	Note
	Chi-Chen, Lee	20211231				

Note: The above-mentioned non-audit fee is mainly for three-tiered reporting, tax services, etc.

#### VI. Replacement of the CPA: None.

**VII. Information on service of the company's chairman, president, and financial or accounting managers at the accounting firm or its affiliates: None.**

**VIII. Equity transfer or changes to equity pledge of directors, managerial officers, or shareholders holding more than 10% of Company shares during the past year prior to the publication date of this Report.**

(I) Changes in Shareholding of Directors, Managers and Major Shareholders (with more than 10% shareholding)

Unit: shares

Job Title	Name	2021		As of April 25, 2022	
		Increase (decrease) of Shares Held	Increase (decrease) of Shares Pledged	Increase (decrease) of Shares Held	Increase (decrease) of Shares Pledged
Chairman	Cheng-Hsien, Wu	(16,058)	0	0	0
Director	Guang Rong Investment Ltd.	0	0	0	0
	Representative: Ming-Hsien, Hsu	0	0	0	0
	Representative: Ying-Lin, Huang	0	0	0	0
Director	Pou Chien Enterprise Co., Ltd.	0	0	0	0
	Representative: Nai-Yung, Tsai	0	0	0	0
Independent Director	Yun, Chen	0	0	0	0
Independent Director	Yung-Cheng, Chiang	0	0	0	0
Independent Director	Yi-Hsi, Lee	0	0	0	0
CEO	Ming-Hsien, Hsu	0	0	0	0
Executive General Manager of Sports Goods Adhesives and Materials Business Division	Chao-Chian, Tsai	(27,000)	0	(23,000)	0
Executive General Manager of Paints and Coatings Business Division	Yi-Fa, Tsai	0	0	0	0
Executive General Manager of Adhesives and Specialty Business Division	Sen-Mao, Kuo	0	0	3,000	0
General Manager of Operation Management Division	Yi-Jen, Fang	0	0	0	0
R&D Deputy General Manager of R&D & Innovation Division	Yong-Ching, Shen	0	0	0	0
R&D Technical Deputy General Manager of Sports Goods Adhesives and Materials Business Division	Sen-Pei, Hung	0	0	0	0
Deputy General Manager of Paints and Coatings Business Division	Zhi-Wei, Chen Date of dissolution: 20211231 (Note )	0	0	0	0
Deputy General Manager of Hot Melt Adhesive R&D Dept. in R&D & Innovation Division	Ping, Wang Date of dissolution: 20210331 (Note )	0	0	0	0
Deputy General Manager of Planning Department of Strategic Management Division	Ping-Feng, Lai On board date: 20210811 (Note )	0	0	0	0

Job Title	Name	2021		As of April 25, 2022	
		Increase (decrease) of Shares Held	Increase (decrease) of Shares Pledged	Increase (decrease) of Shares Held	Increase (decrease) of Shares Pledged
Assistant Manager of Overseas Sales Division	Chin-Fu, Hsu	(70,000)	0	0	0
Assistant Manager of Footwear Production Dept. in Operation Management Division	Ming-Ding, Tsai	0	0	0	0
Polyester Polyol Technology Assistant Manager of R&D & Innovation Division	Yan-Cheng, Chen	(2,000)	0	0	0
Q&A Assistant Manager of R&D & Innovation Division	Zhi-Cheng, Lin Date of dissolution: 20210820 (Note )	0	0	0	0
Assistant Manager of Financial Management Division	Kun-Chin, Lin	0	0	0	0
Assistant Manager of HR Dept. in Strategic Development Division	Hui-Fen, Lee	1,000	0	0	0
Assistant Manager of Business Development Dept. in Strategic Development Division	Yuan-Yang, Luo	(14,169)	0	0	0
Assistant Manager of IT Dept. in Strategic Development Division	Pei-Yi, Kuo On board date: 20210325 (Note )	0	0	0	0

Note: Only information during terms of office were disclosed.

#### (II) Shares Transfer with Related Parties

Name	Reason of Transfer	Date of Transaction	Transferee	Relationship with the Transferee	Shares	Transaction Price
Cheng-Hsien, Wu	Gifting	20211012	Dai-Ying, Wu	Father and son	8,029	137
Cheng-Hsien, Wu	Gifting	20211012	Yi-Lin, Wu	Father and son	8,029	137

(III) Shares Pledged with Related Parties: None.

**IX. Relationship among the Top Ten Shareholders**

As of April 25, 2022 / Unit: Shares

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The relationship between any of the Company's Top Ten Share holders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Ding-Feng Investment Co., Ltd.	11,046,947	9.16	-	-	-	-	None	None	
Representative: Guan-Jie, Fang	13,260	0.01	5,100	0.00	-	-	None	None	
Pou Chien Enterprise Co., Ltd.	10,920,248	9.06	-	-	-	-	None	None	
Representative: Ming-Kun, He	-	-	-	-	-	-	None	None	
Yue Dean Technology Corporation	10,285,000	8.53	-	-	-	-	None	None	
Representative: Yu-Jyun, Chen	-	-	-	-	-	-	None	None	
Chuan-De Investment Co., Ltd.	10,065,298	8.35	-	-	-	-	None	None	
Representative: Wan-Hsin, Tu	12,796	0.01	-	-	-	-	None	None	
Guang Rong Investment Ltd.	8,868,132	7.36	-	-	-	-	None	None	
Representative: Ming-Hsien, Hsu	483,211	0.40	121,554	0.10	-	-	None	None	
CTBC Entrusted Custodian Investment Account of Growth Machine Development Co., Ltd.	7,850,523	6.51	-	-	-	-	None	None	
Pao-Wang Investment Co., Ltd.	7,679,068	6.37	-	-	-	-	None	None	
Representative: Ding-Chiang, Chou	-	-	-	-	-	-	None	None	
Fubon Life Assurance Co., Ltd.	6,023,000	5.00	-	-	-	-	None	None	
Representative: Ming-Hsing, Tsai	-	-	-	-	-	-	None	None	
Ying-Lin, Huang	4,709,936	3.91	-	-	-	-	None	None	
Lan-shi-ta Investment Co., Ltd.	2,220,773	1.84	-	-	-	-	None	None	
Representative: Yu-Ting, Xiao	-	-	-	-	-	-	None	None	

## X. Long-term Investment Ownership

December 31, 2021 / Units: Share; %

Inveatee (Note 1)	Ownership by the Company		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries		Total Ownership	
	Shares	%	Shares	%	Shares	%
Nan Pao Overseas Holdings Ltd.	78,056,502	100.00	-	-	78,056,502	100.00
Ongoing Profits Ltd.	1,560,000	32.18	3,287,546	67.82	4,847,546	100.00
Progroup Technology Co., Ltd.	459,950	91.99	-	-	459,950	91.99
Nan Pao Materials Vietnam Co., Ltd.	Note 2	100.00	Note 2	-	Note 2	100.00
Profit Land Ltd.	983,333	73.75	350,000	26.25	1,333,333	100.00
PT. Indo Nan Pao Resins Chemical Co., Ltd.	2,756,250	49.00	1,040,625	18.50	3,796,875	67.50
All Saints Enterprises Ltd.	5,452,549	54.53	4,547,451	45.47	10,000,000	100.00
Fuqing Nan Pao Investment Ltd.	4,990,000	100.00	-	-	4,990,000	100.00
Thai Nan Pao Investments Ltd.	5,282,000	100.00	-	-	5,282,000	100.00
Phymed Bio-Tec Co., Ltd.	2,400,000	100.00	-	-	2,400,000	100.00
ITLS International Development Co., Ltd.	30,500,000	100.00	-	-	30,500,000	100.00
Nan Pao Electronic Material Co., Ltd.	4,000,000	100.00	-	-	4,000,000	100.00
Nan Pao Chemical Co., Ltd.	15,000,000	100.00	-	-	15,000,000	100.00
Biorich Biotechnology Co., Ltd.	391,462	57.10	-	-	391,462	57.10
Nan Pao Application Material Co., Ltd.	200,000	100.00	-	-	200,000	100.00
Nan Pao Resins India Pvt. Ltd.	3,000,000	100.00	-	-	3,000,000	100.00
Prince Pharmaceutical Co., Ltd.	16,767,305	50.51	-	-	16,767,305	50.51
Nan Pao Advanced Materials Co., Ltd.	350,000	70.00	-	-	350,000	70.00
Nanpao Advanced Materials Vietnam Co., Ltd.	Note 2	100.00	Note 2	-	Note 2	100.00
Nan Pao Philippines Export Inc.	25,750,000	100.00	-	-	25,750,000	100.00
Nanpao Fine Materials Co., Ltd.	1,375,000	55.00	-	-	1,375,000	55.00
Total Acrylic Polymer Industry (TAPI) Corporation	1,500,000	30.00	-	-	1,500,000	30.00
Earnest Wealth Co., Ltd.	920,000	51.11	-	-	920,000	51.11
FlexUP Technologies Corp.	16,352,173	96.87	-	-	16,352,173	96.87
Nan Pao Resins Chemical (Bangladesh) Co., Ltd.	125,000	100.00	-	-	125,000	100.00

Note 1: Long-term investment calculated by equity method.

Note 2: Not applicable for limited companies.

## IV. Capital and Shares

### I. Capital and Shares

#### (I) Source of Capital

##### 1. Formation of capital

April 30, 2022

Year and month	listed Price	Authorized stock		Paid-in capital		Remarks		
		Number of shares	Sum	Number of shares	Sum	Source of capital shares	Equity contributions made in the form of assets other than cash	Others
August 2015	10	200,000,000	2,000,000,000	92,848,500	928,485,000	Capital Surplus Transferred to Capital NT\$ 44,213,590	-	September 21, 2015 authorized by Letter No. 10401197620
August 2016	10	200,000,000	2,000,000,000	97,490,961	974,909,610	Capital Surplus Transferred to Capital NT\$ 46,424,270	-	September 22, 2016 authorized by Letter No. 10501228350
December 2016	70	200,000,000	2,000,000,000	103,490,961	1,034,909,610	Stock option conversion NT\$ 60,000,000	-	January 20, 2017 authorized by Letter No. 10601007990
June 2017	180	200,000,000	2,000,000,000	106,490,961	1,064,909,610	Capital cash increase NT\$ 30,000,000	-	June 27, 2017 authorized by Letter No. 10601083750
August 2017	10	200,000,000	2,000,000,000	108,620,780	1,086,207,800	Capital Surplus Transferred to Capital NT\$ 21,298,190	-	August 18, 2017 authorized by Letter No. 10601115930
December 2018	76.8	200,000,000	2,000,000,000	120,570,780	1,205,707,800	Capital cash increase NT\$ 119,500,000	-	December 18, 2018 authorized by Letter No. 10701156590

##### 2. Types of shares

April 30, 2022/ Unit: Shares

Types of shares	Authorized capital stock			Remarks
	Shares outstanding	Unissued shares	Total	
Common shares	120,570,780	79,429,220	200,000,000	

##### 3. Reporting system: Not applicable.

#### (II) Composition of Shareholders

April 25, 2022

Shareholder Structure	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Quantity						
Number of Shareholders	0	6	53	2,693	80	2,832
Shareholding (shares)	0	8,575,582	68,473,463	24,471,906	19,049,829	120,570,780
Percentage	0.00%	7.11%	56.79%	20.30%	15.80%	100.00%

## (III) Distribution of Shareholding

April 25, 2022 / Unit: People; Shares

Shareholding Range	Number of shareholders	Shareholding	Shareholding Percentage
1-999	599	64,680	0.05%
1,000-5,000	1,662	3,021,935	2.51%
5,001-10,000	236	1,841,591	1.53%
10,001-15,000	63	785,309	0.65%
15,001-20,000	58	1,042,335	0.86%
20,001-30,000	34	874,991	0.73%
30,001-40,000	36	1,261,371	1.05%
40,001-50,000	14	639,728	0.53%
50,001-100,000	40	2,925,933	2.43%
100,001-200,000	42	5,836,982	4.84%
200,001-400,000	18	5,521,116	4.58%
400,001-600,000	7	3,522,917	2.92%
600,001-800,000	6	4,411,185	3.66%
800,001-1,000,000	3	2,766,800	2.29%
Over 1,000,001	14	86,053,907	71.37%
Total	2,832	120,570,780	100.00%

## (IV) Major Shareholders

April 25, 2022 / Unit: Shares

Name of substantial shareholders	Shares held	Shareholding Percentage
Ding-Feng Investment Co., Ltd.	11,046,947	9.16%
Pou Chien Enterprise Co., Ltd.	10,920,248	9.06%
Yue Dean Technology Corporation	10,285,000	8.53%
Chuan-De Investment Co., Ltd.	10,065,298	8.35%
Guang Rong Investment Ltd.	8,868,132	7.36%
CTBC Entrusted Custodian Investment Account of Growth Machine Development Co., Ltd.	7,850,523	6.51%
Pao-Wang Investment Co., Ltd.	7,679,068	6.37%
Fubon Life Assurance Co., Ltd.	6,023,000	5.00%
Ying-Lin, Huang	4,709,936	3.91%
Lan-shi-ta Investment Co., Ltd.	2,220,773	1.84%

## (V) Market Price, Net Worth, Earnings, and Dividends Per Common Share

Unit: NT\$

Item	Year		2020	2021	As of April 30, 2022 (Note2)	
	Market Price per Share	Highest Market Price		166.00	165.50	145.00
Lowest Market Price		93.80	132.00	120.00		
Average Market Price		137.57	148.46	133.65		
Net Worth per Share	Before Distribution		85.15	126.71	-	
	After Distribution		78.15	120.71 (Note1)	-	
Earnings per Share	Weighted Average Shares (thousand shares)		120,932	120,890	-	
	Earnings Per Share		10.12	7.26	-	
Dividend per Share	Cash Dividends		7	6 (Note1)	-	
	Stock Dividends	Dividends from Retained Earnings		-	-	-
		Dividends from Capital Surplus		-	-	-
	Accumulated Undistributed Dividends		-	-	-	
Return on Investment	Price / Earnings Ratio (Note3)		13.59	20.45	-	
	Price / Dividend Ratio (Note4)		19.65	24.74	-	
	Cash Dividend Yield Rate (Note5)		5.09%	4.04%	-	

Note 1: The 2021 earnings distribution plan was approved by the Board of Directors on March 24, 2022, and is pending for resolution from the Shareholders' Meeting.

Note 2: No audited/reviewed numbers available till the print date of the annual report.

Note 3: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 4: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 5: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

## (VI) Dividend Policy and Implementation Status

## 1. Dividend Policy

The Company shall distribute the earnings in the following order:

- (1) Paying the tax.
- (2) Offsetting losses.
- (3) Setting aside a legal capital reserve at 10% of the earnings left over, except when the statutory surplus reserve has reached the company's paid-in capital.
- (4) The special surplus reserve recognized or reversed in accordance with law and regulations or supervisory authorities
- (5) If there is still surplus, together with the accumulated undistributed surplus, it is proposed to distribute the surplus in a distribution plan.

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 can be made in the form of cash dividends or stock dividends, with cash dividends taking priority and also in the form of stock dividends, but the proportion of stock dividends shall not be higher than 80% of the total dividends.

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.

2. On March 24, 2022, the Board of Directors had approved the resolution for the profit distribution and proposed to distribute cash dividend of NT\$6 for each share. It will be distributed according to operating procedures after the ex-dividend date is determined.

(VII) Impact to the Company's business performance and earnings per share (EPS) for free shares allotment proposed by this Shareholders' Meeting: Not applicable.

(VIII) Directors' Compensation and Employees' Profit Sharing

1. Quantity or scope of compensation for employees and directors as prescribed under the Articles of Association:

The Company shall set aside 2% to 6% of its annual profits of the period as remuneration to its employees and no more than 3% of its annual profits as remuneration to its directors.

2. Estimate of Employee Remuneration and Directors' Remuneration:

A. Foundation of estimation: The estimated amount of compensation for employees and directors is estimated on the basis of the net profit for the current period, in accordance with the percentage range set in the articles of association and taking into account the previous payment percentage.

B. Foundation of share calculation for stock dividend: Not applicable.

C. When there is a difference between the proposed amount and the estimated amount, it shall be listed as profit or loss for the following year.

3. Status of compensation distribution as approved by the Board of Directors:

A. Recommended Distribution of Employee and Directors' Remuneration:

	(Unit: NT\$1,000)
Employee Bonus – in Cash	\$36,960
Employee Bonus – in Stock	0
Directors' Remuneration	16,000

There is no different between the proposed amount and the estimated amount of employees' remuneration. Due to estimated difference, the proposed amount of directors' remuneration is less than the estimated amount by NT\$1,600 thousands, and the difference is proposed to be adjusted to the profit and loss of 2022.

B. Ratio of Recommended Employee Stock Bonus to Capitalization of Earnings: Not applicable.

4. Actual distribution of compensation to employees and directors:

Unit: NT\$1,000

	Amount Resolved by the Board of Directors	Amount Reported to the Shareholders' Meeting
Employee Bonus - Cash	42,000	42,000
Directors' Remuneration - Cash	20,000	20,000
<b>Total</b>	<b>62,000</b>	<b>62,000</b>

The actual distribution of employee bonus and directors' remuneration above is parallel with the recommended resolution of the Board of Directors.

(IX) Buyback of Common Stock: None.

**II. Issuance of Corporate Bonds:** None.

**III. Preferred Shares:** None.

**IV. Global Depositary Shares:** None.

**V. Status of Employee Stock Option Plan:** None.

**VI. Status of Employee Restricted Stock:** None.

**VII. Status of New Share Issuance in Connection with Mergers and Acquisitions:** None.

**VIII. Funding Plans and Implementation:** None.

## V. Operational Highlights

### I. Business Activities

#### (I) Business Scope

##### 1. Main Businesses

- (1) C801060 Synthetic Rubber Manufacturing.
- (2) C801100 Synthetic Resin and Plastic Manufacturing.
- (3) C802120 Industrial Catalyst Manufacturing.
- (4) C802200 Coating, Paint, Dyeing and Dyestuff Manufacturing.
- (5) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

##### 2. Proportion of Revenue from Major Products

Unit: NT\$1,000

Item	2020		2021	
	Operating Revenue	Proportion of Revenue (%)	Operating Revenue	Proportion of Revenue (%)
Adhesives	11,146,318	71.67	12,673,295	70.49
Coatings	1,546,681	9.95	1,753,614	9.75
Others	2,858,345	18.38	3,553,098	19.76
Total	15,551,344	100.00	17,980,007	100.00

##### 3. Current Company Products (Services)

- (1) Adhesives: Mainly used in sports shoes and apparel, industrial, sanitary materials, tapes and labels, and others.
- (2) Coatings: Mainly divided into powder coatings, liquid coatings and general industrial use and others.

##### 4. New Product Development

Items	No.	New R&D technology or improvement project
Adhesives	1	Two-in-one water-based rubber treatment agent
	2	VOC-free RB Primer
	3	Environmentally friendly low solvent cleaner
	4	High flash point water-based NUV primer for automatic spraying
	5	True single-sided glue project
	6	PET recycling and biomass PUD glue system
	7	Solvent-free PU adhesive for flexible packaging
	8	Flexible OCA
	9	Highly transparent PI and MPI materials for electronic materials
	10	Fluorine-free water repellent cloth/cloth, PUR for film lamination
	11	Water-based fluorine-free water repellent for natural fibers (cotton/organic cotton)
	12	Biomass water-based PU for textile coating
	13	PUR for Stone Plastic Flooring (SPC)/IXPE foam
Coatings	1	Light corrosion resistant water-based acrylic resin for metal
	2	Water-based antibacterial paint
	3	Water-based curtain paint
	4	Chromium-free corrosion protection system
	5	High performance long lasting thermal insulation coating
	6	Fishing and animal husbandry business - fishing net paint / pool paint
	7	Mianmian paint powder coating
	8	FEVE super weather resistant powder coating

## (II) Industry Overview

Based on the classification of chemical substances, chemicals can be divided into two categories, commodity chemicals, and specialized chemicals.

Product Category	Product Features
Commodity Chemicals	<ul style="list-style-type: none"><li>● Sold based on chemical composition only</li><li>● Single chemical entities</li><li>● Easy to replace suppliers</li><li>● Mass produced with less added value</li></ul>
Specialized Chemicals	<ul style="list-style-type: none"><li>● Rarely single chemical entities, but often composite substances or formulations</li><li>● Usually industrial products manufactured in batches</li><li>● Only a small part of customer's cost</li><li>● Sold based on functionality</li><li>● Possess the highest added value</li></ul>

*Source: IEK, Industrial Technology Research Institute (May 2021)*

As shown in the table below, commodity chemicals have the characteristics of a simple composition, large output, and low profit, such as general-purpose plastics. Because of its simple composition, users of commodity chemicals can easily change suppliers without affecting the use of the products. Alternatively, specialized chemicals are high value-added chemicals with unique properties, which are often compounds or have mixed formulas, and the function of the product is affected by the composition. As users often have limited consumption of special chemicals, they are often produced in batches during production. Of all products used by users, specialized chemicals often account for a relatively smaller ratio. Therefore, users are often unwilling to risk changing suppliers. And users of specialized chemicals also have greater loyalty to suppliers than users of commodity chemicals. Synthetic resin is one of the important specialized chemical products of our country and is widely used in products of the coatings, paints, inks, adhesives, plastics, textile, aerospace, medical, electronics, and information technology industries. The synthetic resin industry and the plastic manufacturing industry are downstream industries of the petrochemical industry. The 5 most widely adopted products are polyester (PE), polypropylene (PP), polystyrene (PS), polyvinyl chloride (PVC), and acrylonitrile butadiene styrene (ABS) epoxy resin.

The Company's major sources of business come from adhesives and coatings. The following are overviews of the adhesive industry and coating industry based on the Company's major businesses and scale of revenue:

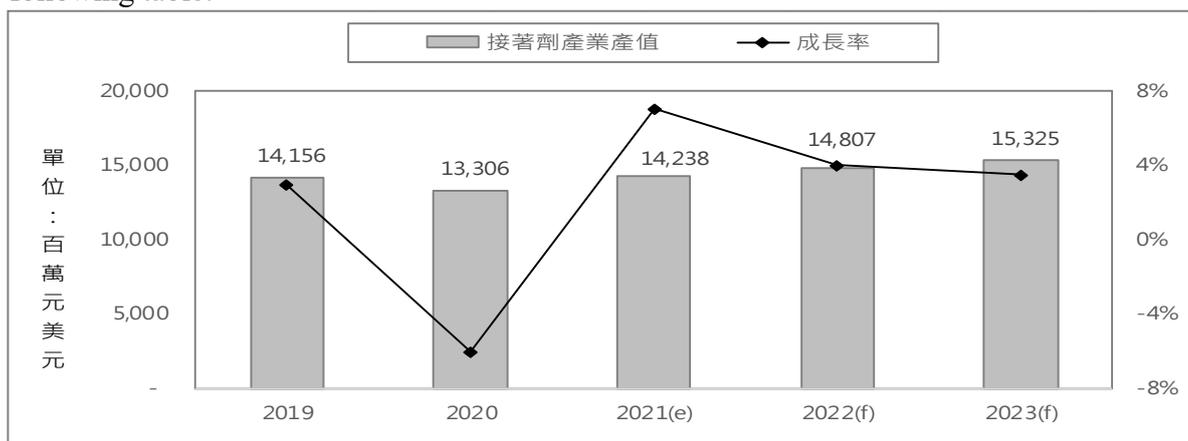
### 1. Current Ddate and Development of the Industry

#### (1) Adhesives Industry Overview

Adhesives have qualities such as extensive applications, easy to use, high economic benefits, and rapid development. Adhesives can be widely used in textiles, packaging, shoemaking, construction, papermaking, woodworking, aerospace, automotive, electronics, metallurgy, machining, medical and health industries, and become a key supporting industry.

In 2020, affected by the impact of the COVID-19 epidemic on consumer demand and the decline in oil prices caused by production cuts in oil-producing countries, the global adhesive market size declined sharply to US\$13,306 million. Although consumer demand in most industries declined due to the effect of COVID-19 in 2020, the adhesive industry applicatoinns such as electronics, medical care, and product packaging have grown against the trend. Looking forward to 2021, with COVID-19 vaccines coming out one after another, it can be expected that the epidemic will be gradually brought under control, and consumption and oil prices will rebound. Although the negative factors of the US-China trade conflict still exist, on the whole, the positive factors for the development of the global adhesive market are still greater than the negative factors. Therefore, the scale of the global adhesive market will show a rebound in 2021.

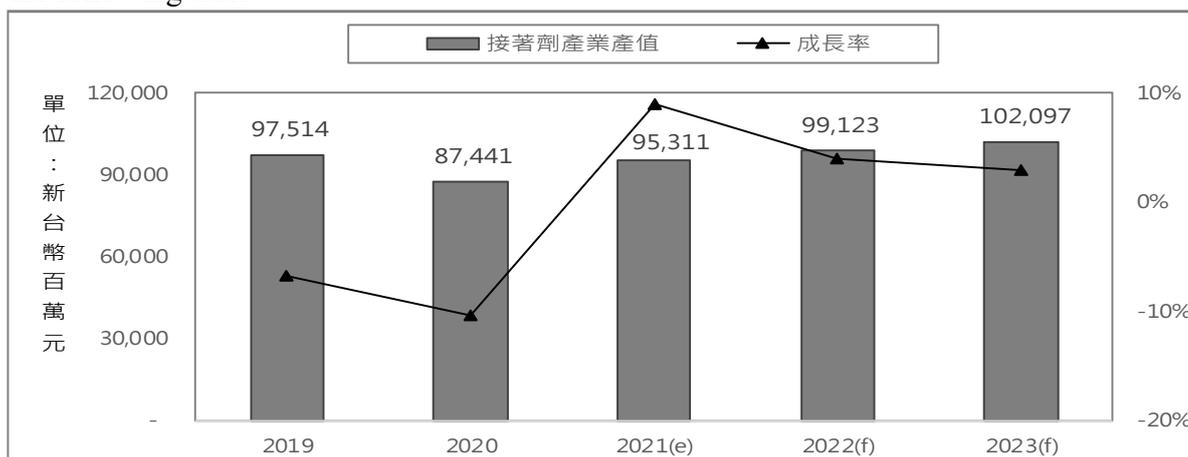
The trend analysis of global adhesive industry output value from 2019 to 2023 is shown in the following table:



Source: IEK, Industrial Technology Research Institute (May 2021)

According to the statistical data of IEK in 2021, the output value of Taiwan's adhesives in 2020 is NT \$ 87,441 million, a decrease of 10.3% compared with 2019, and the output value showed a sharp decline for two consecutive years. Looking forward to 2021, with the advent of the COVID-19 vaccine, countries have restarted economic activities and gradually returned to normal life, and the overall economic demand has improved, which will also drive the demand for adhesives to recover. The rise in international oil prices will also drive up the price of adhesives. Although the US-China trade conflict continues to have a negative impact on global economic development, on the whole, the positive factors for the development of the global adhesive market are still greater than the negative factors. It is expected that in 2021, the output value of Taiwan's adhesives will rise to NT\$95,311 million, an increase of 9.0% over 2020, ending two years of negative growth.

The trend analysis of Taiwan adhesive industry output value from 2019 to 2023 is shown in the following table:



Source: IEK, Industrial Technology Research Institute (May 2021)

Nan Pao is the leading manufacturer of PVAc adhesives in Taiwan and is renowned for the 815 water-based emulsion paint in the industry. In the past, Nan Pao primarily relied on itself for research and development and mainly focused on PU resin, water-based PVAc, EVA, and acrylic epoxy, powder coating, liquid coating, yellow glue, chloroprene graft copolymer, epoxy, phenol formaldehyde resin, and other shoe materials and agents. In order to make further breakthroughs, Nao Pao began to enhance the technical level through external

technology and industry-government-academic cooperation, or the employment of external consultants. The main research and development project investment fields include high-performance shoe glue, functional textile glue, sanitary product glue, building material hot melt glue, flexible packaging material glue and optical pressure sensitive glue, etc.

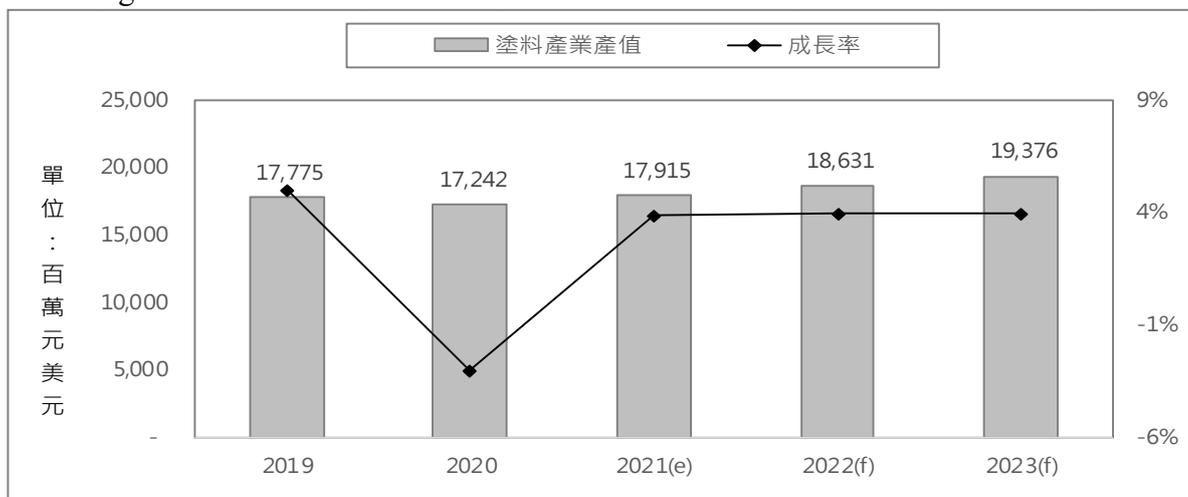
The global adhesive products are based on functional products such as weather resistance, temperature resistance and light curing, as well as environmentally friendly products with low VOC emissions, solvent-free and recyclable. The Company's adhesive products will also develop towards green and sustainable development, of which reversible adhesives will be the focus of future development of new technologies.

## (2)Coatings Industry Overview

The coating industry is mainly used in three industries, namely construction, industry and special purpose. Architectural coatings rely on construction and manufacturing, industrial coatings are closely connected with automobiles, home appliances and industrial equipment, and special applications include a wide variety of coatings.

The global coating development trend has always focused on energy and environmental protection. How to make humans and the ecology with a healthier and safer environment by reducing the use of petrochemical raw materials, preventing the production of GHG and abnormal climate change on earth, is the development goal of the coating industry. In terms of product development trends, energy and environmental issues continue to influence the Company's product development strategies for coatings. Therefore, emphasis on low carbon emissions, reduction of VOC and saving materials remain the keypoint to product development. According to statistics provided by IEK in 2021, the global coatings market was affected by the COVID-19 epidemic in 2020 and countries around the world implemented lockdowns, resulting in a substantial decline in the coatings market, with the market size down 3% to US\$17,242 million. The market is expected to recover gradually after the advent of the vaccine, reaching USD 19,376 million by 2023, with a compound annual growth rate of 2.2% from 2019 to 2023. The Asia-Pacific region has always been the fastest-growing region in the global coatings market, and accounts for 57% of the global market which has led the global coatings market. The main reason is that the leading large manufacturers in the world set up branches and factories in this region in order to get close to and seize market share. And continue to invest through joint ventures and license agreements. In addition, the European and North American markets have dropped to 36%.

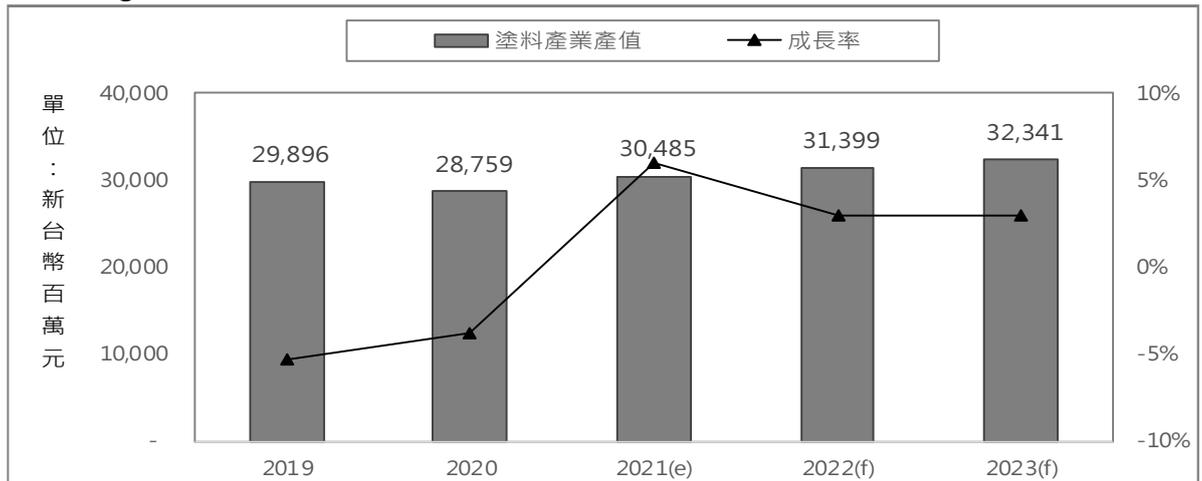
The trend analysis of global coating industry output value from 2019 to 2023 is shown in the following table:



Source: IEK, Industrial Technology Research Institute (May 2021)

According to statistics provided by IEK in 2021, the domestic market for Taiwan's coatings industry has been experiencing a decline since 2016. In the coatings export market, the largest importer of Taiwan coatings is still Mainland China. With the improvement of production technology and quality among coatings manufacturers of Mainland China in recent years, coatings manufacturers in Taiwan have also improved their own quality and technologies. In 2020, the global coatings were affected by the COVID-19 epidemic, and the production of coatings in Taiwan was also affected, down 3.8% from 2019, a decrease of 1,137 metric tons. In 2021, when the COVID-19 vaccine comes out, the international oil price rebounds, and the output value is expected to grow by 6%.

The trend analysis of Taiwan coating industry output value from 2019 to 2023 is shown in the following table:



Source: IEK, Industrial Technology Research Institute (May 2021)

The coating industry, under the restrictions of environmental protection policies in each country, increasing application of eco-friendly water-based coatings and solvent-free coatings to buildings, as well as rising demand for functional coatings such as energy saving, fire retardant, and self-cleaning coatings for various industrial products, are the driving force for the expansion of the coatings market. Strategically, the Company will focus on environmentally friendly paint products that reduce environmental impact and improve energy and resource efficiency. The Company's product development directions include water-based industrial coatings, energy-saving coatings, functional coatings, low-toxicity/safety coatings, bio-based coatings, high-performance coatings, functional and smart coatings, etc.

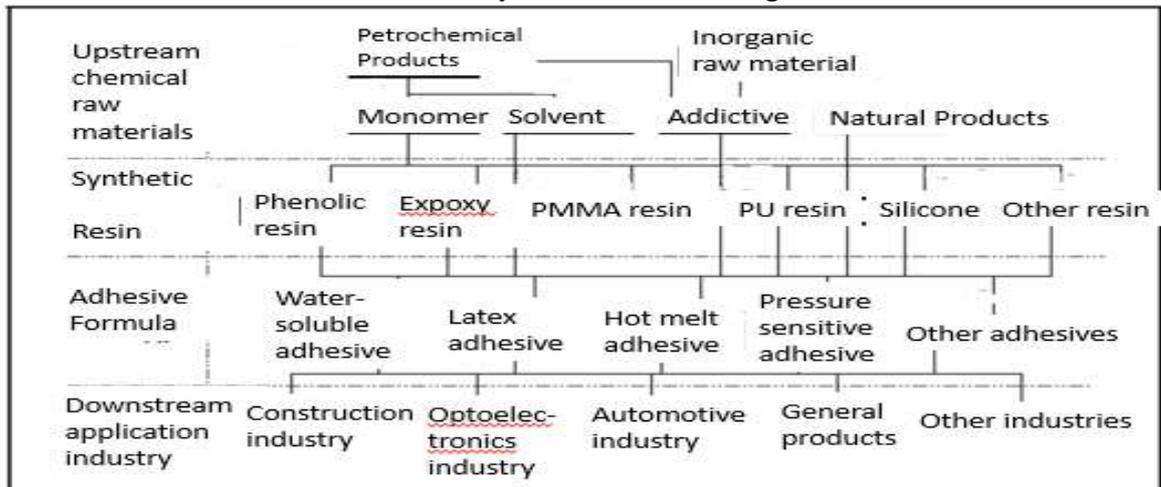
## 2. Correlation with Upstream, Midstream, and Downstream Sections of the Industry

### (1) Adhesives Industry

The development of adhesives manufacturer in Taiwan tend to use backward integration, they expand backward on the production path into manufacturing of synthetic resin industry as the key of success. The synthetic resins industry and adhesives industry in Taiwan complement each other well. As for the adhesive industry, due to the slowdown in the growth of the market of Taiwan and the rise of the market Mainland China, the industry has begun to move abroad, which has also triggered a reshuffle among industries. However, the Mainland China market is not a guarantee of victory. The good development of foreign players in Mainland China will have a decisive impact on the overall competition.

Adhesives are synthesized from the compounds, additives, solvents, and natural compounds extracted from the upstream petrochemical materials, and are widely used in shoemaking, plywood, electronics, automobile, construction, fiber processing, tape, furniture, paper, and aerospace industries.

Please see the vertical adhesive industry structure as the diagram below:



Source: IEK, Industrial Technology Research Institute (May 2021)

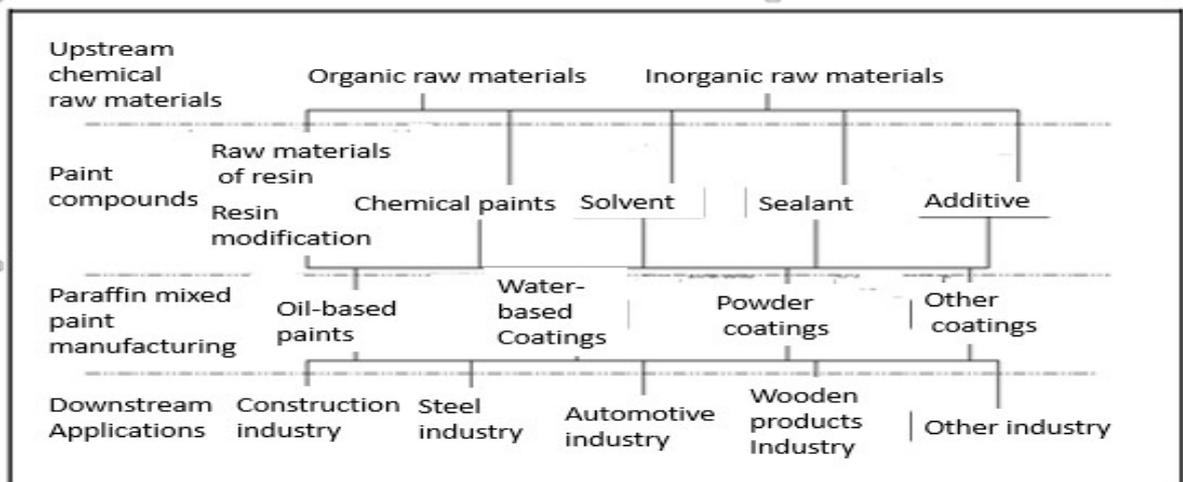
## (2)Coatings Industry

Coating products are formulated products that combine many raw materials. Common primary components include resin, pigments, solvents, fillers, and additives. Although the 5 aforementioned substances are parts of the ingredients of coatings, they belong to the upstream industries of the coating industry and are not classified as products of the coating industry.

In recent years, in response to government policies, the paint industry has improved the quality of biomass and achieved the important goal of upgrading and transforming the paint and coatings industry. Many functional coatings such as nano-coatings, fire-retardant coatings, UV light-hardening coatings, and conductive coatings have been developed and applied to related downstream industries.

In terms of applications in the downstream industries, the applications of coatings range from construction, naval architecture, bridge construction, machinery, toys, and woodwork industries. Additionally, as technology and innovation progress, new uses of coatings are being discovered, which results in the wide use of coatings in engineering, transportation devices, machinery, and steel industries. Therefore, the coating industry is an industry that changes along with the overall industrial progress.

Please see the upstream and downstream industry structure of the coatings industry as the diagram below:



Source: Industrial Technology Research Institute; IEK, Industrial Technology Research Institute (May 2021)

### 3. Product Development Trends

#### (1) Adhesive Products

In the application field of adhesive products, the US adhesive market is dominated by applications such as paper, cardboard, transportation, construction and construction. In addition, due to the advantages of flexible packaging that can provide strong functions, convenience for consumers, higher filling rate of bags, and improvements in manufacturing efficiency, and breakthroughs in printing technology, it has grown rapidly, and due to the rapid growth of lightweight vehicles. In the future, the application of adhesive to adhesive flexible packaging and transportation will also be relatively improved.

According to the European Adhesives and Sealants Industry Association (FEICA), the bulk of European adhesives are construction, civil engineering, paper and its derivatives, and parts assembly. Adhesives have grown in various application fields in Europe, especially in parts assembly, processing, and transportation. Europe has always attached great importance to environmental protection and safety issues, and FEICA has also worked hard to overcome this challenge. Among them, PU restrictions, poisons, mineral oils in food packaging, and cyclosiloxanes are all included in the candidate list of substances of very high concern (SVHC) for discussion.

In response to rapid changes in market demand and rising labor costs, the footwear industry has begun to move towards process innovation and optimization, such as process shortening, rapid production and automated production. The Company is committed to the innovative research and development of shoe adhesives required for new processes, and implements the concept and actions of sustainable business development, and continues to develop environmentally friendly products, low VOC or zero VOC products, and water-based adhesives made from recycled PET.

#### (2) Coatings Products

More and more coating users appreciate the advantages of powder coatings such as non-polluting, stable storage, easy transportation, resource saving and high efficiency. With the support of demand, there are more and more types of powder coatings and a wide range of applications. Powder coatings can be seen in the coating of small-sized parts and various large-scale equipment. The market predicts that the global powder coatings market size is expected to reach US\$15 billion by 2026, with a compound annual growth rate of 6.8%. The requirement of environmental protection is a major driving force for the development of powder coatings. The mainstream market is looking for ways to reduce the VOC of products. Therefore, powder coatings have replaced solvent-based coatings in the field of industrial production. Powder coating is solid coating, no VOC problem, easy to clean, overspray powder coating can be recycled and reused. The new water-based wood paint has become the development trend of the industry. The old wood paint uses formaldehyde and odorless non-environmentally friendly solvent-based paints. The development of formaldehyde-free and non-hazardous environmentally friendly paints will become a mainstream trend in the industry.

#### (3) Forward-looking Production Project

##### A. Product with Circular Economy and ESG Development Trends

The severity of climate change has led to the "Special Report on Global Warming of 1.5°C" issued by the United Nations Intergovernmental Panel on Climate Change (IPCC) at the end of 2018. To bring average temperatures back to within 1.5°C, global CO<sub>2</sub> emissions must reach net zero by 2050. The European Union has launched a draft carbon tariff (carbon border adjustment mechanism), and the United States and Japan are also expected to propose carbon tariffs. The exports of the United States and Japan account for 30% of Taiwan's exports. In addition, international brands such as APPLE, IKEA, and NIKE, have required carbon reduction in the supply chain. The ability to reduce carbon will determine the future development of Taiwan's industry in the international supply chain. As the world moves towards net zero emissions, the circular economy provides a new economic operation model. Developing a new business model in the process of resource recycling and guiding enterprises to reduce carbon while improving profitability is the key strategy to move towards net zero.

In the trend of circular economy and sustainable development of ESG, the Company uses biomass raw materials and recycled materials to achieve the ESG goals of circular economy, environmental protection and carbon emission reduction. The use of biomass materials can achieve the purpose of carbon neutrality, thereby achieving the effect of carbon reduction. At present, the biomass materials developed by the Company can reduce carbon emissions by 5~80% according to the proportion of biomass. Products include bio-PU foam cushions that have obtained the US USDA bio-mass certification, bio-polyols that can be used in PU foam and adhesive synthesis, bio-shock-absorbing materials that can be used in insoles and midsole, bio-shoes use spray paint resin and adhesive, bio-textile functional coating, bio-PUR for wood floor lamination and bio-hot melt adhesive for food container label lamination, etc. In addition, the reusing of recycled materials has the advantages of energy saving and carbon reduction. The Company develops textile coating resins and bronzing transfer resins containing recycled PET, floor coatings containing recycled waste wafers, and textile coating resins containing oyster shell powder, which can reduce carbon emissions by up to 26%.

**B. Products that Meet the International Environmental Protection Requirements of ZDHC and Bluesign**

In recent years, due to the emphasis on sustainable environmental protection, ZDHC is an organization that promotes zero discharge of harmful chemicals in the sportswear, fashion, boutique and outdoor products industries. Zero Discharge of Hazardous Chemicals (ZDHC) has announced that bluesign® certification is equivalent to the ZDHC Tier 3 certification standard to accelerate sustainable chemical management in the global apparel industry. In order to develop non-toxic products that comply with ZDHC and bluesign standards, the Company uses synthetic resin polymer synthesis technology and structural design to develop a series of producer/consumer-friendly adhesives/shoe glues/coatings. The core technology not only endows products that meet the application performance of commodities, but also includes environmentally friendly products that are free of fluorine, no environmental hormones, APEO and plasticizers, and no toxic heavy metals/toluene/boric acid/formaldehyde, etc., and can also reduce the harm of human contact and environmental impact. The Company currently has 20 textile products that have passed bluesign non-toxic certification, including fabric foam coating/wind and rainproof coating/bag material/water-based PU, formaldehyde-free water-based acrylic for fabric lamination, fabric/ PUR adhesive for film and fluorine-free water repellent for dyeing and finishing.

**C. Adhesives and Materials Related to Automobiles and Electric Vehicles**

The growth of electric vehicles has driven the demand for related materials, and the requirements for quality and performance have gradually increased. For example, in recent years, governments and industries in various countries have increasingly stringent restrictions on volatile organic substances (VOCs), so the development of water-based and solvent-free products has received much attention. In view of this, the Company has developed water-based synthetic leather resins for vehicles and solvent-free hot melt adhesives for car interiors, which greatly reduces the harm of VOCs to producers and users, and also reduces environmental pollution. At the same time, the Company has also invested in the development of bio-PU foam materials for car seats, which not only reduces the impact of the shortage of petrochemical raw materials, but also contributes to the sustainable development of the industry. With the development of electric vehicles, the Company has gradually invested in the development of related materials, such as lightweight carbon fiber composite materials, structural adhesives for car body adhesion, and positive and negative electrode adhesives for lithium batteries.

#### D. Key Adhesives and Materials for Electronic Industry

In the electronics industry, IC, LED, LCD, and 5G products are key, important and highly competitive industries. In addition to coatings and sealants for related electronic products and solar panels, the Company also develops a series of OCA adhesives for flexible panels, polarizer PSA for automotive, UV debonding PSA, microstructure UV adhesives, UV glue for quantum dots (QD), die-bonding glue/encapsulation materials for optoelectronics, and conductive materials for circuit boards. In response to the materials and flexible substrates used in flexible electronic products, in addition to having high light transmittance, flexibility, scratch resistance and impact resistance, it also has the properties of high temperature resistance (high Tg) due to the high temperature baking process in the later stage. Therefore, in the flexible electronic display module, flexible high temperature resistant transparent PI optical film and flexible electronic reflective film, cover lens transparent PI material is one of the core technologies of the product. In order to meet the needs of the 5G industry, the Company also invests in 2 layer/3 layer/cover layer/LCP varnish and other 5G and high-frequency substrate adhesives, thermal and heat dissipation materials, and MPI development for LowDk Df.

#### 4. Competition

##### (1) Adhesives Business

The applications of adhesives are wide and varied, and average commercial use, construction engineering, and electronic materials all contain applications. Since the business has numerous downstream vendors, the demand of each downstream business will all influence the revenue from adhesives. The source of competition for this business comes from the threat of alternative products, which overlap with this industry for certain functions, in particular, the industrial processing materials, which could replace the functionality of adhesive products, leading to external competition. Therefore, creating differentiated services and products with higher yield are the keys to maintaining a competitive edge.

In the textile industry, the current development direction of the competitors' functional PUD and PUR is not too far behind the Company's. The functionality and price of the products are closely related to their own competitive advantages. Woodworking is a traditional industry. Compared with many and fierce competitors, the only way to increase market share and develop technology is advanced, and it can have better cost performance and reputation in the market. Due to import tariffs, the import of finished products will be affected by the cost of some foreign adhesive businesses, resulting in the majority of sales from local factories. It is not easy to obtain a large-scale market share, and it is necessary to focus on developing new products, shortening the production process of customers, and enhancing the added value of products, such as replacing the traditional yellow rubber process with LPUR. In addition, for shoe adhesive products, the Company is a certified supplier of major global brands. In order to meet customer expectations, the Company continues to invest in research and cross-border deployment to improve service quality. Under the circumstance of the global epidemic outbreak, the flexible allocation of production capacity ensures the safe global supply, while maintaining the Company's competitive advantage.

##### (2) Coatings Business

The largest domestic competitor for this business is Yung Chi Paint, Kuo Pond Chemical and Akzo Nobel Taiwan. Since the general coating production process and the technical equipment used are not complicated, the barrier to entry is not high. Therefore, there is intense market competition, leading to price wars between competitors and inferior quality. In addition, after the entry into the WTO, the import tariff of the industry's products has also been reduced. Therefore, in the face of competition from imported products, it will have an adverse impact on the originally competitive domestic demand market. Furthermore, due to intense market competition, vendors with greater economies of scale not only enjoy competitive advantage associated with their brand image, but also expand their operating sites, seize retail channels, and actively expand to export market. In addition, vendors' products with saturated colors, stable colors without fading or changing, and durability, can also enjoy more competitive advantages.

(III) Research and Development

1. R&D Expenditures

Unit: NT\$1,000

Items	2021	2022 Q1
Research and Development Expenses	485,459	115,055

2. R&D Accomplishments in the Most Recent Five Years:

Items	No.	New R&D technology or improvement project
Adhesives	1	Water-based PU glue for high-performance shoes (with automatic spraying)
	2	Water-based resin for midsole spray paint for sports shoes
	3	With automatic water-based soft skin treatment agent and water-based UV treatment agent (for midsole IP, IU)
	4	Single-sided glue project (treatment agent, glue, etc.)
	5	The physical stability of water-based PU glue for shoes is improved
	6	Tin-free water-based hardener
	7	Compliant with ZDHC shoe glue system
	8	Dynamic high temperature and humidity resistant glue potion system for shoes
	9	Environmentally friendly water-based NUV treatment agent
	10	PUR for electronic product packaging
	11	PSA for low pollution and heat resistant protective film
	12	PUD for Foam coating
	13	PUD for textile bag coating
	14	Hot melt butyl insulating glass sealant
	15	Reactive PU insulating glass sealant
	16	Water-based PU for fabric coating
	17	Natural fiber (cotton/organic cotton) fluorine-free/water-repellent water-based treatment agent
	18	PUR for Stone Plastic Flooring (SPC)/IXPE foam
	19	Soft packaging material bonding (pure polyester type)
	20	Waterproof glue for construction
	21	Low Yuden PSA
	22	Large size high solid content polarizer PSA adhesive
	23	PSA adhesive for ultra-high temperature resistant tape
Coatings	1	Solvent-free UV coating for metal carbon steel
	2	Weather Resistant Coatings for PVC Door Panels
	3	Water-based environmentally friendly pool paint
	4	Low odor epoxy floor primer
	5	Low odor stone protective coating
	6	Special powder coating for aluminum-magnesium alloy pen motor shell
	7	DISC special high compatibility powder coating
	8	High-adhesion powder coating for mesh workpieces
	9	UV varnish for PVC buckle
	10	PP/PS Board Matting UV HARD COAT for Kitchen Cabinets
	11	Biomass anti-corrosion coating system
	12	Solar bracket powder protective coating
	13	Powder coating for inner pipe of tap water raw drink
	14	Transfer without adhesive film powder coating
Others	1	Carbon fiber composite materials for automobiles and 3C
	2	Carbon fiber materials are used in medical equipment
	3	Polyester polyol for 135°C high temperature cooking type polyurethane composite adhesive
	4	Crystalline polyester polyol of reactive hot melt adhesive for automotive headlights
	5	Highly transparent/heat-resistant PI resin
	6	Biomass is applied to PU foam of chair cushion/back body

#### (IV) Long-term and Short-term Development

##### 1. Short-Term Development

###### (1) Marketing Strategy

- A. 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.
- B. Focus on the five major product lines of textile and apparel, electronics, flexible packaging materials, woodworking and sanitary non-woven fabrics with large market scale and good potential growth opportunities.
- C. Grasp market fluctuations, strengthen contact with agents, and maintain order stability.
- D. Increase the reach rate on YouTube and mainstream websites.

###### (2) Production Policy

- A. Integrate Coatings and Construction teams and reorganize products to provide more complete production lines and services.
- B. Evaluate local production of some products, and purchase raw materials locally to reduce costs.
- C. Implement product mix adjustments, reduce product types, and continue to increase gross profit margins by producing small samples and small quantities.

###### (3) R&D Direction

- A. Actively cooperate with brands to develop and test the chemicals required for new materials and new processes. In addition to the existing adhesion-related chemicals, it has also expanded to material-related products.
- B. Adhering to the policy of compliance with regulations and pollution prevention, also committed to the development of green and environmentally friendly innovative products such as water-based resins, solvent-free resins and biomass materials.

##### 2. Long-term Business Development Plan

- (1) In view of the US-China trade war and the shift of the global supply chain, some brand orders have been changed to Mexico for production. It is planned to set up a company in Mexico, import finished products from Taiwan and prepare inventory for sales locally. If the brand transfers orders to Mexico in the future, it can also seamlessly connect and continue to supply. Vertically integrate the supply chain to create added value.
- (2) Invest in ESG and implement the goal of sustainable development in a planned way.
- (3) Invest human resources in innovative research and development of low-VOC and zero-VOC products for carbon reduction plans.
- (4) Promote circular economy, innovatively develop renewable and biomass products.

## II. Market and Sale Overview

### (I) Market Analysis

#### 1. Main product sales area

Unit: NT\$1,000

Region \ Year	2020		2021	
	Sum	%	Sum	%
Taiwan	2,369,732	15.24	2,980,570	16.58
Asia	11,119,345	71.50	12,388,596	68.90
Oceania	1,805,382	11.61	2,323,211	12.92
Others	256,885	1.65	287,630	1.60
Total	15,551,344	100.00	17,980,007	100.00

## 2. Market Share

Nan Pao strives to develop and produce products that meet customer expectations and continues to revise formula and lower costs to keep up with market competition. Over the years, the Company have established stable and sound business partnerships with various international and regional footwear brands and their OEM/ODM factories. Due to the complete product line, stable quality and excellent service, the Company has a good market share and market visibility in various regional markets (Taiwan, Mainland China and Vietnam), and has established a good reputation and reputation.

According to the IEK 2021 Specialized Chemistry Industry Annual Overview from the ITRI, the global adhesive and coating product estimates in 2021 were US\$14,238 million and US\$17,915 million respectively. The Company's global adhesive and coating market shares were 3.22% and 0.35% respectively.

## 3. Future Market Conditions and Growth

Adhesives with high added value are an attractive market. Because adhesives and coatings are directly or indirectly applied to consumer necessities and non-essentials, the industry cycle is not significant. Compare with the commodity chemical manufacturers in the upper and middle reaches, they have more opportunities to provide differentiation and high added value. The capital expenditure of major global adhesive manufacturers accounts for 2 to 6% of revenue. It has the characteristics of low capital intensive industries. Some large manufacturers use mergers and acquisitions to make up for the lack of industrial lines and regional market share, so as to quickly enter new product areas and regions. In recent years, the middle class in emerging markets has increased and continued to move to cities, and the long-term urbanization trend has also increased people's willingness to buy high-value products.

The Asia-Pacific region is the fastest growing market for adhesives in the world. According to the estimation of the research unit, from 2021 to 2028, the compound annual growth rate of the adhesive market will be 6%. In 2028, the market size will reach 95.4 billion US dollars. In the footwear market, global sports shoe brands are optimistic about the growth opportunities in the Asian market, especially the Indian market. Research institutions estimate that the global sports shoe market will grow by 5 to 6% every year. Some industry players even think that this growth forecast is relatively conservative.

As a professional shoe adhesive supplier, the Company continues to pay close attention to the footwear market and changes in shoe adhesives, and actively invests in it. Continuously develop new products, increase and adjust the layout of production services, and develop new regions and new markets. Over the years, the Company have accumulated a lot of experience in high-quality customers and production services, and have formed a stable and enterprising team. No matter how the global footwear industry changes, the Company has the ability to respond to future market changes, continue to grow, and operate sustainably.

The coatings industry is not highly concentrated. There are many manufacturers around the world. High-end products mainly come from the United States and Europe. In the past few years, market suppliers have continuously expanded their geographic scope of business through investment, mergers and acquisitions, product innovation and the research and development of production technology has become the main strategy for manufacturers to lead the market.

The main importing countries of Taiwan coatings are Japan and United States. The unit price of imports is more than 10 times of the average domestic sales price. Compared with Taiwan coatings, about 10% of them are exported to Mainland China and Vietnam each year. Therefore, the development of coating technology in Taiwan mainly focuses on price and performance. However, as the domestic Ministry of Economic Affairs leads the trend toward higher value and global environmental protection and energy saving, Taiwan's paint products are gradually moving towards a different market.

4. Competitive Niches
  - (1) Cooperate with internationally renowned brands and factories to develop new technologies and products, continuously improve product quality and competitiveness, and deepen long-term cooperation with customers.
  - (2) Diversify products and provide technical services to enhance the added value of products, which can comprehensively solve customer problems and requirements.
  - (3) Complete cross-border layout, in line with customers' expectations of short delivery time and cost reduction.
  - (4) Nan Pao is the designated supplier for sports shoe brands, and the process simplification of water-based products leads other suppliers.
  - (5) The customer base comes from different industries and regions, and the dispersion and reduction are affected by fluctuations in the prosperity of a single industry and a single region.
  - (6) Have a solid R&D team and continue to recruit and cultivate professional R&D and project management personnel. On the basis of existing technologies and materials, we will actively continue to innovate and develop key technologies and new products.
5. Favorable Factors and Unfavorable Factors in the Long-range Future and Countermeasures
  - (1) Favorable Factors
    - A. The global footwear industry has a mature development model and favorable outlook  
The global footwear industry has gradually formed a sophisticated and regular pattern whether in the technical development in footwear production, footwear supply chain formation, production migration, and cost control. As a professional footwear adhesive supply and service provider, Nan Pao has adapted to the development of the market and is able to respond quickly and effectively to various changes. Along with the development of the world economy and the improvement of people's living standards, the demand for footwear is on the rise, and the outlook for the footwear industry continues to be optimistic.
    - B. Outstanding R&D technical team with pioneering technical advantage  
Relying on our excellent R&D technical team, Nan Pao can develop and launch new products according to the trend of the footwear adhesive industry to ensure our competitive edge. In addition, as the world's leading supplier of adhesives, the Group has been conducting various product application testing and innovation projects with some of the best footwear brands around the world and large-scale footwear groups. We actively research and develop, design, and create new products that are marketable, pioneering, and futuristic according to customer needs and quickly launch them to the market.
    - C. Extensive production and service, and ownership of proprietary key material production know-how and skills  
Nan Pao's production and service sites are located throughout Taiwan, Mainland China, Southeast Asia, Australia, and India. We can provide various products and timely and complete services for customers at their locations. During the migration movement of the global footwear industry, Nan Pao has always maintained a synergistic advantage of our extensive strategic layout to carry out "seamless transition" of customer service, leading to high customer loyalty.
    - D. Establishment of management information system to increase operational performance  
Enterprise Resource Planning (ERP) has been established according to our plan, and the Company's internal management continues to move toward systemization and computerization. We utilize the management information system (MIS) to enhance decision-making quality and increase operating performance, which benefits the Company's future development.
    - E. Industry suppliers have a complete structure and good system  
Adhesive and coating industries are mature industries throughout the world. The structure of our suppliers are complete and can meet the industry's localized production needs. Since the supply system is complete, suppliers can work with Nan Pao to produce products with higher quality and functionality. Because we have ample suppliers, we are in a better position to provide customers with products with higher value for money.

- F. Industry strategic layout is comprehensive, can seize markets with rapidly growing needs
  - a. Nan Pao is actively planning strategies for Chinese and Southeast Asian export and domestic markets. Besides providing services to existing customers to achieve mutual growth, we also anticipate cultivating new business in new markets, creating a comprehensive domestic retail network.
  - b. Nan Pao’s coating business has cultivated the Chinese market for many years, and Nan Pao coatings continue to receive awards such as China Top Brands and China Well-known Trademark, making us one of the very few Taiwanese companies to win such distinctions. Not only does this represent that we have begun to achieve positive effects from the Chinese market, but also that our products have received positive recognition from the consumers.
- G. Being consumer- and customer-oriented to develop environmentally-friendly products with high functionality to maintain industry competitiveness
  - a. To remain in line with the carbon reduction and environmentally-friendly trend, Nan Pao is the first to launch green products in the hopes of seizing opportunities in the green and eco-friendly market. We have also improved the functionality of the coating and reduced engineering procedures, lowering costs for customers.
  - b. Nan Pao has launched water-based furniture coatings. The Company’s R&D team has successfully developed products with pricing and functionality that could rival oil-based furniture paints, and have been introduced at furniture plants for mass adoption. Under such conditions, we believe that Nan Pao can lead the trend and promotion of water-based furniture paints and maintain a market competitive niche.
- H. Persisting on producing and selling high-quality products
 

The most important foundation for the survival and development of companies is to provide high-quality products, and the chemical engineering industry has even more rigorous requirements for quality. Hence, the Company always implements a “well-rounded quality system” in place to continuously increase product quality and reinforce customer service. The integration of product innovation, speed, and perfect technology have helped us to achieve client trust.

(2) Unfavorable Factors and Countermeasures

Unfavorable Factors	Countermeasures
A. Under the impact of the epidemic, the cost of raw materials, transportation and labor has risen sharply	<ul style="list-style-type: none"> <li>a. The purchase of raw materials is negotiated by contract, and the price can be negotiated with suppliers when prices are rising.</li> <li>b. Integrate procurement resources and adopt joint procurement method for bulk raw materials.</li> <li>c. Appropriately diversify purchase sources to reduce supply pressure and risks.</li> <li>d. Quick response to reasonably reflect the cost of raw materials to customers.</li> <li>e. Localized production to reduce freight and customs costs.</li> </ul>
B. Intense price competition	<ul style="list-style-type: none"> <li>a. Strengthen product research and development, and reduce costs with technological advantages.</li> <li>b. Adjust the product mix to focus on selling high value-added products.</li> <li>c. Continue to develop high-margin and high-performance products.</li> <li>d. Strengthen the provision of integrated services to meet customer needs.</li> </ul>

Unfavorable Factors	Countermeasures
C. Environmental requirements are become even stricter	a. Convert product raw materials from solvent-based products to water-based products. b. Actively develop biomass materials or use recycled materials to reduce reliance on fossil feedstocks. c. Develop high-performance products that deliver environmental benefits. d. Create a fractionation recovery system that allows waste solvents to be reused.

(II) The Production Procedures of Main Products

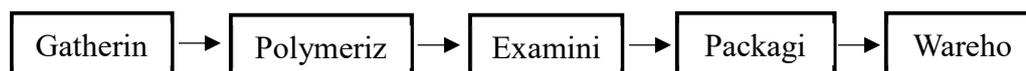
1. Key applications of the primary products

Items	Products	Use
Adhesives	High performance shoe glue	Adhesives for various shoe materials, Surface treatment agent and automation application, PU Dispersion (raw material for European shoe glue factory)
	Treatment agent	Material surface treatment agent is conducive to PU adhesive bonding
	PU glue	Upper and outsole fit
	Functional textile glue	PUR: moisture permeable, reattached PUD: Waterproof and breathable, Functional Auxiliary Binders, hygroscopic, Windproof and warm, Industrial cloth waterproof, Thermochromic Fluorine-free water repellent: Garment/Industrial Applications
	Glue for hygiene	Spunlace non-woven lamination, diaper, Application of sanitary napkin
	Hot melt adhesive for building materials	Adhesive for building waterproofing membrane
	Adhesives for flexible packaging materials	Food packaging bag fitting, white glue, PUR glue packaging bag material bonding
	Optical pressure sensitive adhesive	Polarizer Optical Adhesive, OCA/Optical Protective Film, UV Debonding Adhesive, Adhesive for functional tape
	Hot melt adhesive for packaging	Adhesives for all kinds of packaging materials
	Hot melt adhesive for PSA	All kinds of temporary fixing and packaging glue
	PUD for building materials	Vacuum blister, floor coating
	Recycled plastic pellets	Consumer product bottles and cans
	Glass fiber	Plastic parts for automobiles
	Versatile Hot Melt Adhesive Products	Should be related to the electrical industry
Coatings	Decorative appearance coating and functional coating for metal products/woodware	The protection object is not easy to be scratched and has the effect of anti-fouling and insect-proof. Provides its appearance or color at its best, makes objects shinier, and resists fading.
	Interior/exterior wall decoration and waterproof coating	It has the functions of decorating, protecting and changing the living environment. The waterproof material has the functions of weather resistance and beauty.

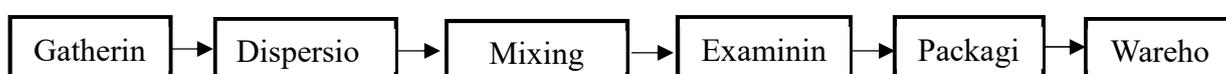
Items	Products	Use
Coatings	Environmentally friendly flooring and building materials	Suitable for hospitals, pharmaceutical factories, sterile rooms, electronics factories, offices, auto repair factories and other floors.
	Food Can Coating	Anti-corrosion of the tank wall and avoid metal ion dissolution.
	Decorative plate coating	Aluminum building materials, Sports Equipment, car wheel frame, pipeline valve, General hardware, OA furniture etc.

## 2. Manufacturing process

### (1) Adhesives



### (2) Coatings



### (III) State of Supply of Main Materials

Nan Pao's main materials include ADIPIC ACID, Isoamyl acetate, Butanediol, Methyl ethyl ketone, EVA latex, Vinyl acetate, Toluene, Hydrogenated petroleum resin, Hexamethylene diisocyanate and Chloroprene rubber. All materials are provided by domestic and overseas quality vendors with stable source and quality. The Company has also established good relationships with the major suppliers, and always maintain two or more sources of supply to ensure smooth production.

### (IV) List of Major Customers and Purchasers

- The names of the suppliers who had accounted for more than 10% of the total purchase amount in the previous two years, and the amount and proportion of the purchase amount, and the reason for the increase or decrease: There have been no significant change in the Company's major suppliers in the past two years.
- The names of the clients who had accounted for more than 10% of the total sales amount in the previous two years, and the amount and proportion of the sales amount, and the reason for the increase or decrease: There have been no significant change in the Company's major clients in the past two years.

### (V) Production over the Last Two Years

Unit: metric tons / NT\$1,000

Production Quantity and Value	Year	2020			2021		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Primary Products							
Adhesives		211,781	188,027	9,723,845	212,559	205,362	12,170,983
Coatings		18,953	16,019	1,216,125	19,684	17,299	1,455,926
Others (Note)		—	—	1,817,667	—	—	2,366,138
Total		230,734	204,046	12,757,637	232,243	222,661	15,993,047

Note: Because the Consolidated Company encompasses electronic materials and biotechnology industries and more; hence, the measurement units include pcs, bottles, cans, boxes, packs, pellets, strips, and more. The calculation is not possible due to the diversity of products.

## (VI) Sales over the Last Two Years

Unit: metric tons / NT\$1,000

Sales value Primary products	Year	2020				2021			
		Internal sales		External sales		Internal sales		External sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Adhesives		23,837	1,413,783	138,486	9,732,535	26,810	1,692,247	153,060	10,981,048
Coatings		5,339	514,782	13,065	1,031,899	6,321	635,795	13,662	1,117,819
Others (Note)		—	441,167	—	2,417,178	—	652,528	—	2,900,570
Total		29,176	2,369,732	151,551	13,181,612	33,131	2,980,570	166,722	14,999,437

Note: Because the Consolidated Company encompasses electronic materials and biotechnology industries and more; hence, the measurement units include pcs, bottles, cans, boxes, packs, pellets, strips, and more. The calculation is not possible due to the diversity of products.

## III. Employee Information

Year		2019	2020	As of March 31, 2021
Number of employees	Sales	619	593	586
	Management	750	753	764
	R&D	315	320	314
	Direct	816	808	834
	Indirect	454	479	478
	Total	2,954	2,953	2,976
Average age		38.46	37.96	37.68
Average work tenure		7.01	6.78	6.81
Percentage Distribution Academic Qualification	Ph. D.	0.41	0.37	0.37
	Master's degree	6.94	6.71	6.32
	University/College	39.84	40.29	40.15
	High School	35.61	36.07	36.29
	Below High School	17.20	16.56	16.87

#### IV. Environmental protection expenditure

Explain the company's losses (including compensation) due to environmental pollution in the most recent year and as of the publication date of the annual report, the total amount of dispositions, future countermeasures and possible expenditures:

Unit: NT\$1,000

Event Description	Penalty	Countermeasures	Expenditure Amount
<p>1 ∙ Sanction Date : June 10th, 2021</p> <p>2 ∙ Sanction No. : No. 1100059938 of Environmental and Air</p> <p>3 ∙ Violation of Regulations : Item 2 and Item 4 of Article 24 of the Air Pollution Control Law and Article 23, Item 1 of the Administrative Measures for the Operation of Stationary Pollution Sources and Fuel Use Permits.</p> <p>4 ∙ Violation Content : Check its 2020 raw material report, of which the usage of titanium dioxide is 180.549 tons/year, the usage of mixed xylene is 127.315 tons/year, and the usage of calcium carbonate is 219.687 tons/year, all of which exceed the approved percentage on the operating license.</p> <p>5 ∙ Punishment : A fine of NT\$100,000.</p>	100	<p>1. IT has been asked to assist in the construction of the alignment software, which is currently in normal operation.</p> <p>2. Pay attention to the operation volume at any time. If there is an increase in production capacity, immediately change the air pollution operation permit.</p>	0
<p>1 ∙ Sanction Date : September 28th, 2021</p> <p>2 ∙ Sanction No. : No. 1100104661 of Environmental and Air</p> <p>3 ∙ Violation of Regulations : Article 18 of the Water Pollution Prevention and Control Law and Article 10, Item 3, Paragraph 1 of the Measures for the Administration of Water Pollution Prevention and Control Measures and Inspection and Declaration.</p> <p>4 ∙ Violation Content : The approved construction period of the new project runoff wastewater reduction plan (control number: D9901604) is from July 23rd, 2019 to January 22nd, 2021. The Environmental Protection Bureau inspected on August 10th, 2021 and found that the new factory project was still under construction, there is still runoff wastewater on the site, and the basic information change has not been processed within 30 days from the day following the occurrence of the fact in accordance with the regulations.</p> <p>5 ∙ Punishment : A fine of NT\$10,000.</p>	10	The extension application has been completed.	0
<p>1 ∙ Sanction Date : October 25th, 2021</p> <p>2 ∙ Sanction No. : No. 1100117027 of Environmental and Air</p> <p>3 ∙ Violation of Regulations : Article 36, Paragraph 1 of the Waste Disposal Act and Article 6, Paragraph 1, Paragraph 4, and Article 7, Paragraph 1, Paragraph 2 of the Industrial Waste Storage, Removal, and Disposal Methods and Facility Standards.</p> <p>4 ∙ Violation Content : The first factory is a business of a certain scale designated by the Environmental Protection Agency of the Executive Yuan. On September 15th, 2021, an inspection was dispatched, and it was found that the general waste storage area of the first factory was not clearly marked with the name of the waste in Chinese, and C-0301 Hazardous Business Waste The waste is not marked with the name of the business that produces the waste, the date of storage, the quantity, the composition, and the mark to distinguish the characteristics of the hazardous industrial waste. The first factory is a business of a certain scale designated by the Environmental Protection Agency of the Executive Yuan. On September 15th, 2021, it dispatched personnel to inspect and found that the first factory's industrial waste storage area was not allocated and stored according to the approved industrial waste disposal plan.</p> <p>5 ∙ Punishment : A fine of NT\$120,000.</p>	120	The modification of the waste disposal plan (No. 1100142482 of Environmental and Air) has been completed in accordance with the regulations, and marked in accordance with the regulations on waste disposal.	0

Event Description	Penalty	Countermeasures	Expenditure Amount
<p>1、Sanction Date：November 11st, 2021</p> <p>2、Sanction No.：No. 1100123609 of Environmental and Air</p> <p>3、Violation of Regulations：Item 2 and Item 4 of Article 24 of the Air Pollution Control Law and Article 23 Item 1 of the Administrative Measures for the Operation of Stationary Pollution Sources and Fuel Use Permits.</p> <p>4、Violation Content：After investigation, the first factory has obtained the fixed source operation license issued by the Environmental Protection Bureau. Other synthetic resin or plastic (polyurethane) manufacturing procedures (M01), the polyester storage tank (T126) was found to be connected to the intermediate metering tank (E118) on site. There is no connection (removal) of the material flow to the pipeline, which is inconsistent with the M01 process flow of the fixed source operation permit issued by the Environmental Protection Bureau.</p> <p>5、Punishment：A fine of NT\$100,000.</p>	100	<p>1. The supervisors of each unit have been requested to assist in confirming the relevant existing pipelines.</p> <p>2. Change management needs to be implemented continuously in the future.</p>	0
<p>1、Sanction Date：November 7th, 2021</p> <p>2、Sanction No.：No. 1100127081 of Environmental and Air</p> <p>3、Violation of Regulations：Items 2 and 4 of Article 24 of the Air Pollution Control Law and Article 23, Item 1 of the Administrative Measures for the Operation of Stationary Pollution Sources and Fuel Use Permits.</p> <p>4、Violation Content：BaoLi Factory obtained the operation license for other synthetic resin (polyvinyl acetate) or plastic manufacturing procedures (M01). After investigation, it was found that the temperature of the exhaust gas at the condenser outlet of the condensation recovery equipment (A018) of the M01 procedure was abnormal.</p> <p>5、Punishment：A fine of NT\$100,000.</p>	100	The operation permit change has been completed. The temperature of the exhaust gas at the condenser outlet of M01's condensation recovery equipment (A018) has been adjusted to (-16°C~20°C) to conform to the current situation.	0
<p>1、Sanction Date：December 10th, 2021</p> <p>2、Sanction No.：No. 1100136277 of Environmental and Air</p> <p>3、Violation of Regulations：Article 20, Paragraph 1, Paragraph 1 of the Air Pollution Prevention and Control Law and Article 2, Schedule 1 of the Air Pollutant Emission Standard for Stationary Pollution Sources.</p> <p>4、Violation Content：On September 2nd, 2021, personnel were sent to the first factory to perform the functional determination of odor pollutants to collect sample gas. The test result showed that the measured value of odor pollutants in the perimeter was 300, which exceeded the emission standard of 50.</p> <p>5、Punishment：A fine of NT\$720,000.</p>	720	<p>1. Establish a weekly self-inspection mechanism</p> <p>2. Source Wastewater Runoff Control</p> <p>3. Improve the air tightness of each pool in the water plant</p>	1,500
<p>1、Sanction Date：February 16th, 2022</p> <p>2、Sanction No.：No. 1110015639 of Environmental and Air</p> <p>3、Violation of Regulations：Article 20, Paragraph 1 of the Air Pollution Control Act and Article 29, Paragraph 1, Paragraph 2 of Air Pollution Control and Emission Standards for Volatile Organic Compounds.</p> <p>4、Violation Content：BaoLi Factory is engaged in the manufacturing of plastic raw materials, and has obtained the operating license for other synthetic resin or plastic manufacturing procedures (M01). On December 27th, 2021, the inspectors supervised the leak detection of Kaiteng Environmental Protection Technology Co., Ltd., a testing company recognized by the Environmental Protection Agency. During the test, the M01 process of Baoli Plant was in normal operation. The test results showed that the M01 process tank reactor The initial detection value of the flange (F) of the equipment component (No.: 1101227F207L) of (E021) was 18,698ppm (net detection value&gt;10,000ppm), and the net detection value of 1 point exceeded the standard.</p> <p>5、Punishment：A fine of NT\$150,000.</p>	150	<p>1. Monthly environmental self-inspection</p> <p>2. Each unit usually implements self-inspection</p> <p>3. Manholes are kept clean and locked</p> <p>4. Deformed gaskets must be replaced immediately</p> <p>5. Component leaks to be repaired urgently</p>	100

## V. Labor Relations

(I) List of employee benefits, in-service training, internal training, retirement system, and implementation status, as well as employer-employee agreements, and protection measures for employee entitlements:

1. Employee welfare measures

(1) Company welfare :

- A. Employees are entitled to labor insurance, National Health insurance and group insurance on the first day of work.
- B. The Company has set up a "benefits trust fund program" to provide relative incentives to purchase company stocks in the form of trust fund to establish personal short-, medium- and long-term flexible capital utilization or financial planning.
- C. Apart from the basic salary, also available are the annual bonuses such as Mid-Autumn Festival, Dragon Boat Festival and Spring Festival bonuses. Based on the Company's profitability, various incentive programs are designed according to different positions, and the profit and surplus are shared with employees to achieve the purpose of attracting, retaining, motivating and cultivating high-quality talents in a planned way.
- D. The Company's Employee Welfare Committee is organized to take care of employees' lives, promote their wellness, and maintain a harmonious labor-management relationship. The committee is responsible for the planning and organizing of staff benefits and various activities, such as celebration of festival, club activities, and employee outings. Other benefits and subsidies include those connected to emergency assistance, inhospitalization, weddings, funerals and other events.

2. Employee training

Starting from the first day of work, new employees are introduced to the Company's corporate guiding principles, including corporate social responsibility and related policies. NANPAO E-Learning plays a central role in employee learning. Through the Learning System, every employee can participate in the various training courses and programs provided. The Company plans for training needed by each professional discipline to create a comprehensive talent development program.

The Company's employee training programs are as below:

- A. New recruit training: This training covers two stages. The first stage includes the official environmental safety/health course, management guidelines, and related policies. At the same time, introduction personnel from various departments to help newcomers quickly become familiar with their colleagues and with the organizational culture and guidelines. The second stage focuses on professional skills and knowledge corresponding to individual job positions.
- B. Personal competency development: Based on the shared functions among colleagues, with offline courses as the main and online learning as the supplement, the management related knowledge and skill training will be provided (for example: cross-departmental communication skills, project management, business-related skills, legal knowledge). Also, relevant advanced elective courses are provided in line with service years of colleagues.
- C. Professional knowledge improvement: In coordination with the Company's strategy, colleagues are sent to participate in domestic/international industrial and management-related seminars and forums. Trainings provided by the consultant companies and manufacturers also help the Company promote technology, develop new products, introduce innovative ideas, and improve management skills.

D. External training program: In response to the needs of skills necessary in positions or the development of professional ability from the staff, the Company provides the information on external training programs to help improve the staff's working or professional skills, thus boosting the organizational competitiveness.

E. Manager training: For employees at the management level, the Company conducts a series of management training courses to improve the management of the Company.

2021 NANPAO E-Learning curriculum and execution process are as follows:

	Total Number of Trainee	Total Number of Training Hours
Business Department	718	1,499
Production Department	1,953	5,412
R & D Department	1,801	3,824
Management Department	860	1,973
All company	5,332	12,708

3. Retirement system and execution

A. The Company has provided Retirement Policy.

B. The Labor Pension Fund Supervisory Committee was established in accordance with the law. Retirement funds are withdrawn monthly and deposited in the trust department of the Bank of Taiwan.

C. Starting from July 2005, the new pension system was implemented in accordance with the law. According to the monthly salary grading table of labor pension payment, 6% of the employee's monthly salary will be paid to the employee's personal account of the Labor Insurance Bureau on a monthly basis.

D. According to the provisions of International Accounting Standard No.19, the actuary is required to conduct evaluation on the pension reserve fund, and submit an actuarial assessment report.

4. Labor-management agreement and implementation:

The Company was formed the union organization on April, 1993, holding labor meetings every quarter and reporting to the competent authority, actively build a communication bridge with employees, pay attention to the safety, physical and mental health of employees, also pay attention to labor relations to provide equal employment opportunities.

The Company has a harmonious labor relationship. In order to maintain the order of employment in the workplace, the Company set up "Staff Manual" for employees to be in accordance with. In addition, employees can communicate with the Company through the following communication channels regarding the Company's various systems and working environment issues. And can be an important reference source for administrative management, while maintaining a good interaction between employers and employees.

Employee Communication Channel	Target	Content	Frequency
Mailbox of CHO	All employees	Report fraud and sexual harassment complaints	Anytime
CEO direct line	Employees and investors	Issues related to company operations	Anytime
Website customer service hotline	All employees and external personnel	Any issues	Anytime

Employee Communication Channel	Target	Content	Frequency
Weekly meeting	All employees	Report from the company's senior executives in order to let colleagues know the company's operating policy direction and operating performance.	Per two weeks
Trade Union Staff Symposium	Trade Union Staff Employees	Employee welfare and labor issues are communicated and discussed with union members.	Annual
Toolbox meeting	Production department	If employees have any questions on work or troubles encountered in the workplace, they can ask at the meeting, and resolved by the supervisor and the responsible personnel.	Weekly
Welfare Committee Conference	Welfare committee staff	Explain the employee welfare activities and fund utilization status, explained to the welfare committees.	Quarterly

(II) Explaining the company's losses and total fines as a result of employer/employee dispute within the last two years and up to the printing of the Annual Report; disclosing current and future estimated monetary amount and response measures; if the amount cannot be reasonably estimated, please state reason for not being able to make a reasonable estimate: None.

## VI. Cyber Security Management

(I) State the information security risk management structure, the information security policy, the specific management plan and the resources invested in the security management of the information communication, etc.:

1. The Company set up an Information Security Committee under the Corporate Governance and Sustainability Committee of the board of directors in November 2021, with the CEO as the convener of the committee, responsible for coordinating the Company's information security policy and governance. In order to get the information security management policy and related management procedures improved, the Company's information security management system (ISMS) will be verified by a third party and expect to pass the ISO27001 international standard certification in June, 2022.

2. Information Security Policy

In order to effectively implement information security management, the Company conducts management based on Plan-Do-Check-Act (PDCA) through the "Information Protection Work Promotion Team" covering all the Taiwan plant and overseas subsidiaries. A circular mechanism to review the applicability of information security policies and protection measures to ensure the achievement of reliability goals and continuous improvement. And continue to introduce information security defense innovation technology, integrate and internalize the information security control mechanism into the daily operation process, systematically monitor information security, maintain the confidentiality, integrity and availability of important assets, so as to ensure the safe maintenance and operation of information systems and equipment networks to achieve the purpose of sustainable operation.

3. Specific Management Plan

A. Multi-layer information security protection

The Company has established an "Information Security Protection Map", and has taken active information security enhancement operations through the introduction of security defense mechanisms such as next-generation firewalls, intrusion prevention systems, malicious email filtering, operating system updates, anti-virus software deployment, confidential file encryption, and endpoint device connection control to establish a network layered blocking mechanism. According to the network services for different purposes, each is isolated and independent to prevent external network attacks from invading the Company and causing comprehensive damage.

## B. Review and continuous improvement

Through the internal risk management mechanism, the Company evaluates the risks related to the information system, and regularly reports the risk control and improvement status at the operation management meeting to control and reduce the related network risks. In addition, various simulation tests and regular emergency response drills are carried out in the computer room every year, so that the information system can resume normal operation in the shortest time when it is attacked. Through the conduct of various information security education and training courses, in addition to enhance the information security awareness of colleagues, it also publicizes information security risks and knowledge by email from time to time, so as to reduce the risk of employees clicking malicious emails by mistake.

### 4. Invest in resources for information security management

The Company is committed to continuously promoting the implementation of information security management. The cost of purchasing information equipment and investing related manpower in 2021 was NT\$2,150 thousand, and in 2022, the estimated cost of resources will be NT\$1,200 thousand.

(II) List the losses, possible impacts and countermeasures of major information security incidents in the most recent year and up to the printing of the Annual Report: None.

## VII. Important Contracts

Company	Agreement	Counterparty	Period	Major Contents	Restrictions
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	E. SUN Commercial Bank	20210422~20230422	Working capital; NT\$ 100 million; cyclical use; loan principal repayment upon maturation	None
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	Yuanta Bank	20190830~20220829	Working capital; NT\$ 300 million; cyclical use; loan principal repayment upon maturation	None
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	Mizuho Bank	20211215~20231215	Working capital; NT\$ 700 million; cyclical use; loan principal repayment upon maturation	None
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	KGI Bank	20201127~20231127	Working capital; NT\$ 600 million; cyclical use; loan principal repayment upon maturation	None
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	Taipei Fubon Commercial Bank	20211211~20231211	Working capital; NT\$ 250 million; cyclical use; loan principal repayment upon maturation	Needs to comply with certain financial ratios and standards
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	Mega International Commercial Bank	20211106~20231106	Working capital; NT\$ 100 million; cyclical use; loan principal repayment upon maturation	None
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	DBS Bank	20211130~20231130	Working capital; US\$ 10 million; cyclical use; loan principal repayment upon maturation	None
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	Chinatrust Commercial Bank	20210930~20230930	Working capital; NT\$ 200 million; cyclical use; loan principal repayment upon maturation	Needs to comply with certain financial ratios and standards
Prince Pharmaceutical Co. Ltd.	Credit Extension	Taiwan Cooperative Bank	20200629~20350629	Secured debt; NT\$ 320 million; monthly repayment in 180 terms	None
Nan Pao Resins Chemical Co., Ltd.	Construction	Kong Chou Construction Co., Ltd.	20190614 until now	Construction of R&D and administrative building	None
Nan Pao Resins Chemical Co., Ltd.	Construction	Labtech Equipment Corp.	Start from August, 2021	Construction of R&D laboratory	None

Company	Agreement	Counterparty	Period	Major Contents	Restrictions
Nan Pao Resins Chemical Co., Ltd.	Construction	Quanxing Construction Co., Ltd.	358 calendar days from March, 2022	Construction of warehouse in plant No.1	None
Nanpao New Materials (Huaian) Co., Ltd.	Credit Extension	Chinatrust Commercial Bank	20210420~20230420	Mid-term loan; RMB\$ 30 million If the loan term is less than 1 year, it will be repaid when due. If the loan period exceeds 1 year, the first instalment is 6 months from the first disbursement date, and then every 6 months is an instalment. The principal is amortized in 6 instalments. Among them, 1% will be repaid in the first and second installments, 8% in the third installment, 22.5% in the fourth and fifth installments, and 45% in the sixth installment.	Needs to comply with certain financial ratios and standards
Nanpao New Materials (Huaian) Co., Ltd.	Credit Extension	Chinatrust Commercial Bank	20220119~20240119	Mid-term loan; RMB\$ 40 million The first instalment is 6 months from the first disbursement date, and then every 6 months is an instalment. The principal is amortized in 3 instalments. Among them, 15% will be repaid in the first instalment, 25% in the second instalment, and 60% in the third instalment.	Needs to comply with certain financial ratios and standards

## VI. Financial Highlights

### I. Financial Highlights

#### (I) Condensed Balance Sheet

##### 1. Consolidated

Unit: NT\$1,000

Item	Year	Five-Year Financial Summary				
		2017	2018	2019	2020	2021
Current Assets		10,137,504	10,669,750	11,109,972	11,245,153	12,651,328
Property, Plant, and Equipment		3,346,729	3,959,992	4,096,892	4,515,380	4,931,769
Intangible Assets		141,279	130,640	193,837	191,309	376,859
Other Assets		1,573,630	2,603,071	2,997,550	3,394,600	7,967,679
Total Assets		15,199,142	17,363,453	18,398,251	19,346,442	25,927,635
Current Liabilities	Before Distribution	4,506,918	4,704,901	4,908,092	5,082,030	6,361,921
	After Distribution	5,050,022	5,307,755	5,631,517	5,926,025	7,085,346 (Note)
Non-current liabilities		2,576,429	2,303,482	2,933,612	3,068,128	3,295,675
Total Liabilities	Before Distribution	7,083,347	7,008,383	7,841,704	8,150,158	9,657,596
	After Distribution	7,626,451	7,611,237	8,565,129	8,994,153	10,381,021 (Note)
Equity Attributable to Shareholders of the Parent		7,457,240	9,627,623	9,740,740	10,266,601	15,277,847
Capital Stock		1,086,207	1,205,707	1,205,707	1,205,707	1,205,707
Capital Surplus		1,290,212	2,108,235	2,103,848	2,101,673	2,101,673
Retained Earnings	Before Distribution	5,372,538	5,509,571	6,110,080	6,608,043	6,635,665
	After Distribution	4,829,434	4,906,717	5,386,655	5,764,048	5,912,240 (Note)
Others		(291,717)	804,110	321,105	351,178	5,334,802
Treasury Stock		-	-	-	-	-
Noncontrolling Interests		658,555	727,447	815,807	929,683	992,192
Total equity	Before Distribution	8,115,795	10,355,070	10,556,547	11,196,284	16,270,039
	After Distribution	7,572,691	9,752,216	9,833,122	10,352,289	15,546,614 (Note)

Note: Amounts resolved by the board meeting dated on March 24, 2022.

## 2. Unconsolidated

Unit: NT\$1,000

Item	Year	Five-Year Financial Summary				
		2017	2018	2019	2020	2021
Current Assets		2,613,596	2,646,362	2,702,859	2,853,957	3,596,060
Property, Plant, and Equipment		1,633,008	1,735,208	1,770,504	1,940,046	2,170,973
Intangible Assets		14,124	12,084	35,995	29,289	24,541
Other Assets		7,739,902	9,161,190	9,388,964	9,786,548	14,735,278
Total Assets		12,000,630	13,554,844	13,898,322	14,609,840	20,526,852
Current Liabilities	Before Distribution	2,173,880	1,811,907	1,776,129	2,201,993	2,872,376
	After Distribution	2,716,984	2,414,761	2,499,554	3,045,988	3,595,801 (Note)
Non-current liabilities		2,369,510	2,115,314	2,381,453	2,141,246	2,376,629
Total Liabilities	Before Distribution	4,543,390	3,927,221	4,157,582	4,343,239	5,249,005
	After Distribution	5,086,494	4,530,075	4,881,007	5,187,234	5,972,430 (Note)
Equity Attributable to Shareholders of the Parent		7,457,240	9,627,623	9,740,740	10,266,601	15,277,847
Capital Stock		1,086,207	1,205,707	1,205,707	1,205,707	1,205,707
Capital Surplus		1,290,212	2,108,235	2,103,848	2,101,673	2,101,673
Retained Earnings	Before Distribution	5,372,538	5,509,571	6,110,080	6,608,043	6,635,665
	After Distribution	4,829,434	4,906,717	5,386,655	5,764,048	5,912,240 (Note)
Others		(291,717)	804,110	321,105	351,178	5,334,802
Treasury Stock		-	-	-	-	-
Noncontrolling Interests		-	-	-	-	-
Total equity	Before Distribution	7,457,240	9,627,623	9,740,740	10,266,601	15,277,847
	After Distribution	6,914,136	9,024,769	9,017,315	9,422,606	14,554,422 (Note)

Note: Amounts resolved by the board meeting dated on March 24, 2022.

(II) Condensed Statement of Comprehensive Income  
1. Consolidated

Unit: NT\$1,000

Item \ Year	Five-Year Financial Summary				
	2017	2018	2019	2020	2021
Net Revenue	14,615,008	16,022,220	17,113,546	15,551,344	17,980,007
Gross Profit	3,922,991	3,807,414	4,717,529	4,370,293	4,102,045
Income from Operations	1,192,972	901,010	1,682,029	1,501,700	1,052,194
Non-operating Income and Expenses	(32,219)	134,802	110,653	104,392	150,347
Income before Income Tax	1,160,753	1,035,812	1,792,682	1,606,092	1,202,541
Net Income from Continued Operations	917,003	716,630	1,315,224	1,267,122	929,353
Loss from Discontinued Operations	-	-	-	-	-
Net Income	917,003	716,630	1,315,224	1,267,122	929,353
Other Comprehensive Income (Loss) for the Year, Net of Income Tax	(260,582)	(267,886)	(482,222)	23,934	4,972,725
Total Comprehensive Income for the Year	656,421	448,744	833,002	1,291,056	5,902,078
Net Income Attributable to Shareholders of the Parent	881,874	672,775	1,228,200	1,219,753	875,780
Net Income Attributable to Noncontrolling Interests	35,129	43,855	87,024	47,369	53,573
Total Comprehensive Income Attributable to Shareholders of the Parent	635,626	400,327	750,385	1,251,461	5,855,241
Total Comprehensive Income Attributable to Noncontrolling Interests	20,795	48,417	82,617	39,595	46,837
Basic/ Diluted Earnings Per Share	8.22	6.15	10.19	10.12	7.26

## 2. Unconsolidated

Unit: NT\$1,000

Item \ Year	Five-Year Financial Summary				
	2017	2018	2019	2020	2021
Net Revenue	5,146,035	5,321,256	5,173,269	4,635,634	5,359,550
Gross Profit	1,322,046	1,246,837	1,424,992	1,491,568	1,221,762
Income from Operations	500,434	362,029	452,590	533,220	352,865
Non-operating Income and Expenses	558,339	495,037	1,036,320	831,744	642,777
Income before Income Tax	1,058,773	857,066	1,488,910	1,364,964	995,642
Net Income from Continued Operations	881,874	672,775	1,228,200	1,219,753	875,780
Loss from Discontinued Operations	-	-	-	-	-
Net Income	881,874	672,775	1,228,200	1,219,753	875,780
Other Comprehensive Income (Loss) for the Year, Net of Income Tax	(246,248)	(272,448)	(477,815)	31,708	4,979,461
Total Comprehensive Income for the Year	635,626	400,327	750,385	1,251,461	5,855,241
Net Income Attributable to Shareholders of the Parent	881,874	672,775	1,228,200	1,219,753	875,780
Net Income Attributable to Noncontrolling Interests	-	-	-	-	-
Total Comprehensive Income Attributable to Shareholders of the Parent	635,626	400,327	750,385	1,251,461	5,855,241
Total Comprehensive Income Attributable to Noncontrolling Interests	-	-	-	-	-
Basic/ Diluted Earnings Per Share	8.22	6.15	10.19	10.12	7.26

## (III) Auditors' Opinions from 2017 to 2021

Year	CPA Firm	CPA	Audit Opinion
2017	Deloitte & Touche Taiwan	Hung-Ju, Liao, Chun-Chi, Kung	Unqualified Opinion
2018	Deloitte & Touche Taiwan	Hung-Ju, Liao, Chun-Chi, Kung	Unqualified Opinion Adding Other Item
2019	Deloitte & Touche Taiwan	Hung-Ju, Liao, Chun-Chi, Kung	Unqualified Opinion Adding Other Item
2020	Deloitte & Touche Taiwan	Hung-Ju, Liao, Chi-Chen, Lee	Unqualified Opinion Adding Other Item
2021	Deloitte & Touche Taiwan	Hung-Ju, Liao, Chi-Chen, Lee	Unqualified Opinion Adding Other Item

## II. Financial Analyses

### (I) Individual financial analysis

#### 1. Consolidated

Item		Year	Financial Analysis of the Past Five Years				
			2017	2018	2019	2020	2021
Capital Structure Analysis	Debts Ratio (%)		46.60	40.36	42.62	42.13	37.25
	Long-term Fund to Property, Plant and Equipment (%)		319.48	319.66	329.28	315.91	396.73
Liquidity Analysis	Current Ratio (%)		224.93	226.78	226.36	221.27	198.86
	Quick Ratio (%)		171.82	170.91	176.50	174.63	149.48
	Times Interest Earned (Times)		24.54	17.79	26.90	28.28	22.95
Operating Performance Analysis	Average Collection Turnover (Times)		4.49	4.50	4.46	3.98	4.29
	Days Sales Outstanding		81	81	82	92	85
	Average Inventory Turnover (Times)		5.40	5.31	5.40	5.06	5.41
	Average Inventory Turnover Days		5.21	6.17	6.34	5.26	5.67
	Average Payment Turnover (Times)		68	69	68	72	67
	Property, Plant and Equipment Turnover (Times)		4.86	4.39	4.25	3.61	3.81
	Total Assets Turnover (Times)		1.01	0.98	0.96	0.82	0.79
Profitability Analysis	Return on Total Assets (%)		6.55	4.67	7.63	6.93	4.27
	Return on Equity attributable to Shareholders of the Parent (%)		12.03	7.76	12.58	11.65	6.77
	Pre-tax Income to Paid-in Capital Ratio (%)		106.86	85.91	148.68	133.21	99.74
	Net Margin (%)		6.27	4.47	7.69	8.15	5.17
	Basic Earnings Per Share (NT\$)		8.22	6.15	10.19	10.12	7.26
Cash flow	Cash Flow Ratio (%)		17.03	3.31	37.98	38.14	2.15
	Cash Flow Adequacy Ratio (%)		122.04	92.15	102.28	86.80	56.05
	Cash Flow Reinvestment Ratio (%)		1.90	-	8.92	8.06	-
Leverage	Operating Leverage		1.79	2.12	1.67	1.77	2.25
	Financial Leverage		1.04	1.07	1.04	1.04	1.05

Information regarding the causes of changes in the various financial ratios in the last two years (analysis would not be required if the change is within 20%)

1. Long-term Fund to Property, Plant and Equipment Ratio: The main reason is that the financial assets measured by the fair value held by the Company were adjusted according to the appraisal report, resulting in the increment of other equity items.
2. Return on Total Assets, Return on Equity: The main reason is that the cost of raw materials increased and the gross profit decreased, which reduced the profit. In addition, the financial assets measured by fair value held by the Company were adjusted according to the appraisal report, resulting in an increment in assets and other equity items.
3. Pre-tax Income to Paid-in Capital Ratio, Net Margin, Basic Earnings Per Share: The main reason is that the cost of raw materials increased and the gross profit decreased, which reduced the profit.
4. Cash Flow Ratio, Cash Flow Adequacy Ratio: The main reason is that the cost of raw materials increased and the gross profit decreased, which reduced the profit. In addition, the increment in receivables and inventories at the end of the period reduced the cash flow of operating activities.
5. Operating Leverage: The main reason is that the increment in operating income, but the decrement in gross profit and operating profit due to the cost of raw materials increased.

## 2. Unconsolidated

Item		Year	Financial Analysis of the Past Five Years				
			2017	2018	2019	2020	2021
Capital Structure Analysis	Debts Ratio (%)		37.86	28.97	29.91	29.73	25.57
	Long-term Fund to Property, Plant and Equipment (%)		601.76	676.75	684.67	639.56	813.21
Liquidity Analysis	Current Ratio (%)		120.23	146.05	152.18	129.61	125.19
	Quick Ratio (%)		89.65	112.17	123.85	107.67	100.85
	Times Interest Earned (Times)		41.28	33.20	72.46	62.58	46.64
Operating Performance Analysis	Average Collection Turnover (Times)		4.47	4.56	4.50	3.53	3.54
	Days Sales Outstanding		82	80	81	103	103
	Average Inventory Turnover (Times)		7.09	6.71	7.08	6.62	7.23
	Average Inventory Turnover Days		5.46	6.00	6.38	5.26	5.54
	Average Payment Turnover (Times)		51	54	52	55	50
	Property, Plant and Equipment Turnover (Times)		3.39	3.16	2.95	2.50	2.61
	Total Assets Turnover (Times)		0.45	0.42	0.38	0.33	0.31
Profitability Analysis	Return on Total Assets (%)		7.85	5.43	9.07	8.68	5.08
	Return on Equity attributable to Shareholders of the Parent (%)		12.38	7.88	12.68	12.19	6.86
	Pre-tax Income to Paid-in Capital Ratio (%)		97.47	71.08	123.49	113.21	82.58
	Net Margin (%)		17.14	12.64	23.74	26.31	16.34
	Basic Earnings Per Share (NT\$)		8.22	6.15	10.19	10.12	7.26
Cash flow	Cash Flow Ratio (%)		10.76	6.99	22.48	21.75	7.35
	Cash Flow Adequacy Ratio (%)		59.13	49.72	46.49	36.14	28.37
	Cash Flow Reinvestment Ratio (%)		-	-	-	-	-
Leverage	Operating Leverage		1.63	2.05	1.97	1.92	2.05
	Financial Leverage		1.06	1.08	1.05	1.04	1.07

Information regarding the causes of changes in the various financial ratios in the last two years (analysis would not be required if the change is within 20%)

1. Long-term Fund to Property, Plant and Equipment Ratio: The main reason is that the financial assets measured by the fair value held by the Company were adjusted according to the appraisal report, resulting in the increment of other equity items.
2. Return on Total Assets, Return on Equity: The main reason is that the cost of raw materials increased and the gross profit decreased, which reduced the profit. In addition, the financial assets measured by fair value held by the Company were adjusted according to the appraisal report, resulting in an increment in assets and other equity items.
3. Times Interest Earned, Pre-tax Income to Paid-in Capital Ratio, Net Margin, Basic Earnings Per Share: The main reason is that the cost of raw materials increased and the gross profit decreased, which reduced the profit.
4. Cash Flow Ratio, Cash Flow Adequacy Ratio: The main reason is that the cost of raw materials increased and the gross profit decreased, which reduced the profit. In addition, the increment in receivables and inventories at the end of the period reduced the cash flow of operating activities.

Calculated as follows:

1. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Liquidity Analysis

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

(1) Average Collection Turnover = Net Sales / Average Trade Receivables (including Accounts Receivable and Notes Receivable originated from operation)

(2) Days Sales Outstanding = 365 / Average Collection Turnover

(3) Average Inventory Turnover = Cost of Sales / Average Inventory

(4) Average Inventory Turnover Days = 365 / Average Inventory Turnover

(5) Average Payment Turnover = Cost of Sales / Average Trade Payables (including Accounts Payable and Notes Payable originated from operation)

(6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment

(7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability Analysis

(1) Return on Total Assets = (Net Income + Interest Expenses \* (1 - Effective Tax Rate)) / Average Total Assets

(2) Return on Equity Attributable to Shareholders of the Parent = Net Income Attributable to Shareholders of the Parent / Average Equity Attributable to Shareholders of the Parent

(3) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital

(4) Net Margin = Net Income / Net Sales

(5) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend

(3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)

6. Leverage

(1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations

(2) Financial Leverage = Income from Operations / (Income from Operations – Interest Expenses)

### III. Audit Committee's Review Report

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

To: 2022 General Shareholders' Meeting

The Audit Committee has duly inspected and approved the Company's business report, financial statements and earning distribution plan for 2021 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 24, 2022

- IV. Consolidated Financial Statements and Independent Auditors' Report:** Please refer to Appendix 1 of Consolidated Financial Statements.
- V. Parent Company Only Financial Statements and Independent Auditors' Report:** Please refer to Appendix 2 of Statutory Financial Statements.
- VI. Any financial difficulties experienced by the Company and its affiliated companies during the most recent year up to the publication date of this annual report need to be stated as well as the impact on the Company's financial position need to be outlined:** None.

## VII. Financial Status and Operating Results

### I. Financial Status

Unit: NT\$1,000; %

Item \ Year	2020	2021	Difference	%	Remark
Current Assets	11,245,153	12,651,328	1,406,175	13	
Property, Plant, and Equipment	4,515,380	4,931,769	416,389	9	
Intangible Assets	191,309	376,859	185,550	97	Note 1
Other Assets	3,394,600	7,967,679	4,573,079	135	Note 2
Total Assets	19,346,442	25,927,635	6,581,193	34	
Current Liabilities	5,082,030	6,361,921	1,279,891	25	Note 3
Noncurrent liabilities	3,068,128	3,295,675	227,547	7	
Total Liabilities	8,150,158	9,657,596	1,507,438	18	
Equity Attributable to Shareholders of the Parent	10,266,601	15,277,847	5,011,246	49	Note 2
Capital Stock	1,205,707	1,205,707	-	-	
Capital Surplus	2,101,673	2,101,673	-	-	
Retained Earnings	6,608,043	6,635,665	27,622	-	
Others	351,178	5,334,802	4,983,624	1419	Note 2
Non-controlling Interests	929,683	992,192	62,509	7	
Total Equity	11,196,284	16,270,039	5,073,755	45	

Note 1: The main reason is that the recognition of the goodwill and customer relationship arising from the acquisition of business by the Australian subsidiary in the current period.

Note 2: The main reason is that the financial assets measured by fair value held by the Company were adjusted according to the appraisal report, resulting in an increment in assets and other equity items.

Note 3: The main reason is that the increment in short-term bank credit borrowings and long-term liabilities due within one year.

## II. Financial Performance

### (I) Financial Performance Analysis

Unit: NT\$1,000; %

Item	Year	2020	2021	Difference	%	Remark
Net Revenue		15,551,344	17,980,007	2,428,663	16	
Cost of Revenue		11,181,051	13,877,962	2,696,911	24	Note 1
Gross Profit		4,370,293	4,102,045	(268,248)	(6)	
Operating Expenses		2,868,593	3,049,851	181,258	6	
Income from Operations		1,501,700	1,052,194	(449,506)	(30)	Note 1
Non-operating Income and Expenses		104,392	150,347	45,955	44	
Income before Income Tax		1,606,092	1,202,541	(403,551)	(25)	Note 1
Income Tax Expenses		(338,970)	(273,188)	65,782	(19)	
Net Income		1,267,122	929,353	(337,769)	(27)	Note 1
Other Comprehensive Loss, Net of Income Tax		23,934	4,972,725	4,948,791	20677	Note 2
Total Comprehensive Income for the Year		1,291,056	5,902,078	4,611,022	357	

Note 1: The main reason is that the cost of raw materials increased and the gross profit decreased, which reduced the profit.

Note 2: The main reason is that the financial assets measured by fair value held by the Company were adjusted according to the appraisal report, resulting in an increment in other comprehensive income.

(II) Sales Volume Forecast and Related Information: Please refer to “I、Letter to Shareholders”

(III) Major Impact on Financial Performance and Future Plan: The above deviations had no major impact on the Company’s financial performance, so it is not applicable.

## III. Cash Flow

### Changes in Consolidated Cash Flows in 2021

Unit: NT\$1,000; %

Cash Balance 12/31/2020	Net Cash Provided by Operating Activities	Net Cash Used in Investing Activities	Net Cash Generated by Financing Activities	Cash Balance 12/31/2021 (including effects of exchange rate)
3,321,237	137,057	(528,849)	322,399	3,231,306

#### (I) Analysis of Cash Flow:

1. Operating Activities: The main reason is that the cost of raw materials increased and the gross profit decreased, which reduced the profit. In addition to the receivables and inventories at the end of the period increased.
2. Investing Activities: The main reason is that the decrement in time deposits with original maturity over 3 months.
3. Financing Activities: The main reason is that the increment in borrowings in the current period.

(II) Remedial Actions for Liquidity Shortfall: As a result of positive operating cash flows and cash on-hand, remedial actions are not required.

(III) Cash Flow Projection for Next Year: Not applicable.

#### IV. Recent Years Major Capital Expenditures and Impact on Financial and Business

##### (I) Major Capital Expenditure Items and Source of Capital

Unit: NT\$1,000

Plan	Actual or Planned Source of Capital	Total Amount	Actual Use of Capital		
			Before 2021	2021	2022
R&D and Administrative Building	Working capital and bank loan	980,000	243,547	278,213	458,240

##### (II) Expected Benefits

The purpose of this major capital expenditure is to activate the land assets, which has positive effects on the Company's long-term operation and development.

#### V. Long-term Equity Investment Policy and Results

The Company's long-term equity investments, accounted for using the equity method to meet the Company's development strategy and operational needs and seek appropriate strategic partners. In 2021, the gains from these investments amounted to NT\$14,872 thousand on a consolidated basis, down from the previous year of NT\$14,872 mainly due to the impact of the epidemic. The board of directors has approved the proposal of disposition of 30% of Total Acrylic Polymer Industry (TAPI) Corp. common shares in November, 2021, and the disposal procedure has been completed in January 2022. In the future, the Company's long-term equity investments, accounted for using the equity method, will continue to focus on strategic purposes through prudent assessments.

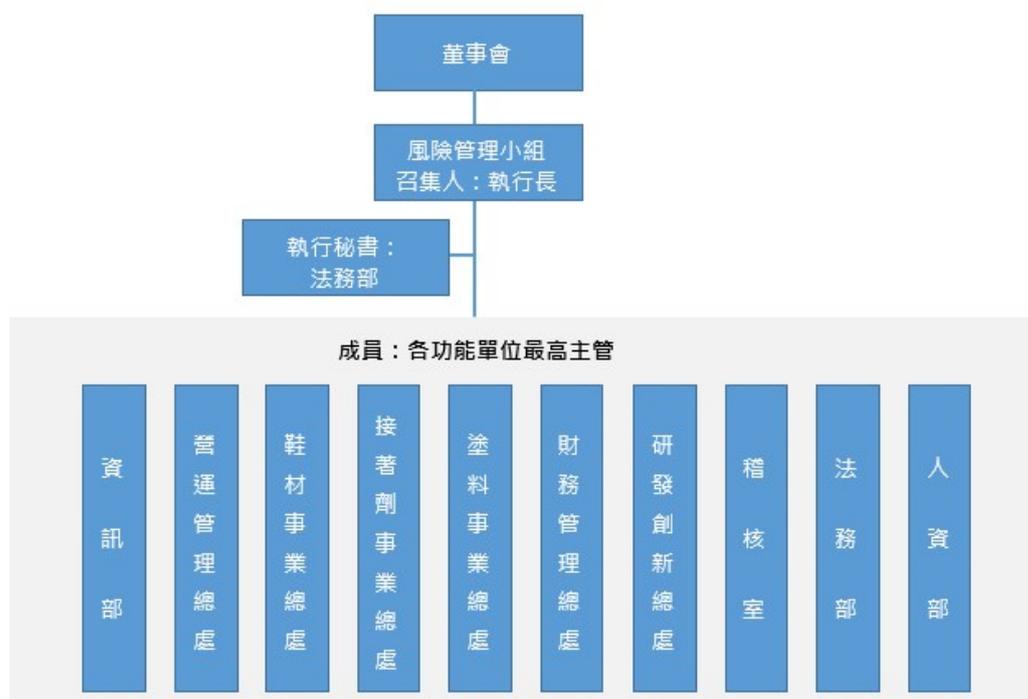
#### VI. Risk Management

The following matters pertain the past year and up until the publication of the Annual Report.

##### (I) Organizational structure of risk management

The Board of Directors serves as the highest management and decision unit in the organization of risk management. The risk management policy was thoroughly inspected by the Board of Directors in accordance with business strategy and industrial tendency, and make sure effective operation of the management mechanism. The Risk Management Team was integrated from each risk management unit in 2021 which is chaired by the Chairman and CEO, and the top supervisor of each functional unit serves as a member of the management team, while the attached Risk Management Team is responsible of implementing the risk management policy verified by the Board of Directors. The scope of management includes corporate risk assessment, handling risk-related issues, and supervision of implementation and operation. The Company identifies risk projects based on three risk issues of concern, namely environment, society and corporate governance and the main areas of risk management include "environmental security", "information security", "legal compliance" and "corporate governance". The Risk Management Team should report to the Board of Directors at least once a year on issues such as risk identification, prevention, and monitoring as well as major risk control.

Structure of the Company's risk management organization is as follow.



(II) The Impacts of Interest Rates, Foreign Exchange Rates Fluctuation and Inflation Situation on the Company's Profit and Loss, and the Future Countermeasures.

1. Interest Rate Fluctuation: The exposure to changes in interest rate of the Company is mainly from floating-rate long-term debt obligations from operating and investment activities. Any change in interest rates will cause the cash flows of interest expense that will be paid in the future to fluctuate over time. In order to avoid the adverse impact of interest rate changes on operating results, the Company manages interest rate risk by maintaining an appropriate combination of fixed and floating interest rates to reduce the impact of interest rate risk on profit and loss. The consolidated interest expense for 2021 was NT\$ 54,797 thousand, accounting for 0.30% of the current net revenue. Based on the company's 2021 floating interest rate exposure long-term loan amount, if the market interest rate increases by 0.25% in the future, the net profit before tax will be reduced by approximately NT\$10,715 thousand.
2. Foreign Exchange Volatility: The exposure to foreign currency risk of the Company arises from cash and cash equivalents, accounts receivable, loans and accounts payables that are denominated in foreign currency. Therefore, fluctuations in foreign currency may affect operating income, operating costs and even profit performance denominated in foreign currencies. In order to avoid adverse effects of changes in foreign currency on the operating results of the Company, some purchases and sales transactions of the Company and its subsidiaries are quoted in US dollars, which has a natural hedging effect and reduces the impact of foreign currency risk on the profit and loss. The net exchange profit and loss in 2021 is a loss of NT\$14,293 thousand, accounting for 0.08% of the net revenue. Calculated based on the cost structure of the Company in 2021, if NT\$ appreciates by 1% relative to the US dollar, the net profit before tax will be reduced by approximately NT\$9,031 thousand.
3. Inflation: According to the estimates of the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C.(Taiwan) in 2021, the domestic economic growth rate was 6.45%, and the average annual reduction rate of the consumer price index (CPI) was 1.96%, a new high in 13 years. The shipping costs and prices of the Company's main raw materials, which include adipic acid, vinyl acetate, hydrogenated petroleum resin, neoprene rubber and EVA latex, etc., have risen significantly and will increase the procurement cost.

In addition, the purchase of raw materials of the Company is mostly negotiated by contract. In the situation of rising prices, prices can be negotiated with suppliers. Therefore, fluctuations in raw material prices have no significant adverse impact on the Company's profit and loss. However, the Company will still carefully evaluate the price trend of base raw materials in the future, and formulate the most suitable procurement strategy in line with operational needs.

(III) Risks Associated with High-Risk/Highly Leveraged Investments; Lending, Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions

1. In 2021 and as of the date of this Annual Report, the Company made no high-risk or highly leveraged financial investments.
2. When the Company and its subsidiaries are engaged in capital lending, endorsements and guarantees, and derivative transactions, the Company will, in addition to complying with the relevant handling procedures, and to making a public announcement and filing the necessary reports in accordance with the regulations of the competent authorities:
  - A. Capital Lending to Others: The Company and its subsidiaries made no intercompany loans as of the publication date of the Annual Report.
  - B. Endorsements and Guarantees: As of the publication date of the Annual Report, the Company is limited to provide endorsements and guarantees for the subsidiaries in which the Company holds more than 50% of ownership.
  - C. Derivative Transactions: The Company and its subsidiaries made no derivative transactions as of the publication date of the Annual Report.

(IV) Future R&D Plans and Expected R&D Spending

Please refer to “V、Operational Highlight / (III) Research and Development”.

(V) Risks Associated with Changes in the Government Policies and Regulatory Environment

The company continues to pay close attention to any domestic and foreign policies and laws that may affect the company's finances and business, and establishes relevant risk management procedures. Therefore, in the past year and until the date of printing of this Annual Report, the changes in domestic and international policies and regulations have not had significant impacts on the Company and subsidiaries' finance and business. The Company's management closely monitors all domestic and foreign governmental policies and regulations that might impact the Company's business and financial operations. In 2021 and as of the date of this Annual Report, there were no governmental policies or regulatory changes would materially impact the Company's operations or financial condition.

(VI) Risks Associated with Changes in Technology and Industry

In response to technological changes, the Company set up an information security committee under the board of directors in November 2021, with the CEO as the chairman of the committee, responsible for coordinating the Company's information security policy and governance. In addition, in order to get the information security management policy and related management procedures improved, the Company's information security management system (ISMS) will be verified by a third party and expect to pass the ISO27001 international standard certification in June 2022. In addition, the Company will continue to promote the implementation of information security management, and invest in relevant information equipment and manpower to effectively reduce information security risks. In 2021 and as of the date of this Annual Report, there were no technological changes and industrial changes would materially impact the Company's operations or financial condition.

(VII) Changes in Corporate Reputation and Impact on Company's Crisis Management

Since establishment, the Company has always adhered to the principle of good faith and the principle of prudent management and has maintained a good corporate image. The Company's positive image also reflects business excellence, rigorous corporate governance, and social responsibility as a good corporate citizen. And continue to pursue innovation in economic, environmental and social aspects. In 2021 and as of the date of this Annual Report, there were no change in corporate reputation that would result in corporate crisis management.

(VIII) Risks Associated with Mergers and Acquisitions

In 2021 and as of the date of this Annual Report, the Company had not conducted any merger or acquisition.

(IX) Risks Associated with Factory Expansion

Expansions of Company plants were carefully evaluated based on current capacity and future operational growth. The Company has also considered investment benefits and possible risks. The material capital expenditures were all submitted to the Board of Directors for review.

(X) Risk Associated with Procurement and Sales Concentration

1. Risks Associated with Purchase Concentration and Countermeasures:

Currently, the Company does not have conditions of purchase concentration. The Company maintains two or more suppliers for key raw materials, and always maintains a positive and stable partnership with suppliers. Besides being fully aware of the sources of raw materials, the Company also maintains strict control over product quality and delivery schedule to ensure that there is sufficient supply of major raw materials. In the last two years, the Company has no manufacturers that account for more than 10% of the net purchases.

2. Risks Associated with Sales Concentration and Countermeasures:

Currently, the Company does not have conditions of sales concentration, and as the operational scale expands, the Company also continues to develop new products and customers to help with lowering the risk of sales concentration. In the last two years, the Company had had no customers who accounted for more than 10% of the net sales.

(XI) Potential Impact and Risks Associated with Sales of Significant Numbers of Shares by the Company's Directors, and/ or Shareholders Who Own 10% or More of the Company's Total Outstanding Shares

In 2021 and as of the publication date of the annual report, there has been no substantial transfer or replacement of the shares of the Company's directors or major shareholders holding more than 10% of the shares.

(XII) Risks Associated with Change in Management

In 2021 and as of the date of this Annual Report, there were no risks of change in management for the Company.

(XIII) Risks Associated with Litigious and Non-litigious Matters

1. The lawsuits in which the Company is currently involved are shown as follows. However, the verdict of these cases did not have any material adverse impact on the Company's finances and sales:

The company acquired the existing factory land after the completion of farm land consolidation by the Tainan City Government Lands Bureau in 1969. However, when the Tainan City Jiali Lands Office carried out a re-survey of the cadastral map in 2018 and found that the registered area did not match the site. The Company's was notified of repayment of NT\$14,464,964 on the difference in land price of agricultural land. The company was dissatisfied with the administrative punishment, and the complaint was rejected, so it filed an administrative lawsuit, which was rejected by the Kaohsiung High Administrative Court's judgment on January 2, 2020. After the company appealed, the Supreme Administrative Court annulled the original judgment on April 8, 2021, and sent it back to the Kaohsiung Higher Administrative Court. The Kaohsiung High Administrative Court ruled that both the administrative sanction and the appeal decision were revoked on April 19, 2022.

2. The lawsuits in which subordinate companies or subsidiaries are involved are listed as follows. However, the verdict of these cases did not have any material adverse impact on the Company's finances and sales:

(1) Each subordinate companies urge customers to make the relevant payments as soon as possible through the public authority of the court to protect the rights and interests of these companies. The Company has won some of these cases and the verdict of these cases are currently being enforced, while other cases are currently pending before the court. Each subsidiary has listed the overdue receivables above in allowance for bad debt. Subsidiaries also constantly recovered some outstanding debts from customers.

(2) In 2007, the Company successfully won the bid to take ownership of mortgaged items owned by Ho Kuei Chemicals Co., Ltd. (hereinafter referred to as "Ho Kuei Chemicals"), including land, buildings, machines and equipment at Taiwan Changhua District Court, and sold these items to Nan Pao Chemical Co., Ltd. for production purposes in the same year. On January 31, 2008, third party Fu Chien Management Consulting Company (hereinafter referred to as "Fu Chien Management") claimed to be the mortgagee of the aforementioned machines and equipment at Taiwan Changhua District Court and sealed up this batch of machines and equipment. Subsidiary Nan Pao Chemical Co., Ltd. has filed for the Third Party of Dissent Action, arguing that Fu Chien Management Consulting Company's claims over the abovementioned machines and equipment were false. However, a fire broke out in subsidiary Nan Pao Chemical Co., Ltd. in January 2010, and the plant and machinery were all burnt down. Hence, the content of the lawsuit was changed to confirming whether the machinery belonged to Nan Pao Chemical Co., Ltd. If the court believed that the machinery was not the property of Nan Pao Chemical Co., Ltd., and was destroyed due to its negligence, Nan Pao Chemical Co., Ltd. would be liable for damage. This civil lawsuit was filed on June 21, 2017. Based on 2017 Verdict No. 395 by Taiwan Supreme Court, the machines and equipment did not belong to subsidiary Nan Pao Chemical Co., Ltd.

According to the judgment of the Changhua District Court, Hegui Chemical Company claimed that the machinery and equipment in the plant should be owned. According to the above-mentioned litigation, Nanbao Chemical Company's use of the machinery and equipment caused a fire and was damaged and filed a lawsuit for damages. The requested amount is NT\$53,102,000. However, the amount requested by Hegui Chemical Company is calculated based on the purchase price of machinery and equipment, and depreciation is not calculated based on the service life of real estate, plant and equipment. The purchase time of this batch of machinery and equipment is more than 80 years to more than 90 years, and its residual value should not reach NT\$53,102,000. After considering its residual value, the combined company has already set aside a liability provision of NT\$38,445,000.

As of the date of approval of this consolidated financial report, the damages litigation with Hegui Chemical Company is still pending in Changhua District Court.

3. The Company's directors, general managers, persons with actual responsibility in the Company and major shareholders holding more than 10 percent of the Company's shares are not involved in any lawsuit, non-litigious proceeding, or administrative dispute involving the Company that has been finalized or is currently pending. The verdict of these cases may have a significant impact on shareholders' equity or securities prices.

(XIV) Other Material Risks

In 2021 and as of the date of this Annual Report, the Company's management was not aware of any other risk that could potentially have a material impact on the financial status of the Company.

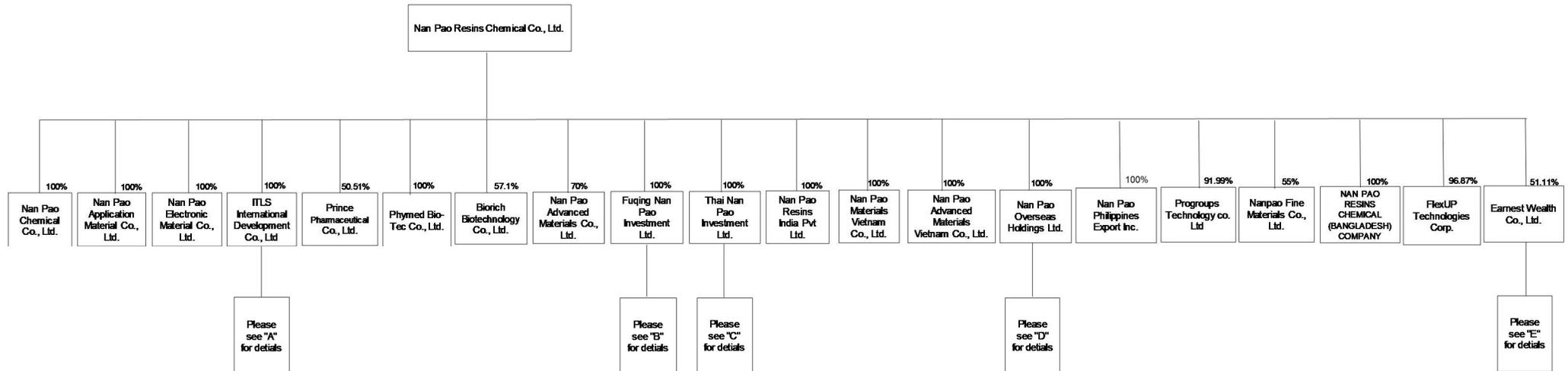
**VII. Other Important Issues: None.**

## VIII. Special Notes

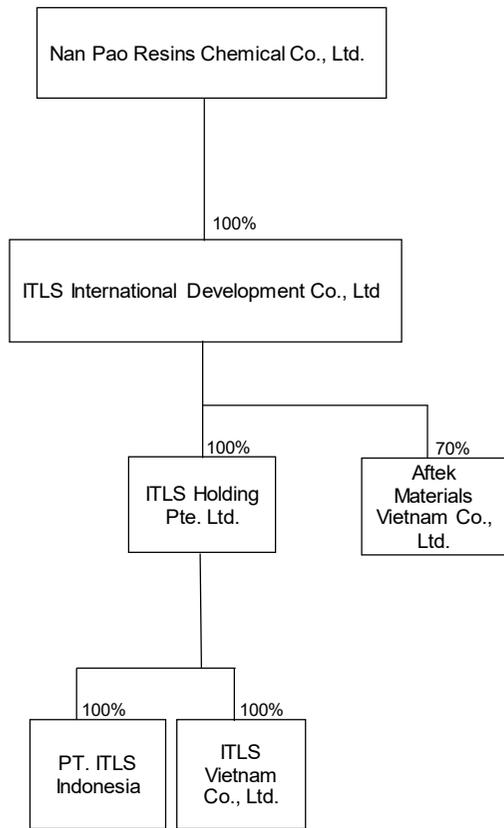
### I. Subsidiary Information

#### (I) Subsidiaries

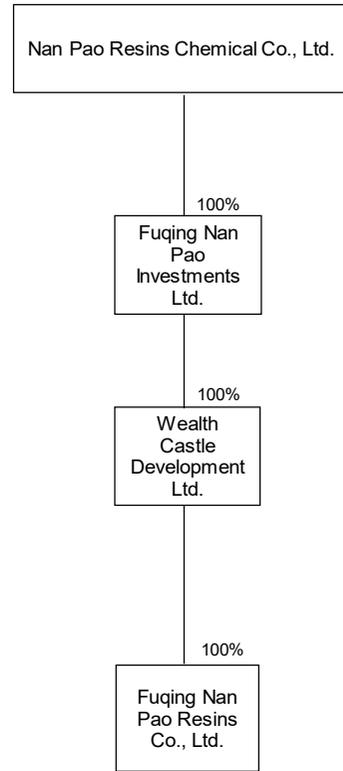
##### 1. Subsidiaries Chart



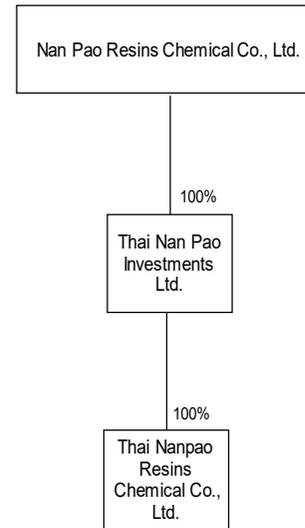
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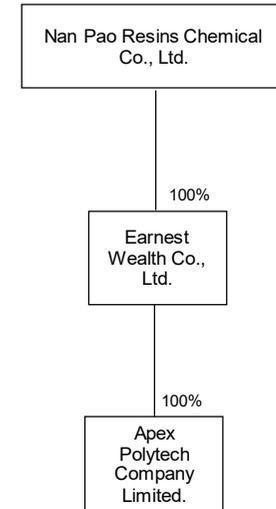
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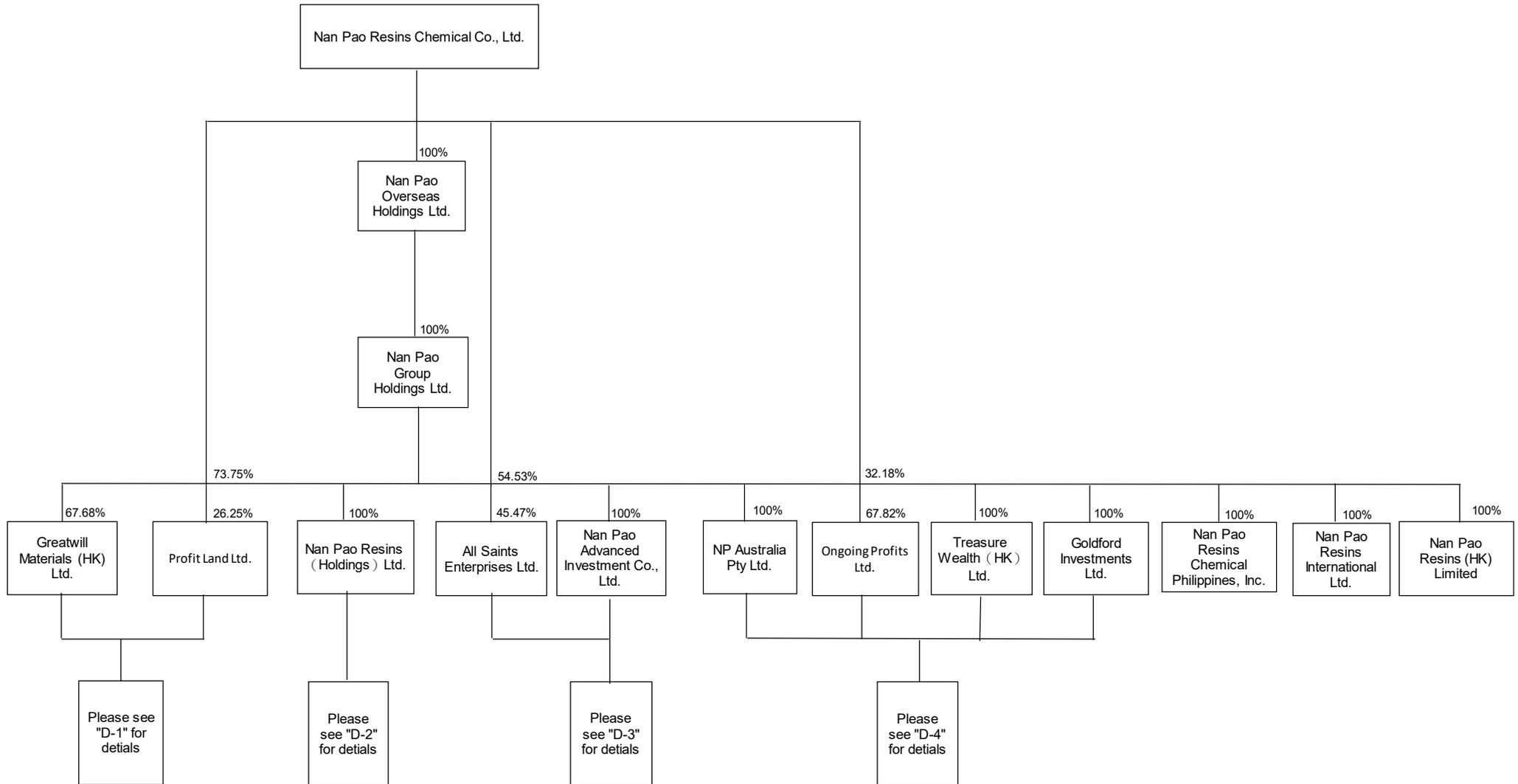
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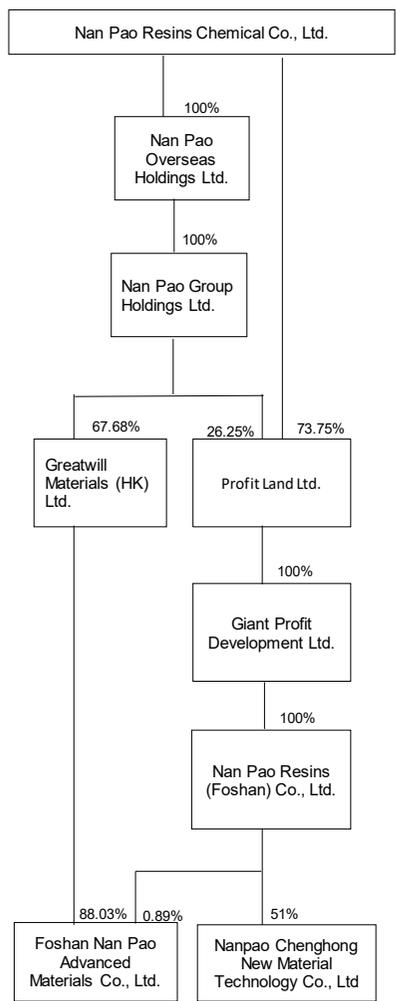
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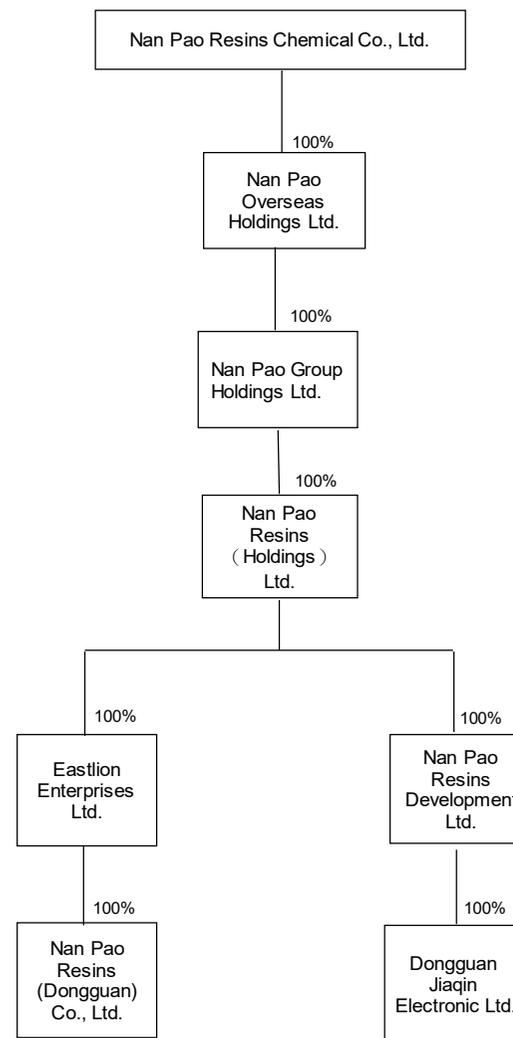
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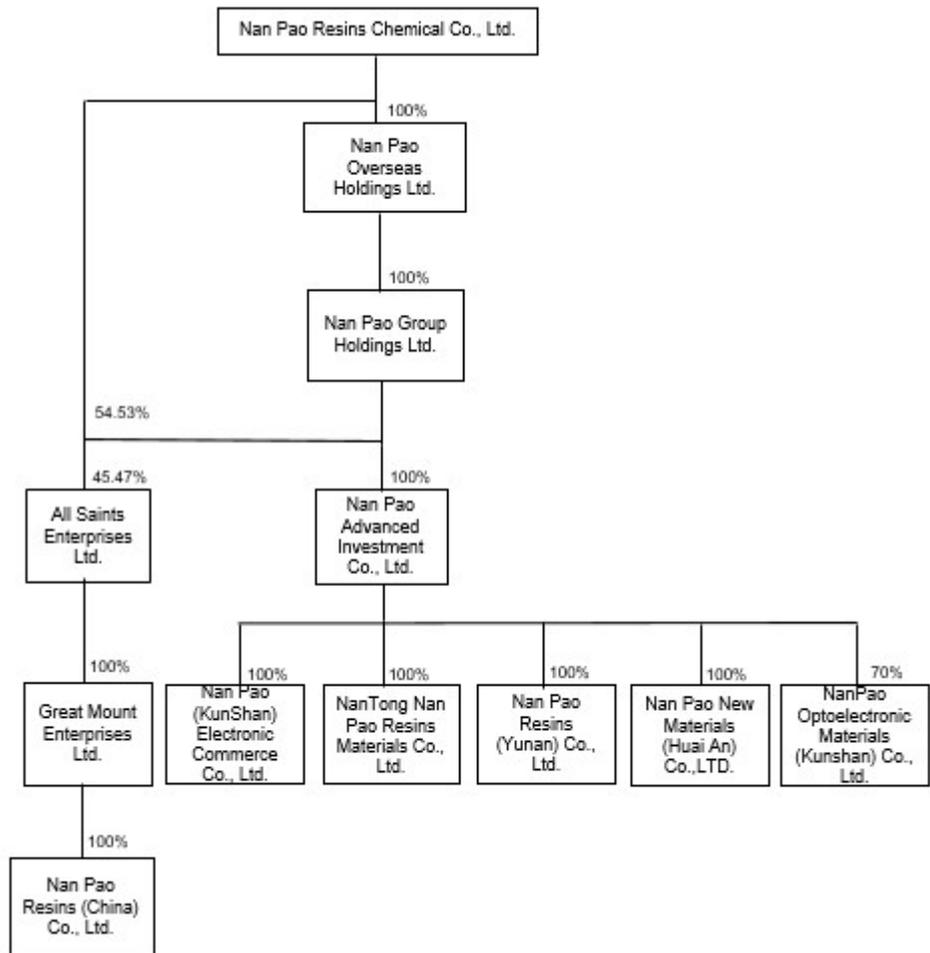
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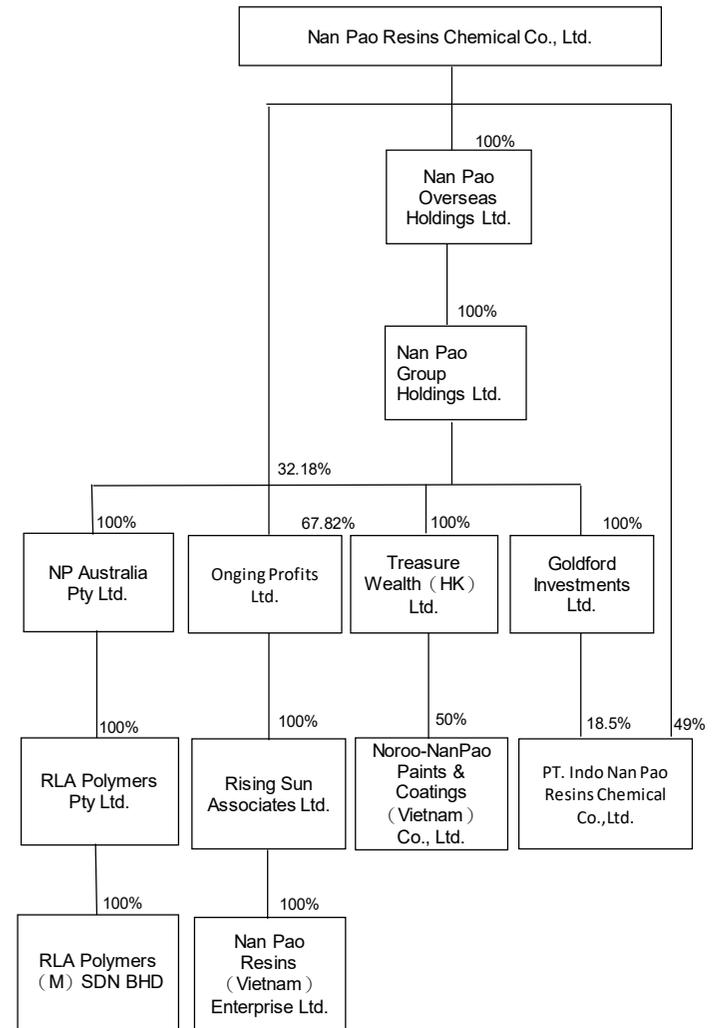
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D-3



D-4



## 2. Information Regarding Subsidiaries

Unit: dollar

Company	Date of Incorporation	Place of Registration	Capital Stock		Business Activities
Nan Pao Overseas Holdings Ltd.	20071214	Palm Grove House, P.O. Box No. 438, Road Town, Tortola, British Virgin Islands	USD	78,056,502	General investment
Nan Pao Group Holdings Ltd.	20040511	4th Floor, Willow House, Cricket Square, P.O. Box No. 2804, Grand Cayman KY1-1112, Cayman Islands	USD	78,056,502	General investment
Treasure Wealth (HK) Ltd.	20090728	Flat 13, 10F., Building B Tonic Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	USD	591	General investment
Noroo-NanPao Paints & Coatings (Vietnam) Co., Ltd.	20080505	Ken Nhon Trach II, Xa Hiep Phuoc, Huyen Nhon Trach, Tinh Dong Nai, Vietnam	VND	179,610,063,600	Production and trading of coatings
Greatwill Materials (HK) Ltd.	20091029	Flat 13, 10F., Building B Tonic Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	USD	1,359	General investment
Foshan Nan Pao Advanced Materials Co., Ltd.	20100316	No. 12, Kohler Boulevard, Leping Township, Sanshui Dist., Foshan City	CNY	11,515,847	Production and trading of adhesives
Ongoing Profits Ltd.	19990708	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands	USD	4,847,546	General investment
Rising Sun Associate Ltd.	19990708	P.O. Box No. 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD	3,000,000	General investment
Nan Pao Resins (Vietnam) Enterprise Ltd.	19990924	10 Thong Nhat Boulevard, Song Than 2 Industrial Park Di An Town, Binh Duong Province, S.R Vietnam	USD	6,408,217	Production and trading of adhesives
Progroups Technology Co. Ltd.	20100308	No. 12, Nanhaiipu, Nanhai Li, Xigang Dist., Tainan City	TWD	5,000,000	Trading of water-based polyurethane resin
Nan Pao Resins Chemical Philippines, Inc.	20110128	Road 22 Phase 11, Cogeo Village, Antipolo City, Philippines	PHP	9,000,000	Trading of adhesives

Company	Date of Incorporation	Place of Registration	Capital Stock		Business Activities
Goldford Investments Ltd.	19940106	Creque Building, P.O. Box No. 116, Road Town, Tortola, British Virgin Islands	USD	486,000	General investment
Nan Pao Resins (Holdings) Ltd.	19950926	P.O. Box No. 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	USD	100	General investment
Eastlion Enterprises Ltd.	19930906	P.O. Box No. 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	USD	20,240	General investment
Nan Pao Resins (Dongguan) Co., Ltd.	20110412	No. 2, Yue Yuen 2 Rd., Yue Yuen Industrial Estate, Huangjiang Town, Dongguan City	CNY	17,139,857	Processing of adhesives products
Nan Pao Resins Development Ltd.	20020212	P.O. Box No. 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	USD	3,000,000	General investment
Dongguan Jiaqin Electronic Ltd.	20070208	No. 2, Yue Yuen 2 Rd., Yue Yuen Industrial Estate, Huangjiang Town, Dongguan City	CNY	19,881,120	Production and trading of coatings and high-functionality adhesives
NP Australia Pty Ltd.	20130304	Collins Square Tower Five Level 22, 727 Collins Street, Docklands VIC 3008	AUD	30,214,354	General investment
RLA Polymers Pty Ltd.	19671016	Collins Square Tower Five Level 22, 727 Collins Street, Docklands VIC 3008	AUD	27,922,003	Production and trading of construction materials and chemicals
RLA Polymers (M) SDN. BHD.	19920423	No.2A & 2B, Jalan Canang Emas 7/KS10, Telok Gong, 42000 Pelabuhan Klang, Selangor D. E, Malaysia	MYR	18,415,500	Production and trading of construction materials and chemicals
Nan Pao Materials Vietnam Co., Ltd.	20141215	LotA4, A5, A10, A11 Daden Industrial Park, Thu Dau Mot City, Binh Duong Province, Vietnam	USD	23,000,000	Production and trading of adhesives and chemicals
Nan Pao Resins International Ltd.	19920714	Flat 13, 10F., Building B Tonic Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	HKD	10,000	Trading of chemical substances and related products
Nan Pao Advanced Investment Co., Ltd.	20170414	2F., No. 600-2, Kunjia Rd., Kunshan Economic Technical Development Zone, Jiangsu Province	CNY	198,815,350	General investment
NanTong Nan Pao Resins Materials Co., Ltd.	20151230	No. 1692-21, Xinghu Boulevard, Development Zone, Nantong City	CNY	35,853,078	Production and trading of adhesives

Company	Date of Incorporation	Place of Registration	Capital Stock		Business Activities
Nan Pao (KunShan) Electronic Commerce Co., Ltd.	20170809	2F., No. 600-2, Kunjia Rd., Kunshan Economic Technical Development Zone, Jiangsu Province	CNY	31,931,300	Online commerce agency and trading of common goods
Nan Pao Resins (Yunan) Co., Ltd.	20180724	Room 311, Da-Wan Industrial Area, Da-Wan Township, Yun-Nan Xien, Yuen-Fu City	CNY	54,735,300	Production and trading of adhesives
Nanpao Optoelectronic Materials (Kunshan) Co., Ltd.	20210531	No. 600, Kunjia Rd., Kunshan Economic Technical Development Zone, Jiangsu Province	CNY	5,175,280	Production and trading of adhesives and chemicals
Nan Pao Resins (HK) Limited	20190626	Flat 13, 10F., Building B Tonic Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	USD	17,400,000	Production and trading of adhesives
Profit Land Ltd.	20040917	Equity Trrust Chambers, P.O. Box No. 3269, Apia, Samoa	USD	1,333,333	General investment
Giant Profit Development Ltd.	20090313	Flat 13, 10F., Building B Tonic Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	USD	1,282	General investment
Nan Pao Resins (Foshan) Co., Ltd.	20040826	No. 12, Kohler Boulevard, Leping Township, Sanshui Dist., Foshan City	CNY	63,153,850	Production and trading of adhesives
Nanpao Chenghong New Material Technology Co., Ltd	20160525	Top Floor-103, No. 36-F2, Section A, Sanshui Center Technology Industrial Zone, Leping Township, Sanshui Dist., Foshan City	CNY	5,000,000	Trading of footwear materials
PT. Indo Nan Pao Resins Chemical Co., Ltd.	19940208	Jl. Pajajaran Raya No. 44, Kel. Gandasari, Kec. Jatiuwung, Tangerang-15137 Indonesia	IDR	5,625,000,000	Production and trading of adhesives
All Saints Enterprises Ltd.	19970813	Palm Grove House, P.O. Box No. 438, Road Town, Tortola, British Virgin Islands	USD	10,000,000	General investment
Great Mount Enterprises Ltd.	20090731	Unit 2102,21/F The Broadway, No. 54-62 Lockhart, Road, Wanchai, Hong Kong	USD	1,282	General investment

Company	Date of Incorporation	Place of Registration	Capital Stock		Business Activities
Nan Pao Resins (China) Co., Ltd.	19960328	No. 600, Kunjia Rd., Kunshan Economic Technological Development Zones, Jiangsu Province	CNY	82,209,938	Production and trading of adhesives and coatings
Fuqing Nan Pao Investment Ltd.	20040820	Palm Grove House, P.O. Box No. 438, Road Town, Tortola, British Virgin Islands	USD	4,990,000	General investment
Wealth Castle Development Ltd.	20090313	Flat 13, 10F., Building B Tonic Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	HKD	10,000	General investment
Fuqing Nan Pao Resins Co., Ltd.	19931227	Hongkuan Industrial Village, Yangxia Township, Fuqing City	CNY	33,779,302	Production and trading of adhesives
Thai Nan Pao Investments Ltd.	20040820	Palm Grove House, P.O. Box No. 438, Road Town, Tortola, British Virgin Islands	USD	5,282,000	General investment
Thai Nanpao Resins Chemical Co., Ltd.	19871225	412 Kor Soi, 1cBangpoo Industrial Tumbon Preaksa Ampur Muang Samutprakarn 10280, Thailand	THB	211,970,000	Production and trading of adhesives
Phymed Bio-Tec Co., Ltd.	20090630	No. 12, Nanhaiipu, Nanhai Li, Xigang Dist., Tainan City	TWD	24,000,000	R&D and trading of health food
ITLS International Development Co., Ltd.	20090122	3F., No. 356, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	TWD	305,000,000	Trading of construction materials and chemicals
ITLS Holding Pte. Ltd.	20090811	Blk 1049, Eunos Avenue 6, #01-132, Singapore 409628	SGD	24,064,549	General investment
PT. ITLS Indonesia	20090429	Jl. Pajajaran Raya No. 44, Kel. Gandasari, Kec. Jatiuwung, Tangerang-15137 Indonesia	IDR	27,510,865,920	Production and trading of construction materials

Company	Date of Incorporation	Place of Registration	Capital Stock		Business Activities
ITLS Vietnam Co., Ltd.	20100304	No. 16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	VND	95,047,269,805	Production and trading of construction materials
Aftek Materials Vietnam Co., Ltd.	20180202	No. 16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	VND	54,480,000,000	Production and trading of constructional materials
Nan Pao Electronic Material Co., Ltd.	20060621	No. 510, Zhongshan Rd., Xigang Li, Xigang Dist., Tainan City	TWD	40,000,000	Production and trading of electronic materials
Nan Pao Chemical Co., Ltd.	20070514	No. 12, Nanhaipu, Nanhai Li, Xigang Dist., Tainan City	TWD	150,000,000	Trading of chemicals
Biorich Biotechnology Co., Ltd.	20011204	3F., No. 356, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	TWD	6,855,370	R&D, production, and trading of advanced high-protein business and health food
Nan Pao Application Material Co., Ltd.	20091225	No. 12, Nanhaipu, Nanhai Li, Xigang Dist., Tainan City	TWD	2,000,000	Trading of chemicals
Nan Pao Resins India Pvt. Ltd.	20120904	204-Abhishek , Near Monginis Factory , Off new Link Road , Andheri west , Mumbai 400053 , India	INR	30,000,000	Trading of adhesives
Prince Pharmaceutical Co., Ltd.	19620731	9F., No. 107, Sec. 3, Chungxin Rd., Sanchung Dist., New Taipei City	TWD	331,930,000	Production, packaging, and processing of raw materials for various pharmaceutical and health food
Nan Pao Advanced Materials Co., Ltd.	20150810	No. 521, Zhongshan Rd., Xigang Dist., Tainan City	TWD	5,000,000	Trading of adhesives and chemicals
Nan Pao Advanced Materials Vietnam Co., Ltd.	20160422	Phuc Son Industrial Area, Ninh Phuc Commune, Ninh Binh City, Ninh Binh Province	VND	338,979,500,000	Production and trading of adhesives and chemicals

Company	Date of Incorporation	Place of Registration	Capital Stock		Business Activities
Nan Pao Philippines Export Inc.	20190925	Lot IL-2 Subic Bay Gateway Park Phase II, Subic Bay Freeport Zone	PHP	25,750,000	Trading of adhesives
NanPao Fine Materials Co., Ltd.	20201015	No. 217, Xinxing Street, Qing'an Lane, Xigang District, Tainan City	CNY	25,000,000	Production and trading of adhesives and chemicals
Nanpao New Materials (Huaian) Co., Ltd.	20200309	No.79, Shanyang Avenue, Huaian District, Huai'an City	CNY	70,200,500	Production and trading of carbon fiber
Nan Pao Resins Chemical (Bangladesh) Co., Ltd.	20210630	House No,42 5th floors,Lake drive Road, Sector 7,Uttara, Dhaka	BDT	12,592,500	Trading of adhesives
FlexUP Technologies Corp.	20140826	5F., No. 5, Ln. 569, Bo'ai St., Zhubei City, Hsinchu County	TWD	168,800,000	Production and trading of polyimide materials
Earnest Wealth Co., Ltd.	20170418	Level 2, Lotemau Centre Building, Vaea Street, Apia, Samoa	USD	1,800,000	General investment
Apex Polytech Company Limited	20180529	Lot T29-15A Street 7,Protrade International Industrial Park, An Tay Commune, Ben Cat Town, Binh Duong, Vietnam.	VND	48,925,000,000	Production and trading of adhesives

3. Information on the same shareholders of those who are presumed to have a relationship of control and subordination: None.

4. Overall business scope of all affiliated businesses

For the main business and products of each affiliated companies, please refer to “2. Basic Information on Affiliated Companies”.

Primary contents:

(1)Core business: production and trading of various adhesives and coating products.

(2)General investment.

(3)Biotechnology industry: R&D, production, and trading of health food and advanced high-protein business, and production, packaging, and processing of pharmaceutical and raw materials.

(4)Others: production and trading of construction materials and chemicals, electronic materials industry, and e-commerce industry.

5. Rosters of Directors, Supervisors, and Presidents of Subsidiaries

April 30, 2022

Company	Title	Name	Shares held	Shareholding
Nan Pao Overseas Holdings Ltd.	Director	Cheng-Hsien, Wu	-	0.00%
Nan Pao Group Holdings Ltd.	Director	Cheng-Hsien, Wu	-	0.00%
Treasure Wealth (HK) Ltd.	Director	Cheng-Hsien, Wu	-	0.00%
Norro-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Director	Hsiang-Hsien, Lee	-	0.00%
	Director	Sung-wook, Kim	-	0.00%
	Director	Hsi-Tien, Cheng	-	0.00%
	Director	Yi-Fa, Tsai	-	0.00%
	Director	Chien-Ping, Chen	-	0.00%
	Director and General Manager	Chih-Hao, Fan	-	0.00%
	Supervisor	He-Feng, Chung	-	0.00%
Norro-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Supervisor	Taeh-young, Kim	-	0.00%
Greatwill Materials (HK) Ltd.	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Chuan, Li	-	0.00%
	Director	Ying-Lin, Huang	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
Foshan Nan Pao Advanced Materials Co., Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director	Chuan, Li	-	0.00%
	Director and General Manager	Hsiang-Tsai, Chen	-	0.00%
	Supervisor	Ming-Hsien, Hsu	-	0.00%

Company	Title	Name	Shares held	Shareholding
Ongoing Profits Ltd.	Director	Ying-Lin, Huang	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Chien-Ping, Chen	-	0.00%
Rising Sun Associate Ltd.	Director	Ying-Lin, Huang	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Chien-Ping, Chen	-	0.00%
Nan Pao Resins (Vietnam) Enterprise Ltd.	Director	Ying-Lin, Huang	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Director and General Manager	Chien-Ping, Chen	-	0.00%
Progroups Technology Co. Ltd.	Director	Yi-Fa, Tsai	-	0.00%
	Director	Yong-Ching, Shen	-	0.00%
	Director	Yu-Chang, Li	-	0.00%
	Supervisor	Hui-Fen, Li	-	0.00%
Nan Pao Resins Chemical Philippines, Inc.	Director	Sen-Mao, Kuo	10	0.11%
	Director	Ming-Hsien, Hsu	10	0.11%
	Director and General Manager	Reginald V. Mungcal	10	0.11%
	Director	Nan Pao Group Holdings Ltd.	8,970	99.67%
	Director	Cheng-Hsien, Wu	-	0.00%
Goldford Investments Ltd.	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Ying-Lin, Huang	-	0.00%
Nan Pao Resins (Holdings) Ltd.	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%

Company	Title	Name	Shares held	Shareholding
Nan Pao Resins (Holdings) Ltd.	Director	Ying-Lin, Huang	-	0.00%
Eastlion Enterprises Ltd.	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ying-Lin, Huang	-	0.00%
Nan Pao Resins (Dongguan) Co., Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Supervisor	Pui-Chun, Yau	-	0.00%
	General Manager	Jung-Wen, Kuo	-	0.00%
Nan Pao Resins Development Ltd.	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ying-Lin, Huang	-	0.00%
Dongguan Jiaqin Electronics Co., Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Bi-Hsiang, Chen	-	0.00%
	Supervisor	Ming-Hsien, Hsu	-	0.00%
	General Manager	Jung-Wen, Kuo	-	0.00%
NP Australia Pty. Ltd.	Director	Lord, Franklin Sidney	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Sen-Mao, Kuo	-	0.00%

Company	Title	Name	Shares held	Shareholding
RLA Polymers Pty. Ltd.	Director and General Manager	Hogan, Troy	-	0.00%
	Director	Tong, Swee Seot	-	0.00%
	Director	Lord, Franklin Sidney	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Sen-Mao, Kuo	-	0.00%
RLA Polymers (M) SDN. BHD.	Director and General Manager	Lee See Yoong	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Lord, Franklin Sidney	-	0.00%
	Director	Sen-Mao, Kuo	-	0.00%
	Director	Tan Kay Inn	-	0.00%
Nan Pao Materials Vietnam Co.,Ltd.	Director and General Manager	Chien-Ping, Chen	-	0.00%
	Director	Ying-Lin, Huang	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
Nan Pao Resins International Ltd.	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Pui-Chun, Yau	-	0.00%
	Director	Ying-Lin, Huang	-	0.00%
Nan Pao Advanced Investment Co., Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%

Company	Title	Name	Shares held	Shareholding
Nan Pao Advanced Investment Co., Ltd.	Supervisor	Yi-Fa, Tsai	-	0.00%
	General Manager	Yong-Cheng, Lin	-	0.00%
NanTong Nan Pao Resins Materials Co., Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Supervisor	Yi-Fa, Tsai	-	0.00%
Nan Pao (KunShan) Electronic Commerce Co., Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Supervisor	Yi-Fa, Tsai	-	0.00%
	General Manager	Yong-Cheng, Lin	-	0.00%
Nan Pao Resins (Yunan) Co., Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director and General Manager	Hsiang-Tsai, Chen	-	0.00%
	Supervisor	Ming-Hsien, Hsu	-	0.00%
Nanpao Optoelectronic Materials (Kunshan) Co., Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director	Yung-He, Lin	-	0.00%
	Director and General Manager	Li-Hang, Hsieh	-	0.00%
	Supervisor	Yong-Cheng, Lin	-	0.00%
Nan Pao Resins (HK) Limited	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Pui-Chun, Yau	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%

Company	Title	Name	Shares held	Shareholding
Profit Land Ltd.	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ying-Lin, Huang	-	0.00%
	Director	Yong-Ching, Shen	-	0.00%
Giant Profit Development Ltd.	Director	Ying-Lin, Huang	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
Nan Pao Resins (Foshan) Co., Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director and General Manager	Hsiang-Tsai, Chen	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Supervisor	Ming-Hsien, Hsu	-	0.00%
Nanpao Chenghong New Material Technology Co., Ltd	Director	Hsiang-Tsai, Chen	-	0.00%
	Supervisor	Kuan-Ming, Chen	-	0.00%
	Supervisor	Chun-Hui, Lin	-	0.00%
	General Manager	Yu-Chuan, Liu	-	0.00%
PT. Indo Nan Pao Resins Chemical Co., Ltd.	Director	GOI GUNAWAN SUTRISNO	-	0.00%
	Director and General Manager	Wen-Chen, Liu	-	0.00%
	Director and Supervisor	Cheng-Hsien, Wu	-	0.00%
	Supervisor	HENDRIK SASMITO	-	0.00%
	Supervisor	Chao-Chian, Tsai	-	0.00%
All Saints Enterprises Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
Great Mount Enterprises Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director	Ying-Lin, Huang	-	0.00%

Company	Title	Name	Shares held	Shareholding
Nan Pao Resins (China) Co., Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Supervisor	Yi-Fa, Tsai	-	0.00%
	General Manager	Yong-Cheng, Lin	-	0.00%
Fuqing Nan Pao Investment Ltd.	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ying-Lin, Huang	-	0.00%
Wealth Castle Development Ltd.	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Ying-Lin, Huang	-	0.00%
Fuqing Nan Pao Resins Co., Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Supervisor	Yi-Fa, Tsai	-	0.00%
	General Manager	Yung-Yi, Jiang	-	0.00%
Thai Nan Pao Investments Ltd.	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Chao-Chian, Tsai	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
Thai Nanpao Resins Chemical Co., Ltd.	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Supervisor and General Manager	Chien-Ting, Huang	-	0.00%

Company	Title	Name	Shares held	Shareholding
Phymed Bio-Tec Co., Ltd.	Director	Yong-Ching, Shen (NAN PAO RESINS)	2,400,000	100.00%
	Director	Kun-Chin, Lin (NAN PAO RESINS)	2,400,000	100.00%
ITLS International Development Co., Ltd.	Director	Cheng-Hsien, Wu (NAN PAO RESINS)	30,500,000	100.00%
	Director	Sen-Mao, Kuo (NAN PAO RESINS)	30,500,000	100.00%
ITLS Holding Pte. Ltd.	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ying-Lin, Huang	-	0.00%
	Director	Noraishah Binte Mohamed Sulaimi	-	0.00%
PT. ITLS Indonesia	Director and General Manager	Wen-Chen, Liu	-	0.00%
	Supervisor	Cheng-Hsien, Wu	-	0.00%
ITLS Vietnam Co., Ltd.	Director and General Manager	Shun-Hsing, Wu	-	0.00%
	Director	Chun-Min, Hsu	-	0.00%
Afttek Materials Vietnam Co., Ltd.	Director and General Manager	He-Feng, Chung	-	0.00%
	Director	Pi-Chuan, Ou	-	0.00%
	Director	Bo-Hung, Huang	-	0.00%
	Supervisor	Chiao-Lan, Yang	-	0.00%
	General Manager	Chien-Ping, Chen	-	0.00%

Company	Title	Name	Shares held	Shareholding
Nan Pao Electronic Material Co., Ltd.	Director	Ying-Lin, Huang (NAN PAO RESINS)	4,000,000	100.00%
	Director	Bi-Hsiang, Chen (NAN PAO RESINS)	4,000,000	100.00%
	Director	Wen-Zheng, Deng (NAN PAO RESINS)	4,000,000	100.00%
	Supervisor	Kun-Chin, Lin (NAN PAO RESINS)	4,000,000	100.00%
Nan Pao Chemical Co., Ltd.	Director	Chao-Chian, Tsai (NAN PAO RESINS)	15,000,000	100.00%
	Director	Hui-Fen, Lee (NAN PAO RESINS)	15,000,000	100.00%
Biorich Biotechnology Co., Ltd.	Director	Shun-Hsing, Wu (NAN PAO RESINS)	391,462	57.10%
	Director	Ying-Lin, Huang (NAN PAO RESINS)	391,462	57.10%
	Director	Ching-Ming, Lin (SAN FU GLOBAL)	41,175	6.01%
	Supervisor	Shu-Wen, Han	2,470	0.36%
Nan Pao Application Material Co., Ltd.	Director	Cheng-Hsien, Wu (NAN PAO RESINS)	200,000	100.00%
	Supervisor	Yi-Fa, Tsai (NAN PAO RESINS)	200,000	100.00%
Nan Pao Resins India Pvt Ltd.	Director	Sen-Mao, Kuo	-	0.00%
	Director	Narayan Jalan	-	0.00%
	Director	Chin-Fu, Hsu	-	0.00%
	Director	Yi-Han, Xie	-	0.00%

Company	Title	Name	Shares held	Shareholding
Prince Pharmaceutical Co., Ltd.	Director and General Manager	Chi-Ta, Lee	1,050,000	3.16%
	Director	Kuo-Hua, Wang (NAN PAO RESINS)	16,767,305	50.51%
	Director	Yi-Chang, Lin (NAN PAO RESINS)	16,767,305	50.51%
	Director	Zhen-Bang, Tong (NAN PAO RESINS)	16,767,305	50.51%
	Director	Cheng-Hao, Guo (NAN PAO RESINS)	16,767,305	50.51%
	Supervisor	Kun-Chin, Lin	-	0.00%
	Supervisor	Li-Rong, Huang	-	0.00%
Nan Pao Advanced Materials Co., Ltd.	Director	Chao-Chian, Tsai (NAN PAO RESINS)	350,000	70.00%
	Director	Yong-Ching, Shen (NAN PAO RESINS)	350,000	70.00%
	Director	Yi-Chang, Lin	100,000	20.00%
	Supervisor	Yao-Cheng, Tsai	-	0.00%
Nan Pao Advanced Materials Vietnam Co., Ltd	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Hsin-Ho, Li	-	0.00%
	General Manager	Chien-Ping, Chen	-	0.00%

Company	Title	Name	Shares held	Shareholding
Nan Pao Philippines Export Inc.	Director	Chao-Chian, Tsai	100	0.00%
	Director	Sen-Mao, Kuo	100	0.00%
	Director	Shun-Hsing, Wu	100	0.00%
	Director	Reginald V. Mungcal	100	0.00%
	Director	Cheng-Hsien, Wu (NAN PAO RESINS)	25,749,600	100.00%
Nanpao Fine Materials Co., Ltd.	Director	Chao-Chian, Tsai (NAN PAO RESINS)	1,375,000	55.00%
	Director	Kun-Chin, Lin (NAN PAO RESINS)	1,375,000	55.00%
	Director	Ke-Cheng, Chen	1,000,000	40.00%
	Supervisor	Shu-Fen, Wu	-	0.00%
Nanpao New Materials (Huaian) Co., Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director and General Manager	Chang-Huang, Huang	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Supervisor	Kun-Chin, Lin	-	0.00%
Nan Pao Resins Chemical (Bangladesh) Co., Ltd.	Director	Kun-Chin, Lin (NAN PAO RESINS)	123,750	99.00%
	Director	Tseng-Hung, Ku (NAN PAO RESINS)	123,750	99.00%
	General Manager	Chin-Fu, Hsu	1,250	1.00%
FlexUP Technologies Corp.	Director	Yong-Ching, Shen (NAN PAO RESINS)	16,352,173	96.87%

Company	Title	Name	Shares held	Shareholding
FlexUP Technologies Corp.	Director	Ying-Lin, Huang (NAN PAO RESINS)	16,352,173	96.87%
	Director	Yi-Chang, Lin (NAN PAO RESINS)	16,352,173	96.87%
	Supervisor	Kun-Chin, Lin	-	0.00%
Earnest Wealth Co., Ltd.	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Chien-Ping, Chen	-	0.00%
	Director	Chih-Shu, Lee	-	0.00%
Apex Polytech Company Limited	Director	Kuo-Chin, Liu	-	0.00%
	Director	Chien-Ping, Chen	-	0.00%
	General Manager	Hsien-Hao, Hsieh	-	0.00%

#### 6. Operational Highlights of Subsidiaries

Unit: NT\$1,000 (EPS lists in dollars)

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenue	Income (Loss) from Operation	Net Income (Loss)	Basic Earning (Loss) Per Share
Nan Pao Overseas Holdings Ltd.	2,160,604	3,593,596	-	3,593,596	-	(101)	182,528	2.34
Nan Pao Group Holdings Ltd.	2,160,604	4,017,444	69,001	3,948,443	-	(26,333)	182,628	2.34
Treasure Wealth (HK) Ltd.	16	167,330	177	167,152	-	(183)	4,351	943.72
Noroo-Nanpao Paints & Coatings (Vietnam) Co., Ltd.	218,149	494,393	186,081	308,312	438,192	7,430	9,068	Not Applicable
Greatwill Materials (HK) Ltd.	38	660,105	25,276	634,829	90,009	564	50,604	4,775.29
Foshan Nan Pao Advanced Materials Co., Ltd.	50,025	1,087,579	372,452	715,127	2,014,053	62,133	56,844	Not Applicable

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenue	Income (Loss) from Operation	Net Income (Loss)	Basic Earning (Loss) Per Share
Ongoing Profits Ltd.	134,180	638,142	7	638,135	-	(96)	117,665	24.27
Rising Sun Associates Ltd.	83,040	636,701	7	636,694	-	(96)	117,760	39.25
Nan Pao Resins (Vietnam) Enterprise Ltd.	177,379	1,551,518	917,383	634,135	2,472,371	117,310	117,844	Not Applicable
Progroups Technology Co. Ltd.	5,000	103,907	28,216	75,691	47,534	(4,827)	(2,964)	(5.9)
Nan Pao Resins Chemical Philippines, Inc.	4,818	98,631	28,314	70,317	152,192	10,936	11,465	1,274
Goldford Investments Ltd.	13,452	910,452	-	910,452	-	(50)	13,658	28.10
Nan Pao Resins (Holdings) Ltd.	3	326,732	-	326,732	-	(1)	1,643	164.26
Eastlion Enterprises Ltd.	560	184,374	-	184,374	-	(3,278)	(11,487)	(567.55)
Nan Pao Resins (Dongguan) Co., Ltd.	74,456	171,203	34,816	136,387	341,514	6,919	(8,208)	Not Applicable
Nan Pao Resins Development Ltd.	83,040	135,759	-	135,759	-	-	13,139	4,379.70
Dongguan Jiaqin Electronic Ltd.	86,364	188,042	52,298	135,744	202,469	9,567	13,139	Not Applicable
NP Australia Pty. Ltd.	606,704	765,082	(32,470)	797,552	-	(5,464)	58,333	1.93
RLA Polymers Pty. Ltd.	560,674	1,810,291	1,132,295	677,996	2,326,911	105,878	62,158	3.76
RLA Polymers (M) SDN. BHD.	122,227	289,492	117,722	171,770	242,331	5,281	2,872	0.15
Nan Pao Materials Vietnam Co. ,Ltd.	636,640	1,327,790	389,081	938,709	1,265,761	91,054	90,430	Not Applicable
Nan Pao Resins International Ltd.	35	128,991	108,902	20,090	282,828	(14,445)	10,988	10,987.77
Nan Pao Advanced Investment Co., Ltd.	863,654	795,640	842	794,798	-	(6,621)	(28,691)	Not Applicable
NanTong Nan Pao Resins Materials Co., Ltd.	155,746	157,390	188	157,202	-	(2,550)	14,806	Not Applicable

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenue	Income (Loss) from Operation	Net Income (Loss)	Basic Earning (Loss) Per Share
Nan Pao (KunShan) Electronic Commerce Co., Ltd.	138,710	102,492	1,055	101,437	243	(462)	2,496	Not Applicable
Nan Pao Resins (Yunan) Co., Ltd.	237,770	237,189	348	236,841	-	(2,184)	(6)	Not Applicable
Nanpao Optoelectronic Materials (Kunshan) Co., Ltd.	22,481	22,451	1,488	20,963	-	(1,183)	(1,533)	Not Applicable
Nan Pao Resins (HK) Limited	481,632	665,066	229,299	435,767	938,053	(24,122)	(26,313)	(1.71)
Profit Land Ltd.	36,907	1,097,517	-	1,097,517	-	(30)	163,489	122.62
Giant Profit Development Ltd.	35	1,088,963	-	1,088,963	-	(8)	163,516	16,351.59
Nan Pao Resins (Foshan) Co., Ltd.	274,340	1,424,564	336,518	1,088,046	2,132,949	160,965	163,552	Not Applicable
Nanpao Chenghong New Material Technology Co., Ltd	21,720	33,587	2,621	30,966	16,395	5	167	Not Applicable
PT. Indo Nan Pao Resins Chemical Co., Ltd.	11,138	795,186	305,819	489,367	1,142,946	103,452	86,147	15.32
All Saints Enterprises Ltd.	276,800	402,693	-	402,693	-	(85)	5,883	0.59
Great Mount Enterprises Ltd.	35	398,883	5	398,878	-	(7)	5,968	596.77
Nan Pao Resins (China) Co., Ltd.	357,120	619,209	220,453	398,756	945,568	6,667	5,975	Not Applicable
Fuqing Nan Pao Investment Ltd.	138,123	216,562	-	216,562	-	-	26,099	5.23
Wealth Castle Development Ltd.	35	216,709	306	216,403	-	-	26,184	2.62
Fuqing Nan Pao Resins Co., Ltd.	146,737	306,177	90,457	215,720	495,519	31,935	26,322	Not Applicable
Thai Nan Pao Investments Ltd.	146,206	166,751	-	166,751	-	-	6,363	1.20
Thai Nanpao Resins Chemical Co., Ltd.	176,931	145,667	22,599	123,068	104,224	7,168	6,432	0.30
Phymed Bio-Tec Co., Ltd.	24,000	23,402	2,599	20,803	1,575	103	91	0.04

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenue	Income (Loss) from Operation	Net Income (Loss)	Basic Earning (Loss) Per Share
ITLS International Development Co., Ltd.	305,000	380,765	90,687	290,078	284,309	23,157	15,055	0.49
ITLS Holding Pte. Ltd.	492,361	132,069	150	131,919	-	(251)	(1,705)	(0.07)
PT. ITLS Indonesia Co., Ltd.	54,472	17,661	501	17,160	18,621	(1,631)	(1,181)	(0.48)
ITLS Vietnam Co., Ltd.	115,442	71,079	560	70,519	1,409	(3,233)	(296)	Not Applicable
Aftek Materials Vietnam Co., Ltd.	66,170	38,895	80	38,815	1,310	(5,567)	(5,775)	Not Applicable
Nan Pao Electronic Material Co., Ltd.	40,000	55,553	7,427	48,126	41,197	5,486	4,482	1.12
Nan Pao Chemical Co., Ltd.	150,000	221,246	42,931	178,316	25,816	(3,287)	(2,151)	(1.43)
Biorich Biotechnology Co., Ltd.	6,855	22,796	7,627	15,168	28,188	1,049	1,270	1.85
Nan Pao Application Material Co., Ltd.	2,000	8,735	100	8,635	-	(108)	(608)	(3.04)
Nan Pao Resins India Pvt. Ltd.	11,124	31,613	4,668	26,945	33,481	1,892	1,552	0.52
Prince Pharmaceutical Co., Ltd.	331,930	1,286,961	684,095	602,866	441,076	(1,019)	(8,301)	(0.25)
Nan Pao Advanced Materials Co., Ltd.	5,000	29,005	18,444	10,561	62,858	5,119	4,200	8.40
Nan Pao Advanced Materials Vietnam Co., Ltd.	411,715	615,585	204,921	410,664	385,429	18,052	22,362	Not Applicable
Nan Pao Philippines Export Inc.	13,784	35,301	22,722	12,579	20,074	(249)	(247)	(0.01)
NANPAO FINE MATERIALS CO., LTD.	25,000	68,778	37,867	30,911	57,893	7,746	6,034	2.41
Nanpao New Materials (Huaian) Co., Ltd.	304,951	294,170	39,473	254,697	1,801	(44,384)	(40,222)	Not Applicable
Nan Pao Resins Chemical (Bangladesh) Co. Ltd.	4,062	-	-	-	-	-	-	-
FlexUP Technologies Corp.	168,800	7,774	159	7,615	-	(926)	(926)	(0.06)

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenue	Income (Loss) from Operation	Net Income (Loss)	Basic Earning (Loss) Per Share
Earnest Wealth Co., Ltd	49,824	60,726	-	60,726	-	-	(217)	(0.12)
Apex polytech company Limited	59,423	67,480	7,998	59,482	3,907	(92)	(217)	Not Applicable

(II) For Consolidated Financial Statement of Affiliated Companies: Please see Appendix 1.

(III) Affiliated Report: None

**II. Private Placement Securities in 2021 and as of the Date of this Annual Report:** None.

**III. Status of the Company's Common Shares Acquired, Disposed of, and Held by Subsidiaries in 2021 and as of the Date of this Annual Report:** None.

**IV. Other items that must be included:** None.

**IX. Any Events in 2021 and as of the Date of this Annual Report that Had Material Impacts on Shareholders' Interests or Securities Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Act of Taiwan:** None.

## Appendix 1: Consolidated Financial Statements

### **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Nan Pao Resins Chemical Co., Ltd.

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CHENG- HSIEN WU  
Chairman  
March 24, 2022

## **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, 2021 and 2020, 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, 2021 and 2020, 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 audits 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. 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, 2021. 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, 2021 is detailed as follows:

### Authenticity of Revenue Recognition

As stated in Notes 4 (o) and 27 the Group's main source of revenue is revenue from the sale of adhesives, coatings, and construction material. Revenue from sale of goods of adhesives department represented approximately 70% of the total operating revenue. We 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 customers of adhesives department 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, bill of lading and collections of this customers 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\$3,748,491 thousand and NT\$2,942,030 thousand as of December 31, 2021 and 2020, respectively, accounting for 14% and 15% of total consolidated assets, respectively. Net sales revenue was NT\$3,425,709 thousand and NT\$2,285,742 thousand, respectively, accounting for 19% and 15% of the consolidated net sales revenue, 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, 2021 and 2020 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, 2021 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 24, 2022

#### 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, 2021 AND 2020**  
(In Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,231,306	13	\$ 3,321,237	17
Financial assets at amortized cost - current (Notes 4, 9, 10, and 36)	1,064,825	4	1,293,135	7
Notes receivable (Notes 4 and 11)	308,657	1	291,955	2
Accounts receivable (Notes 4, 11 and 27)	3,746,166	15	3,334,765	17
Accounts receivable - related parties (Notes 4, 11, 27 and 35)	322,182	1	288,565	1
Other receivables (Notes 4 and 11)	108,967	-	150,688	1
Current tax assets (Note 29)	1,910	-	2,016	-
Inventories (Notes 4 and 12)	2,949,236	11	2,177,074	11
Non-current assets held for sale (Note 4 and 13)	378,477	2	-	-
Other current assets (Note 21)	539,602	2	385,718	2
Total current assets	<u>12,651,328</u>	<u>49</u>	<u>11,245,153</u>	<u>58</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Note 4 and 7)	36,135	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	6,284,859	24	1,109,267	6
Financial assets at amortized cost - non-current (Notes 4, 9, 10 and 36)	127,243	1	125,173	1
Investments accounted for using the equity method (Notes 4 and 15)	-	-	367,753	2
Property, plant and equipment (Notes 4, 16 and 36)	4,931,769	19	4,515,380	23
Right-of-use assets (Notes 4, 17 and 36)	1,040,157	4	1,141,517	6
Investment properties (Notes 4 and 18)	17,760	-	17,760	-
Goodwill (Notes 4, 19 and 31)	238,377	1	117,930	1
Other intangible assets (Notes 4 and 20)	138,482	1	73,379	-
Deferred tax assets (Notes 4 and 29)	346,509	1	328,662	2
Other non-current assets (Note 21)	115,016	-	304,468	1
Total non-current assets	<u>13,276,307</u>	<u>51</u>	<u>8,101,289</u>	<u>42</u>
<b>TOTAL</b>	<u>\$ 25,927,635</u>	<u>100</u>	<u>\$ 19,346,442</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 22 and 36)	\$ 2,157,674	8	\$ 1,346,630	7
Contract liabilities - current (Notes 4 and 27)	44,959	-	30,581	-
Notes payable (Note 23)	1,036	-	14,330	-
Accounts payable (Notes 23 and 35)	2,590,168	10	2,287,370	12
Lease liabilities - current (Notes 4 and 17)	78,256	-	79,930	1
Other payables (Note 35)	912,530	3	809,180	4
Current tax liabilities (Note 29)	178,428	1	251,408	1
Current portion of long-term borrowings (Notes 22 and 36)	193,146	1	55,974	-
Other current liabilities (Notes 24 and 35)	205,724	1	206,627	1
Total current liabilities	<u>6,361,921</u>	<u>24</u>	<u>5,082,030</u>	<u>26</u>
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities - non-current (Notes 4 and 17)	471,967	2	476,953	2
Long - term borrowings (Notes 22 and 36)	1,935,075	8	1,669,191	9
Deferred tax liabilities (Notes 4 and 29)	786,425	3	773,682	4
Net defined benefit liabilities - non-current (Notes 4 and 25)	51,816	-	95,701	1
Other non-current liabilities (Note 24)	50,392	-	52,601	-
Total non-current liabilities	<u>3,295,675</u>	<u>13</u>	<u>3,068,128</u>	<u>16</u>
Total liabilities	<u>9,657,596</u>	<u>37</u>	<u>8,150,158</u>	<u>42</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 26)</b>				
Share capital - ordinary shares	<u>1,205,707</u>	<u>5</u>	<u>1,205,707</u>	<u>6</u>
Capital surplus	<u>2,101,673</u>	<u>8</u>	<u>2,101,673</u>	<u>11</u>
Retained earnings				
Legal reserve	1,300,961	5	1,178,822	6
Special reserve	313,321	1	313,321	2
Unappropriated earnings	<u>5,021,383</u>	<u>20</u>	<u>5,115,900</u>	<u>26</u>
Total retained earnings	<u>6,635,665</u>	<u>26</u>	<u>6,608,043</u>	<u>34</u>
Other equity	<u>5,334,802</u>	<u>20</u>	<u>351,178</u>	<u>2</u>
Total equity attributable to owners of the Company	<u>15,277,847</u>	<u>59</u>	<u>10,266,601</u>	<u>53</u>
<b>NON-CONTROLLING INTERESTS</b>	<u>992,192</u>	<u>4</u>	<u>929,683</u>	<u>5</u>
Total equity	<u>16,270,039</u>	<u>63</u>	<u>11,196,284</u>	<u>58</u>
<b>TOTAL</b>	<u>\$ 25,927,635</u>	<u>100</u>	<u>\$ 19,346,442</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 24, 2022)

## NAN PAO RESINS CHEMICAL CO., LTD. and Subsidiaries

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 27 and 35)	\$ 17,980,007	100	\$ 15,551,344	100
OPERATING COSTS (Notes 12, 25, 28 and 35)	<u>13,877,962</u>	<u>77</u>	<u>11,181,051</u>	<u>72</u>
GROSS PROFIT	<u>4,102,045</u>	<u>23</u>	<u>4,370,293</u>	<u>28</u>
OPERATING EXPENSES (Notes 11, 25 and 28)				
Selling and marketing expenses	1,728,521	9	1,533,729	10
General and administrative expenses	832,346	5	826,113	6
Research and development expenses	485,459	3	500,030	3
Estimated credit loss	<u>3,525</u>	<u>-</u>	<u>8,721</u>	<u>-</u>
Total operating expenses	<u>3,049,851</u>	<u>17</u>	<u>2,868,593</u>	<u>19</u>
PROFIT FROM OPERATIONS	<u>1,052,194</u>	<u>6</u>	<u>1,501,700</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES (Notes 15 and 28)				
Interest income	41,617	-	48,683	-
Other income	137,748	1	157,392	1
Other gains and losses	(7,445)	-	(90,898)	-
Finance costs	(54,797)	-	(58,881)	-
Share of profit of associates	<u>33,224</u>	<u>-</u>	<u>48,096</u>	<u>-</u>
Total non-operating income and expenses	<u>150,347</u>	<u>1</u>	<u>104,392</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	1,202,541	7	1,606,092	10
INCOME TAX EXPENSE (Notes 4 and 29)	<u>273,188</u>	<u>2</u>	<u>338,970</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>929,353</u>	<u>5</u>	<u>1,267,122</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 25, 26 and 29)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	14,207	-	1,669	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	5,125,642	29	127,882	1
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(2,892)</u>	<u>-</u>	<u>(333)</u>	<u>-</u>

(Continued)

## NAN PAO RESINS CHEMICAL CO., LTD. and Subsidiaries

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
	<u>\$ 5,136,957</u>	<u>29</u>	<u>\$ 129,218</u>	<u>1</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(203,396)	(1)	(129,736)	(1)
Income tax relating to items may be reclassified subsequently to profit or loss	<u>39,164</u>	<u>-</u>	<u>24,452</u>	<u>-</u>
	<u>(164,232)</u>	<u>(1)</u>	<u>(105,284)</u>	<u>(1)</u>
Other comprehensive income for the year, net of income tax	<u>4,972,725</u>	<u>28</u>	<u>23,934</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,902,078</u>	<u>33</u>	<u>\$ 1,291,056</u>	<u>8</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 875,780	5	\$ 1,219,753	8
Non-controlling interests	<u>53,573</u>	<u>-</u>	<u>47,369</u>	<u>-</u>
	<u>\$ 929,353</u>	<u>5</u>	<u>\$ 1,267,122</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 5,855,241	33	\$ 1,251,461	8
Non-controlling interests	<u>46,837</u>	<u>-</u>	<u>39,595</u>	<u>-</u>
	<u>\$ 5,902,078</u>	<u>33</u>	<u>\$ 1,291,056</u>	<u>8</u>
EARNINGS PER SHARE (Note 30)				
Basic	<u>\$ 7.26</u>		<u>\$ 10.12</u>	
Diluted	<u>\$ 7.24</u>		<u>\$ 10.09</u>	

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

(With Deloitte & Touche auditors' report dated March 24, 2022)

(Concluded)

**NAN PAO RESINS CHEMICAL CO., LTD. and Subsidiaries**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share and Share Issuance Price)**

	Equity Attributable to Owners of the Company										
	Share Capital	Capital Surplus	Retained Earnings				Exchange Differences on Translating the Financial Statements of Foreign Operations	Other Equity		Total	Non-controlling Interests
Legal Reserve			Special Reserve	Unappropriated Earnings	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity					
BALANCE AT JANUARY 1, 2020	\$ 1,205,707	\$ 2,103,848	\$ 1,056,002	\$ 313,321	\$ 4,740,757	\$ (390,008)	\$ 711,113	\$ 321,105	\$ 9,740,740	\$ 815,807	\$ 10,556,547
Appropriation of the 2019 earnings (Note 26)											
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 32)	-	(2,175)	-	-	-	-	-	-	(2,175)	2,175	-
Increase in non-controlling interests (Note 26)	-	-	-	-	-	-	-	-	-	72,106	72,106
BALANCE AT DECEMBER 31, 2020	1,205,707	2,101,673	1,178,822	313,321	5,115,900	(487,817)	838,995	351,178	10,266,601	929,683	11,196,284
Appropriation of the 2020 earnings (Note 26)											
Legal reserve	-	-	122,139	-	(122,139)	-	-	-	-	-	-
Cash dividends distributed by the Company - \$7 per share	-	-	-	-	(843,995)	-	-	-	(843,995)	-	(843,995)
Disposal of financial assets at fair value through other comprehensive income (Notes 8 and 26)	-	-	-	-	(14,640)	-	14,640	14,640	-	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	875,780	-	-	-	875,780	53,573	929,353
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	10,477	(156,658)	5,125,642	4,968,984	4,979,461	(6,736)	4,972,725
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	886,257	(156,658)	5,125,642	4,968,984	5,855,241	46,837	5,902,078
Increase in non-controlling interests (Note 26)	-	-	-	-	-	-	-	-	-	15,672	15,672
BALANCE AT DECEMBER 31, 2021	\$ 1,205,707	\$ 2,101,673	\$ 1,300,961	\$ 313,321	\$ 5,021,383	\$ (644,475)	\$ 5,979,277	\$ 5,334,802	\$ 15,277,847	\$ 992,192	\$ 16,270,039

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

(With Deloitte & Touche audit report dated March 24, 2022)

## NAN PAO RESINS CHEMICAL CO., LTD. and Subsidiaries

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,202,541	\$ 1,606,092
Adjustments for:		
Depreciation expenses	440,169	405,446
Amortization expenses	30,887	19,149
Estimated credit loss recognized on trade receivables	3,525	8,721
Gain on fair value changes of financial assets at fair value through profit or loss	(11,135)	-
Finance costs	54,797	58,881
Interest income	(41,617)	(48,683)
Dividend income	(66,143)	(46,587)
Share of profit of associates	(33,224)	(48,096)
Loss on disposal of property, plant and equipment	2,271	1,893
Loss on disposal of investments	-	7,438
Write-downs of inventories	73,126	15,233
Loss (Gain) on lease modification	(19)	319
Changes in operating assets and liabilities		
Notes receivable	(16,702)	(11,932)
Accounts receivable	(496,234)	(214,406)
Accounts receivable - related parties	(33,617)	64,806
Other receivables	42,176	40,457
Inventories	(864,303)	11,304
Other current assets	(152,060)	8,877
Other non-current assets	(1,326)	(19,253)
Contract liabilities	14,378	11,707
Notes payable	(13,266)	1,739
Accounts payable	351,616	376,210
Other payables	39,403	(11,492)
Other current liabilities	(903)	38,865
Net defined benefit liabilities	(30,334)	(18,070)
Other non-current liabilities	(2,499)	(4,170)
Cash generated from operations	491,507	2,254,448
Interest received	41,018	46,469
Interest paid	(52,368)	(61,568)
Income tax paid	(343,100)	(300,907)
Net cash generated from operating activities	<u>137,057</u>	<u>1,938,442</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(29,879)	(26,629)
Proceeds from capital reduction of investments accounted for under financial assets at fair value through other comprehensive income	868	315
Net increase of financial assets at amortized cost	-	(616,871)
Net decrease of financial assets at amortized cost	213,353	-

(Continued)

## NAN PAO RESINS CHEMICAL CO., LTD. and Subsidiaries

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Purchase of financial assets at fair value through profit or loss	\$ (25,000)	\$ -
Net cash outflow on acquisition of businesses	(215,042)	-
Payments for property, plant and equipment	(653,145)	(873,089)
Proceeds from disposal of property, plant and equipment	18,493	4,375
Increase in refundable deposits	(3,555)	-
Decrease in refundable deposits	-	11
Payments for intangible assets	(5,325)	(3,269)
Proceeds from disposal of right - of - use assets	81,740	-
Dividends received	<u>88,643</u>	<u>49,962</u>
Net cash used in investing activities	<u>(528,849)</u>	<u>(1,465,195)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	8,509,599	6,586,369
Repayments of short-term borrowings	(7,679,481)	(6,609,640)
Proceeds from long-term borrowings	2,799,412	3,199,161
Repayments of long-term borrowings	(2,393,135)	(3,353,977)
Proceeds from guarantee deposits received	334	160
Refund of guarantee deposits received	-	-
Repayment of the principal portion of lease liabilities	(52,991)	(57,223)
Cash dividends paid	(861,339)	(751,745)
Changes in non-controlling equity	<u>-</u>	<u>100,426</u>
Net cash generated from (used in) financing activities	<u>322,399</u>	<u>(886,469)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>	<u>(20,538)</u>	<u>(8,145)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(89,931)</b>	<b>(421,367)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>3,321,237</u>	<u>3,742,604</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 3,231,306</u>	<u>\$ 3,321,237</u>

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

(With Deloitte & Touche auditors' report dated March 24, 2022)

(Concluded)

# NAN PAO RESINS CHEMICAL CO., LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

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

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Company’s board of directors on March 24, 2022.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

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

- Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.
- Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.
- Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued

into effect by the FSC.

b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

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

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 14 and Tables 5 and 6 for the detailed information of subsidiaries (including the percentage of ownership and main businesses).

e. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of its foreign operations (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income attributed to the owners of the Company and non-controlling interests as appropriate.

f. Inventories

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

g. Investments in associates

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

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

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

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

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

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

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

#### h. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

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

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

i. Investment properties

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

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

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

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

j. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, to its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

k. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

### 3) Derecognition of intangible assets

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

#### l. Impairment of property, plant and equipment, right-of-use asset and intangible assets other than goodwill

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

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

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

#### m. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

When the Group is committed to a sale plan involving the disposal of an investment or a portion of an investment in an associate or a joint venture, only the investment or the portion of the investment that will be disposed of is classified as held for sale when the classification criteria are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. If the Group ceases to have significant influence or joint control over the investment after the disposal takes place, the Group accounts for any retained interest that has not been classified as held for sale in accordance with the accounting policies for financial instruments.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Such assets classified as held for sale are not depreciated.

#### n. Financial instruments

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

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

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

## 1) Financial assets

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

### a) Measurement categories

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

#### i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends and interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 34.

#### ii. Financial assets at amortized cost

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

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

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

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

o. Revenue recognition

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

1) Revenue from the sale of goods

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

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

2) Revenue from the rendering of services

For services in procuring equipment on behalf of customers, the Group does not commit itself to obtain the goods from the suppliers before goods are purchased by the customer and thus does not take on any inventory risk. Consequently, the Group is an agent and its performance obligation is to procure goods on behalf of the customer. The Group recognizes revenue in the net amount of the consideration received or receivable when goods are transferred to the customer, and the Group has no further obligations to the customer.

p. Leases

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

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

1) The Group as lessor

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

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

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term and a change in future lease payments resulting from a change in an index or a rate used to determine

those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

q. Borrowing costs

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

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

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

r. Government grants

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

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

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

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

s. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit

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

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

#### t. Taxation

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

##### 1) Current tax

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

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

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

##### 2) Deferred tax

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

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

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

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

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

from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current tax and deferred tax for the year

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

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

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

Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

The accounting policies the Group applied do not involve critical accounting judgements and estimation.

**6. CASH AND CASH EQUIVALENTS**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash on hand	\$ 6,742	\$ 6,895
Checking accounts and demand deposits	3,038,582	3,129,202
Cash equivalents (investments with original maturities within 3 months)		
Time deposits	<u>185,982</u>	<u>185,140</u>
	<u>\$ 3,231,306</u>	<u>\$ 3,321,237</u>

The market rate intervals of time deposits at the end of the year were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Time deposits	1.6% - 8.25%	0.56% - 8.85%

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – DECEMBER 31, 2021

	Amount
Financial assets at FVTPL - non-current	
Non-derivative financial assets	
Limited partnership	\$ <u>36,135</u>

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

	<u>December 31</u>	
	2021	2020
Domestic investments		
Unlisted stocks	\$ <u>6,284,859</u>	\$ <u>1,109,267</u>

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

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

In November 2021, the Group acquired the retained shares of FlexUP Technologies Corp., resulting in an increase in shareholding ratio from 7.11% to 96.87%, and obtained the controlling interests. The Group derecognized the original shareholding of 7.11%, which was recognized as financial assets at fair value through other comprehensive income, and transferred the unrealized losses in other equity of \$14,640 thousand into retained earnings.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2021	2020
<u>Current</u>		
Time deposits with original maturities of more than 3 months (a)	\$ 530,245	\$ 752,910
Pledged time deposits (a)	20,775	4,061
Restricted demand deposits (b)	509,655	534,894
Refundable deposits	<u>4,150</u>	<u>1,270</u>
	\$ <u>1,064,825</u>	\$ <u>1,293,135</u>
<u>Non-current</u>		
Time deposits with original maturities of more than 3 months (a)	\$ 95,599	\$ 96,174
Pledged time deposits (a)	4,489	5,726
Restricted demand deposits	2,468	-
Refundable deposits	<u>24,687</u>	<u>23,273</u>
	\$ <u>127,243</u>	\$ <u>125,173</u>

a. The ranges of interest rates for time deposits were approximately 0.15%- 8.25% and 0.2%- 7.3% per

annum as of December 31, 2021 and 2020, respectively.

- b. Restricted demand deposits as of December 31, 2021 and 2020 are funds that the Group put into the dedicated bank account in accordance with “the Management, Utilization, and Taxation of Repatriated Offshore Funds Act”.
- c. Refer to Note 10 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.
- d. Refer to Note 36 for information relating to investments in financial assets at amortized cost pledged as security.

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

	<u>December 31</u>	
	2021	2020
Financial assets at amortized cost - current	\$ 1,064,825	\$ 1,293,135
Financial assets at amortized cost - non-current	<u>127,243</u>	<u>125,173</u>
	<u>\$ 1,192,068</u>	<u>\$ 1,418,308</u>

The Group invests only in debt instruments that have low credit risk for the purpose of impairment assessment. In determining the expected credit losses for debt instrument investments, the Group considers the historical default loss rates, the current financial condition of debtors, and the future prospects of the industries. Because counterparties have a low risk of default and a strong capacity to meet contractual cash flows, the Group did not make any provision for expected credit losses with respect to financial assets at amortized cost as of December 31, 2021 and 2020.

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

	<u>December 31</u>	
	2021	2020
<u>Notes receivable</u>		
At amortized cost		
Notes receivable - operating	<u>\$ 308,657</u>	<u>\$ 291,955</u>
<u>Accounts receivable (including related parties)</u>		
Amortized cost		
Gross carrying amount	\$ 4,117,118	\$ 3,671,006
Less: Allowance for impairment loss	<u>48,770</u>	<u>47,676</u>
	<u>\$ 4,068,348</u>	<u>\$ 3,623,330</u>
<u>Other receivables</u>		
Gross carrying amount	<u>\$ 108,967</u>	<u>\$ 150,688</u>

### Accounts receivable at amortized cost

The average credit period of sales of goods was 15 days to 180 days, and no interest was charged on accounts receivable. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses estimated by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

### Notes receivable

As of December 31, 2021 and 2020, the notes receivable analyzed by the Group based on the past due days were not overdue, and the Group did not measure any loss allowance for notes receivable.

### Accounts receivable (including related parties)

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

#### December 31, 2021

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 365 Days	Over 365 Days	Total
Expected credit loss rate	0.01%~0.35%	0.2%~6.22%	3%~31%	8%~67%	37%~100%	100%	
Gross carrying amount	\$ 3,435,939	\$ 585,866	\$ 47,216	\$ 13,717	\$ 5,302	\$ 29,078	\$ 4,117,118
Loss allowance (Lifetime ECLs)	(1,494)	(5,471)	(4,695)	(4,203)	(3,829)	(29,078)	(48,770)
Amortized cost	\$ 3,434,445	\$ 580,395	\$ 42,521	\$ 9,514	\$ 1,473	\$ -	\$ 4,068,348

#### December 31, 2020

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 365 Days	Over 365 Days	Total
Expected credit loss rate	0.01%~0.88%	0.2%~13%	3%~47%	8%~67%	37%~100%	100%	
Gross carrying amount	\$ 3,086,702	\$ 512,990	\$ 29,143	\$ 7,419	\$ 5,589	\$ 29,163	\$ 3,671,006
Loss allowance (Lifetime ECLs)	(2,016)	(6,082)	(2,325)	(3,778)	(4,312)	(29,163)	(47,676)
Amortized cost	\$ 3,084,686	\$ 506,908	\$ 26,818	\$ 3,641	\$ 1,277	\$ -	\$ 3,623,330

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 47,676	\$ 48,595
Add: Net remeasurement of loss allowance	3,525	8,721
Less: Amounts written off	(1,341)	(7,995)
Foreign exchange gains and losses	<u>(1,090)</u>	<u>(1,645)</u>
Balance at December 31	<u>\$ 48,770</u>	<u>\$ 47,676</u>

## 12. INVENTORIES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Goods	\$ 104,741	\$ 89,042
Finished goods and semi-finished goods	1,057,813	808,692
Work in process	152,851	109,861
Raw materials and supplies	1,226,211	890,513
Inventory in transit	<u>407,620</u>	<u>278,966</u>
	<u>\$ 2,949,236</u>	<u>\$ 2,177,074</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$13,875,691 thousand and \$11,179,158 thousand, respectively. The cost of goods sold included inventory write-downs of \$73,126 thousand and \$15,233 thousand, respectively for the years ended December 31, 2021 and 2020, respectively.

## 13. NON-CURRENT ASSETS HELD FOR SALE - December 31, 2021

	<b>Amount</b>
Investments accounted for using the equity method held for sale	<u>\$ 378,477</u>

In November 2021, the board of directors resolved to dispose of the 30% of the shareholdings of the associate, Total Acrylic Polymer Industry (TAPI) Corporation, to the non-related party, SEIKO PMC CORPORATION. The Group was completed the sale plan in January 2022. Accordingly, the carrying amount \$378,477 thousand of investments accounted for using the equity method was reclassified as non-current assets held for sale, and was presented separately in the consolidated balance sheets as of December 31, 2021.

## 14. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Investor	Investee	Main Business	% of Ownership		Remark	
			2021	2020		
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Chemical Co., Ltd.	Trading of chemical substances	100	100		
	Nan Pao Application Material Co., Ltd.	Trading of chemical substances	100	100		
	Nan Pao Electronic Material Co.	Production and trading of electronic materials	100	100		
	ITLS International Development Co., Ltd.	Trading of construction materials and chemical substances	100	100		
	Prince Pharmaceutical Co., Ltd.	Manufacturing, packaging, and processing of raw materials for various pharmaceutical and health food	50.51	50.51		
	Phymed Bio-Tec Co., Ltd.	R&D and trading of health food	100	100		
	Biorich Biotechnology Co., Ltd.	R&D, production, trading of new high protein business and health food	57.1	57.1		
	Nan Pao Advanced Materials Co., Ltd.	Trading of adhesives and chemicals	70	70		
	Nan Pao Fine Materials Co., Ltd.	Production and trading of adhesives and chemicals	55	55		
	Fuqing Nan Pao Investment Ltd.	General investment	100	100		
	Thai Nan Pao Investments Ltd.	General investment	100	100		
	Nan Pao Resins India Pvt. Ltd.	Trading of adhesives	100	100		
	Nan Pao Materials Vietnam Co., Ltd.	Production and trading of adhesives and chemicals	100	100		
	Nan Pao Advanced Materials Vietnam Co., Ltd.	Production and trading of adhesives and chemicals	100	100		
	Nan Pao Overseas Holdings Ltd.	General investment	100	100		
	Profit Land Ltd.	General investment	73.75	73.75	a)	
	All Saints Enterprises Ltd.	General investment	54.53	54.53	a)	
	Ongoing Profits Ltd.	General investment	32.18	32.18	a)	
	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Production and trading of adhesives	49	49	b)	
	Progroups Technology Co., Ltd.	Trading of water-based PU resin	91.99	91.99		
	Nan Pao Philippines Export Inc.	Trading of adhesives	100	100		
	Earnest Wealth Co., Ltd.	General investment	51.11	-	d)	
	FlexUP Technologies Corp.	Production and trading of polyimide materials	96.87	7.11	e)	
	Nan Pao Resins Chemical (Bangladesh) Co., Ltd.	Trading of adhesives	100	-	f)	
	ITLS International Development Co., Ltd.	ITLS Holding Pte. Ltd.	General investment	100	100	
		Aftek Materials Vietnam Co., Ltd.	Production and trading of construction materials	70	70	
	ITLS Holding Pte. Ltd.	PT. ITLS Indonesia	Production and trading of construction materials	100	100	
	ITLS Vietnam Co., Ltd.	Production and trading of construction materials	100	100		
Fuqing Nan Pao Investment Ltd.	Wealth Castle Development Ltd.	General investment	100	100		
Wealth Castle Development Ltd.	Fuqing Nan Pao Resins Co., Ltd.	Production and trading of adhesives	100	100		
Thai Nan Pao Investments Ltd.	Thai Nanpao Resins Chemical Co., Ltd.	Production and trading of adhesives	100	100		
Nan Pao Overseas Holdings Ltd.	Nan Pao Group Holdings Ltd.	General investment	100	100		

(Continued)

Investor	Investee	Main Business	% of Ownership		Remark
			2021	2020	
Earnest Wealth Co., Ltd.	Apex polytech Co., Ltd.	Production and trading of adhesives	100	-	d)
Nan Pao Group Holdings Ltd.	Greatwill Materials (HK) Ltd.	General investment	67.68	67.68	
	Profit Land Ltd.	General investment	26.25	26.25	a)
	Nan Pao Resins (Holdings) Ltd.	General investment	100	100	
	All Saints Enterprises Ltd.	General investment	45.47	45.47	a)
	NP Australia Pty. Ltd.	General investment	100	100	
	Ongoing Profits Ltd.	General investment	67.82	67.82	a)
	Treasure Wealth (HK) Ltd.	General investment	100	100	
	Goldford Investments Ltd.	General investment	100	100	
	Nan Pao Resins Chemical Philippines, Inc.	Trading of adhesives	100	100	
	Nan Pao Resins International Ltd.	Trading of chemicals substances and related products	100	100	
	Nanpao Advanced Investment Co., Ltd.	General investment	100	100	
	Nan Pao Resins (HK) Limited	Production and trading of adhesives	100	100	
Greatwill Materials (HK) Ltd.	Foshan Nan Pao Advanced Materials Co., Ltd.	Production and trading of adhesives	88.03	88.03	
Profit Land Ltd.	Giant Profit Development Ltd.	General investment	100	100	
Giant Profit Development Ltd.	Nan Pao Resins (Foshan) Co., Ltd.	Production and trading of adhesives	100	100	
Nan Pao Resins (Foshan) Co., Ltd.	Goaden Nan Pao Materials Technology Co., Ltd.	Trading of footwear materials	51	51	
	Foshan Nan Pao Advanced Materials Co., Ltd.	Production and Trading of adhesives	0.89	0.89	
Nan Pao Resins (Holdings) Ltd.	Eastlion Enterprises Ltd.	General investment	100	100	
	Nan Pao Resins Development Ltd.	General investment	100	100	
Eastlion Enterprises Ltd.	Nan Pao Resins (Dongguan) Co., Ltd.	Processing of adhesives	100	100	
Nan Pao Resins Development Ltd.	Dongguan Jia Chin Electronics Co., Ltd.	Production and trading of coatings and advanced resins	100	100	
All Saints Enterprises Ltd.	Great Mount Enterprises Ltd.	General investment	100	100	
Great Mount Enterprises Ltd.	Nan Pao Resins (China) Co., Ltd.	Production and trading of adhesives and coatings	100	100	
NP Australia Pty. Ltd.	RLA Polymers Pty Ltd.	Production and trading of construction materials and chemical substances	100	100	
RLA Polymers Pty. Ltd.	RLA Polymers (M) SDN BHD	Production and trading of construction materials and chemical substances	100	100	
Ongoing Profits Ltd.	Rising Sun Associates Ltd.	General investment	100	100	
Rising Sun Associates Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Production and trading of adhesives	100	100	
Goldford Investments Ltd.	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Production and trading of adhesives	18.5	18.5	b)
Treasure Wealth (HK) Ltd.	Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Production and trading of coatings	50	50	
Nanpao Advanced Investment Co., Ltd.	Nan Pao (Kunshan) Electronic Commerce Co., Ltd.	Online business agency and general merchandise trading	100	100	
	Nantong Nan Pao Resins Materials Co., Ltd.	Production and trading of adhesives	100	100	
	Nan Pao Resins (Yunan) Co., Ltd.	Production and trading of adhesives	100	100	
	Nan Pao New Materials (Huaian) Co., Ltd.	Production and trading business of carbon fiber	100	100	
	Nan Pao Optoelectronic Materials (Kunshan) Co., Ltd.	Production and trading business of adhesives and chemical substances	100	-	c)

(Concluded)

- a. Direct and indirect shareholdings totaled 100%.
- b. Direct and indirect shareholdings totaled 67.5%.
- c. The Group invested in and established Nan Pao Optoelectronic Materials (Kunshan) Co., Ltd. in the China in May 2021. In August 2021, the group have invested capital in the subsidiary.
- d. The Group acquired 51.11% shareholdings of Earnest Wealth Co., Ltd. in December 2021, and simultaneously obtained the control of its subsidiary Apex polytech Co., Ltd.
- e. The Group acquired 89.76% shareholdings of FlexUP Technologies Corp. in November 2021, resulting in an increase in the shareholding ratio from 7.11% to 96.87%.
- f. The Group established Nan Pao Resins Chemical (Bangladesh) Co., Ltd. in December 2021, and shareholdings totaled 100%.

## 15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Investments in associates		
Associates that are not individually material	\$ <u>                    </u> -	\$ <u>          367,753</u>

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

	<u>For the Year Ended December 31</u>	
	<b>2021</b>	<b>2020</b>
The Group's share of:		
Net income and total comprehensive income for the year	\$ <u>          33,224</u>	\$ <u>          48,096</u>

The Company reclassifies investments accounted for using the equity method to non-current assets held for sale. Refer to Note 13.

## 16. PROPERTY, PLANT AND EQUIPMENT

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

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

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

No impairment assessment was performed for the years ended December 31, 2021 and 2020 as there were no indications of impairment.

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 36.

## 17. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amounts</u>		
Land (Note)	\$ 709,038	\$ 783,189
Buildings	298,960	318,995
Transportation equipment	28,709	37,790
Miscellaneous equipment	3,272	1,365
Machinery	<u>178</u>	<u>178</u>
	<u>\$ 1,040,157</u>	<u>\$ 1,141,517</u>
<b>For the Year Ended December 31</b>		
	<b>2021</b>	<b>2020</b>
Additions to right-of-use assets	<u>\$ 79,197</u>	<u>\$ 80,995</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 38,830	\$ 44,886
Land (Note)	19,843	20,783
Transportation equipment	13,966	14,520
Miscellaneous equipment	321	1,884
Machinery	<u>142</u>	<u>142</u>
	<u>\$ 73,102</u>	<u>\$ 82,215</u>

Note: Among the land use rights, the land use rights of the Vietnamese subsidiary have been pledged as collateral, please refer to Note 36 for the details.

Except for the additions and depreciation expenses above, there was no significant sublease or impairment of the right-of-use assets of the Group from January 1 to December 31, 2021 and 2020.

### b. Lease liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amounts</u>		
Current	<u>\$ 78,256</u>	<u>\$ 79,930</u>
Non-current	<u>\$ 471,967</u>	<u>\$ 476,953</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Land	1.56%	1.56%
Buildings	0.77% ~ 5.37%	0.81% ~ 5.37%
Machinery	1.05% ~ 2%	1.05% ~ 2%
Transportation equipment	1.3% ~ 5.37%	1.3% ~ 5.37%
Miscellaneous equipment	5.37% ~ 11.2%	5.37% ~ 11.2%

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

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

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to short-term leases	<u>\$ 47,624</u>	<u>\$ 37,077</u>
Expenses relating to low-value asset leases	<u>\$ 1,197</u>	<u>\$ 1,044</u>
Total cash outflow for leases	<u>\$ 114,809</u>	<u>\$ 95,443</u>

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

## 18. INVESTMENT PROPERTIES

	<b>Land</b>
Balance at December 31, 2021 and 2020	<u>\$ 17,760</u>

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

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

## 19. Goodwill

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Cost</u>		
Balance at January 1	\$ 120,809	\$ 116,514
Acquisition from business combination during the year (Note 31)	139,382	-
Effect of foreign currency exchange differences, net	<u>(19,016)</u>	<u>4,295</u>
Balance at December 31	<u>\$ 241,175</u>	<u>\$ 120,809</u>
<u>Accumulated Impairment Losses</u>		
Balance at January 1	\$ 2,879	\$ 3,031
Effect of foreign currency exchange differences, net	<u>(81)</u>	<u>(152)</u>
Balance at December 31	<u>\$ 2,798</u>	<u>\$ 2,879</u>
Carrying amounts at December 31, net	<u>\$ 238,377</u>	<u>\$ 117,930</u>

The Group carried out impairment testing on the recoverable amount of goodwill at the end of the year, using the value-in-use as the basis for calculation of the recoverable amount. The value-in-use was estimated based on the Group's financial projections of cash flow for the future years, to reflect the specific risk of related cash generating units.

## 20. OTHER INTANGIBLE ASSETS

	<b>Client Relationships</b>	<b>Computer Software</b>	<b>Others</b>	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 2021	\$ 73,313	\$ 53,447	\$ 37,153	\$ 163,913
Additions	-	7,443	328	7,771
Acquisition from business combination	45,590	-	54,274	99,864
Disposals	-	(101)	-	(101)
Reclassifications	8,940	421	(9,056)	305
Effect of foreign currency exchange differences, net	<u>(10,084)</u>	<u>(42)</u>	<u>(4,490)</u>	<u>(14,616)</u>
Balance at December 31, 2021	<u>\$ 117,759</u>	<u>\$ 61,168</u>	<u>\$ 78,209</u>	<u>\$ 257,136</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2021	\$ 46,520	\$ 38,959	\$ 5,055	\$ 90,534
Amortization expenses	9,995	8,954	11,938	30,887
Disposals	-	(101)	-	(101)
Reclassifications	337	-	(453)	(116)
				(Continued)

	<b>Client Relationships</b>	<b>Computer Software</b>	<b>Others</b>	<b>Total</b>
Effect of foreign currency exchange differences, net	\$ (4,444)	\$ (34)	\$ 1,928	\$ (2,550)
Balance at December 31, 2021	<u>\$ 52,408</u>	<u>\$ 47,778</u>	<u>\$ 18,468</u>	<u>\$ 118,654</u>
Carrying amount at December 31, 2021, net	<u>\$ 65,351</u>	<u>\$ 13,390</u>	<u>\$ 59,741</u>	<u>\$ 138,482</u>
<u>Cost</u>				
Balance at January 1, 2020	\$ 70,156	\$ 47,628	\$ 35,457	\$ 153,241
Additions	-	2,014	1,255	3,269
Disposals	-	(254)	-	(254)
Reclassifications	-	4,067	-	4,067
Effect of foreign currency exchange differences, net	3,157	(8)	441	3,590
Balance at December 31, 2020	<u>\$ 73,313</u>	<u>\$ 53,447</u>	<u>\$ 37,153</u>	<u>\$ 163,913</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2020	\$ 36,285	\$ 30,343	\$ 6,259	\$ 72,887
Amortization expenses	7,993	8,653	2,503	19,149
Disposals	-	(254)	-	(254)
Reclassifications	-	234	-	234
Effect of foreign currency exchange differences, net	2,242	(17)	(3,707)	(1,482)
Balance at December 31, 2020	<u>\$ 46,520</u>	<u>\$ 38,959</u>	<u>\$ 5,055</u>	<u>\$ 90,534</u>
Carrying amount at December 31, 2020, net	<u>\$ 26,793</u>	<u>\$ 14,488</u>	<u>\$ 32,098</u>	<u>\$ 73,379</u>

(Concluded)

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

Client relationships	9 - 11 years
Computer software	2 - 10 years
Others	2 - 15 years

## 21. OTHER ASSETS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Current</u>		
Input tax	\$ 299,665	\$ 141,621
Prepayments	121,663	103,660
Prepaid expenses	70,902	89,693
Overpaid tax retained for offsetting the future tax payable	34,287	25,822
Others	<u>13,085</u>	<u>24,922</u>
	<u>\$ 539,602</u>	<u>\$ 385,718</u>
<u>Non-Current</u>		
Prepayments for equipment	\$ 108,311	\$ 277,899
Prepayments for investment	-	21,299
Others	<u>6,705</u>	<u>5,270</u>
	<u>\$ 115,016</u>	<u>\$ 304,468</u>

## 22. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Secured bank loans (Note 36)	\$ 97,843	\$ 118,148
Unsecured bank loans	<u>2,059,831</u>	<u>1,228,482</u>
	<u>\$ 2,157,674</u>	<u>\$ 1,346,630</u>

Annual interest rates of short-term borrowings were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Secured bank loans	1.27% ~ 4.9%	1.27% ~ 3.25%
Unsecured bank loans	0.72% ~ 4.9%	0.75% ~ 3.75%

b. Long-term borrowings

	<u>December 31</u>	
	2021	2020
Secured bank loans (1)	\$ 362,062	\$ 330,503
Unsecured bank loans (2)	<u>1,766,159</u>	<u>1,394,662</u>
	2,128,221	1,725,165
Decrease: Current portion of long-term borrowings	<u>193,146</u>	<u>55,974</u>
	<u>\$ 1,935,075</u>	<u>\$ 1,669,191</u>

- 1) As of December 31, 2021 and 2020, the ranges of weighted average effective interest rates of the bank borrowings secured by the Group's freehold land, buildings, right-of-use assets and deposit certificates (see Note 36), were 1.255%- 1.35% and 1.063%- 1.945% per annum, respectively. Long-term borrowings mentioned above will expire in June 2035, and payments of interest and principal are made on schedule.
- 2) As of December 31, 2021 and 2020, the ranges of weighted average effective interest rates of unsecured bank loans were 0.38%- 4.45% and 0.38%- 1.16% per annum, respectively. Long-term borrowings mentioned above will expire in March 2025, and payments of interest and principal are made on schedule.

**23. NOTES PAYABLE AND ACCOUNTS PAYABLE**

	<u>December 31</u>	
	2021	2020
<u>Notes Payable</u>		
Operating	<u>\$ 1,036</u>	<u>\$ 14,330</u>
<u>Accounts Payable</u>		
Operating	<u>\$ 2,590,168</u>	<u>\$ 2,287,370</u>

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

**24. OTHER LIABILITIES**

	<u>December 31</u>	
	2021	2020
<u>Current</u>		
Other liabilities		
Refund liabilities	\$ 138,571	\$ 156,501
Others	<u>67,153</u>	<u>50,126</u>
	<u>\$ 205,724</u>	<u>\$ 206,627</u>

(Continued)

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Non-current</u>		
Other liabilities		
Guarantee deposits	\$ 4,198	\$ 3,908
Others	<u>46,194</u>	<u>48,693</u>
	<u>\$ 50,392</u>	<u>\$ 52,601</u>
		(Concluded)

## 25. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

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

The Group's subsidiaries in China and other regions are members of a state-managed retirement benefit plan operated by each government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit plan.

### b. Defined benefit plans

The defined benefit plans adopted by the Group in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Group contribute amounts equal to 2% to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The employees of the Group's subsidiaries in Indonesia are members of a state-managed retirement benefit plan operated by the government of Indonesia. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits.

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

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 382,247	\$ 431,592
Fair value of plan assets	<u>(330,431)</u>	<u>(335,891)</u>
Net defined benefit liabilities	<u>\$ 51,816</u>	<u>\$ 95,701</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2020	\$ 428,052	\$ (313,033)	\$ 115,019
Service cost			
Past service cost and loss on settlements	822	-	822
Current service cost	6,478	-	6,478
Net interest expense (income)	4,213	(2,243)	1,970
Recognized in profit or loss	<u>11,513</u>	<u>(2,243)</u>	<u>9,270</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(10,218)	(10,218)
Actuarial loss - changes in financial assumptions	13,386	-	13,386
Actuarial gain - experience adjustments	(6,419)	-	(6,419)
Actuarial loss - Others	1,582	-	1,582
Recognized in other comprehensive income	<u>8,549</u>	<u>(10,218)</u>	<u>(1,669)</u>
Contributions from the employer	<u>-</u>	<u>(23,187)</u>	<u>(23,187)</u>
Benefits paid	<u>(15,223)</u>	<u>12,790</u>	<u>(2,433)</u>
Exchange differences on foreign plans, net	<u>(1,299)</u>	<u>-</u>	<u>(1,299)</u>
Balance at December 31, 2020	<u>431,592</u>	<u>(335,891)</u>	<u>95,701</u>
Service cost			
Past service cost and gain on settlements	(3,238)	-	(3,238)
Current service cost	4,872	-	4,872
Net interest expense (income)	2,680	(1,037)	1,643
Recognized in profit or loss	<u>4,314</u>	<u>(1,037)</u>	<u>3,277</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,873)	(4,873)
Actuarial loss - changes in demographic assumptions	736	-	736
Actuarial gain - changes in financial assumptions	(11,959)	-	(11,959)
Actuarial loss - experience adjustments	4,417	-	4,417
Actuarial gain - Others	(2,528)	-	(2,528)
Recognized in other comprehensive income	<u>(9,334)</u>	<u>(4,873)</u>	<u>(14,207)</u>
Contributions from the employer	<u>-</u>	<u>(22,872)</u>	<u>(22,872)</u>
Benefits paid	<u>(43,797)</u>	<u>34,242</u>	<u>(9,555)</u>
Exchange differences on foreign plans, net	<u>(528)</u>	<u>-</u>	<u>(528)</u>
Balance at December 31, 2021	<u>\$ 382,247</u>	<u>\$ (330,431)</u>	<u>\$ 51,816</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating costs	\$ 1,957	\$ 3,625
Selling and marketing expenses	278	2,002
General and administrative expenses	654	3,171
Research and development expenses	<u>388</u>	<u>472</u>
	<u>\$ 3,277</u>	<u>\$ 9,270</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

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

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rates	0.625% - 7.48%	0.3% - 7%
Expected rates of salary increase	1.5% - 10%	1.5% - 10%

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rates		
0.25% increase	\$ (8,869)	\$ (9,260)
0.25% decrease	<u>\$ 9,524</u>	<u>\$ 9,648</u>
Expected rates of salary increase		
0.25% increase	<u>\$ 9,352</u>	<u>\$ 9,378</u>
0.25% decrease	<u>\$ (8,764)</u>	<u>\$ (9,068)</u>

The sensitivity analysis previously presented may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in

isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	2021	2020
Expected contributions to the plans for the next year	\$ 19,056	\$ 20,302
Average duration of the defined benefit obligation	8 to 16.4years	9 to 17.84 years

## 26. EQUITY

### a. Share capital

#### Ordinary shares

	<u>December 31</u>	
	2021	2020
Number of shares authorized (in thousands)	200,000	200,000
Shares authorized	\$ 2,000,000	\$ 2,000,000
Number of shares issued and fully paid (in thousands)	120,570	120,570
Shares issued	\$ 1,205,707	\$ 1,205,707

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

### b. Capital surplus

	<u>December 31</u>	
	2021	2020
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 2,040,204	\$ 2,040,204
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual acquisition	2	2
Employee share options	44,083	44,083
Expired employee share options	135	135
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in subsidiaries (2)	17,249	17,249
	<u>\$ 2,101,673</u>	<u>\$ 2,101,673</u>

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 28-g.

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

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

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

The appropriations of earnings for 2020 and 2019 which were approved in the shareholders' meetings in July 2021 and in June, 2020 were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends per share (NT\$)</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Legal reserve	\$ 122,139	\$ 122,820		
Cash dividends	843,995	723,425	\$ 7	\$ 6

The appropriation of earnings for 2021 which had been proposed by the Company's board of directors on March 24, 2022 was as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends per share (NT\$)</b>
Legal reserve	\$ 87,162	
Cash dividends	723,425	\$ 6

The appropriation of earnings for 2021 is subject to the resolution of the shareholders in the shareholders' meeting to be held in June, 2022.

d. Special reserve

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

e. Other equity items

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ (487,817)	\$ (390,008)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	<u>(156,658)</u>	<u>(97,809)</u>
Balance at December 31	<u>\$ (644,475)</u>	<u>\$ (487,817)</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 838,995	\$ 711,113
Recognized for the year		
Unrealized gain - equity instruments	5,125,642	127,882
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>14,640</u>	<u>-</u>
Balance at December 31	<u>\$ 5,979,277</u>	<u>\$ 838,995</u>

f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 929,683	\$ 815,807
Share in profit for the year	53,573	47,369
Other comprehensive income or loss during the year		
Exchange differences on translating the financial statements of foreign operations	(7,574)	(7,475)
Remeasurement of defined benefit plans	1,068	(374)
Related income tax	(230)	75
Difference in book value and price of equity acquisition from subsidiaries (Note 32)	-	2,175
Dividend payout from subsidiaries	(17,344)	(28,320)
Issuance of ordinary shares for cash from subsidiaries	-	89,176
Non-controlling interests arising from acquisition of subsidiaries (Note 31)	33,016	-
Additions from establishing subsidiaries	<u>-</u>	<u>11,250</u>
Balance at December 31	<u>\$ 992,192</u>	<u>\$ 929,683</u>

## 27. REVENUE

- a. Please refer to Note 40 for disaggregation of revenue.
- b. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Accounts receivable (including related parties)	\$ 4,117,118	\$ 3,671,006	\$ 3,578,332
Contract liabilities - current			
Sale of goods	\$ 44,959	\$ 30,581	\$ 18,874

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

## 28. NET PROFIT

- a. Interest income

	<b>For the Year Ended December 31</b>	
	2021	2020
Bank deposits	\$ 41,617	\$ 48,683

- b. Other income

	<b>For the Year Ended December 31</b>	
	2021	2020
Grant income (Note)	\$ 39,886	\$ 80,099
Dividend income	66,143	46,587
Rental income	1,626	1,766
Other income	<u>30,093</u>	<u>28,940</u>
	\$ 137,748	\$ 157,392

Note: The Group received \$43,557 thousand for wage and working capital subsidy from June to November 2020 in accordance with "Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens".

c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Net foreign exchange gain (loss)	\$ (14,293)	\$ (62,234)
Fair value changes of financial assets - financial assets mandatorily classified as at FVTPL	11,135	-
Gain (loss) from disposal of investments	-	(7,438)
Others	<u>(4,287)</u>	<u>(21,226)</u>
	<u>\$ (7,445)</u>	<u>\$ (90,898)</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on bank loans	\$ 41,800	\$ 45,713
Interest on lease liabilities	12,997	14,829
Less: Amounts included in the cost of qualifying assets	<u>-</u>	<u>(1,661)</u>
	<u>\$ 54,797</u>	<u>\$ 58,881</u>

Information about capitalized interest is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Capitalized interest amount	\$ -	\$ 1,661
Capitalization rate	-	1.6%

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
An analysis of depreciation by function		
Operating costs	\$ 333,090	\$ 292,294
Operating expenses	<u>107,079</u>	<u>113,152</u>
	<u>\$ 440,169</u>	<u>\$ 405,446</u>
An analysis of amortization by function		
Operating costs	\$ 1,051	\$ 481
Operating expenses	<u>29,836</u>	<u>18,668</u>
	<u>\$ 30,887</u>	<u>\$ 19,149</u>

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits		
Salaries	\$ 1,935,550	\$ 1,832,427
Labor and health insurance	128,168	116,910
Others	<u>149,737</u>	<u>155,651</u>
	<u>2,213,455</u>	<u>2,104,988</u>
Post-employment benefits		
Defined contribution plans	95,070	64,549
Defined benefit plans (Note 25)	<u>3,277</u>	<u>9,270</u>
	<u>98,347</u>	<u>73,819</u>
	<u>\$ 2,311,802</u>	<u>\$ 2,178,807</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 846,850	\$ 733,458
Operating expenses	<u>1,464,952</u>	<u>1,445,349</u>
	<u>\$ 2,311,802</u>	<u>\$ 2,178,807</u>

g. Employees' compensation and remuneration of directors

According to the Company's Articles, the Company accrued employees' compensation and remuneration of directors at rates of 2% to 6% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and the remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors in March, 2022 and 2021, respectively, are as follows:

1) Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Employees' compensation	3.5%	2.9%
Remuneration of directors	1.5%	1.4%

2) Amount

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 36,960	\$ 42,000
Remuneration of directors	16,000	20,000

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the employees' compensation and remuneration of directors resolved by the

Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Foreign exchange gains	\$ 120,535	\$ 180,904
Foreign exchange losses	<u>(134,828)</u>	<u>(243,138)</u>
	<u>\$ (14,293)</u>	<u>\$ (62,234)</u>

## 29. INCOME TAXES

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current year	\$ 258,473	\$ 353,280
Income tax on unappropriated earnings	-	312
Adjustments for prior years	(22,464)	(15,676)
Repatriation of overseas funds	<u>41,976</u>	<u>30,482</u>
	<u>277,985</u>	<u>368,398</u>
Deferred tax		
In respect of the current year	6,503	(39,363)
Adjustments for prior years	<u>(11,300)</u>	<u>(68,791)</u>
	<u>(4,797)</u>	<u>(29,428)</u>
	<u>\$ 273,188</u>	<u>\$ 338,970</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit before income tax	<u>\$ 1,202,541</u>	<u>\$ 1,606,092</u>
Income tax expense calculated at the statutory rate	\$ 383,653	\$ 472,331
Non-deductible expenses in determining taxable income	1,745	27,725
Tax-exempt income	(13,229)	(9,317)
Temporary differences	(77,337)	(66,274)
Permanent differences	(7,061)	(9,575)
Income tax on unappropriated earnings	-	312
Adjustments for prior year	(33,764)	(84,467)
Tax relief	(22,795)	(22,247)
Repatriation of overseas funds	<u>41,976</u>	<u>30,482</u>
	<u>\$ 273,188</u>	<u>\$ 338,970</u>

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	\$ 39,164	\$ 24,452
Remeasurement of defined benefit plans	<u>(2,892)</u>	<u>(333)</u>
	<u>\$ 36,272</u>	<u>\$ 24,119</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax assets		
Tax refund receivable	<u>\$ 1,910</u>	<u>\$ 2,016</u>
Current tax liabilities		
Income tax payable	<u>\$ 178,428</u>	<u>\$ 251,408</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2021

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Business Combination</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred Tax Assets</u>						
Temporary differences						
Exchange differences on translating the financial statements of foreign operations	\$ 121,954	\$ -	\$ 39,164	\$ -	\$ -	\$ 161,118
Defined benefit obligations	19,780	(5,438)	(2,892)	-	(5)	11,445
Loss on decline in market price of inventories	34,075	8,783	-	-	(351)	42,507
Allowance for impairment loss	3,629	468	-	-	(55)	4,042
Payables for annual leave	4,639	236	-	-	-	4,875
Unrealized gross profit	36,692	(12,869)	-	-	-	23,823
Others	<u>45,445</u>	<u>7,207</u>	<u>-</u>	<u>1,488</u>	<u>(4,802)</u>	<u>49,338</u>
	266,214	(1,613)	36,272	1,488	(5,213)	297,148
Carryforwards	<u>62,448</u>	<u>(9,645)</u>	<u>-</u>	<u>-</u>	<u>(3,442)</u>	<u>49,361</u>
	<u>\$ 328,662</u>	<u>\$ (11,258)</u>	<u>\$ 36,272</u>	<u>\$ 1,488</u>	<u>\$ (8,655)</u>	<u>\$ 346,509</u>
<u>Deferred Tax Liabilities</u>						
Temporary differences						
Foreign investment income	\$ 538,560	\$ (16,031)	\$ -	\$ -	\$ (8)	\$ 522,521
Provision for land appreciation tax	235,087	-	-	-	-	235,087
Others	<u>35</u>	<u>(24)</u>	<u>-</u>	<u>30,350</u>	<u>(1,544)</u>	<u>28,817</u>
	<u>\$ 773,682</u>	<u>\$ (16,055)</u>	<u>\$ -</u>	<u>\$ 30,350</u>	<u>\$ (1,552)</u>	<u>\$ 786,425</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred Tax Assets</u>					
Temporary differences					
Exchange differences on translating the financial statements of foreign operations	\$ 97,502	\$ -	\$ 24,452	\$ -	\$ 121,954
Defined benefit obligations	23,918	(4,132)	(333)	327	19,780
Loss on decline in market price of inventories	29,595	3,771	-	709	34,075
Allowance for impairment loss	4,097	397	-	(865)	3,629
Payables for annual leave	4,157	482	-	-	4,639
Unrealized gross profit	22,114	14,578	-	-	36,692
Others	40,355	3,447	-	1,643	45,445
	221,738	18,543	24,119	1,814	266,214
Carryforwards	66,408	(5,607)	-	1,647	62,448
	<u>\$ 288,146</u>	<u>\$ 12,936</u>	<u>\$ 24,119</u>	<u>\$ 3,461</u>	<u>\$ 328,662</u>
<u>Deferred Tax Liabilities</u>					
Temporary differences					
Foreign investment income	\$ 554,814	\$ (16,290)	\$ -	\$ 36	\$ 538,560
Provision for land appreciation tax	235,087	-	-	-	235,087
Others	256	(202)	-	(19)	35
	<u>\$ 790,157</u>	<u>\$ (16,942)</u>	<u>\$ -</u>	<u>\$ 17</u>	<u>\$ 773,682</u>

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

As of December 31, 2021 and 2020, the taxable temporary differences related to the investment of subsidiaries and unrecognized deferred income tax liabilities were \$202,248 thousand and \$190,948 thousand, respectively.

f. Unused loss carryforwards

Loss carryforwards as of December 31, 2021 comprised:

Unused Amount	Expiry Year
\$ 11,558	2023
18,145	2024
31,891	2025
30,455	2026
86,464	2027
33,300	2028
25,288	2029
70,792	2030
59,773	2031
<u>139,094</u>	Note
<u>\$ 506,760</u>	

Note: Unused loss carryforwards of certain subsidiaries have no expiry years in accordance with local regulations.

g. Income tax assessments

Except for that the income tax returns of the Company and ITLS International Development Co., Ltd. through 2020 have been assessed by the tax authorities, the income tax returns of the Company and domestic subsidiaries through 2019 have been assessed by the tax authorities.

### 30. EARNINGS PER SHARE

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

Net Profit for the Year

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit for the year attributable to owners of the Company	\$ <u>875,780</u>	\$ <u>1,219,753</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	120,571	120,571
Effect of potentially dilutive ordinary shares		
Employees' compensation or bonuses issued to employees	<u>319</u>	<u>361</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>120,890</u>	<u>120,932</u>

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

### 31. BUSINESS COMBINATIONS

Acquisition of business

	<b>Principal Operating Activities</b>	<b>Date of Acquisition</b>
Axis Manufacture Pty Ltd. (Axis)	Production and sale of liquid formulations and compounds	March 15, 2021
Gripset Industries Pty Ltd. (Gripset)	Production and sale of waterproof membranes, protective coatings, adhesives and sealants, etc., related to the construction industry	March 15, 2021

The Group acquired the portfolio of business and asset from its unrelated party, Axis and Gripset (both established in Australia) in March 2021, which includes the inputs and substantive processes which significantly contribute to the ability to create outputs; the acquisition was handled in accordance with IFRS

3: Business Combinations. The purpose of the acquisition was to expand the business and strengthen the product portfolio.

a. Consideration transferred

	<b>Amount</b>
Cash	\$ 203,268
Contingent consideration agreement (Note)	<u>41,248</u>
	<u>\$ 244,516</u>

Note: According to the contingent consideration agreement, if the gross profit from the related products of the acquired portfolio of business and asset meets the promised level from March 2021 to March 2022, the Group should pay additional payment to the seller. The fair value of the obligation at the acquisition date was estimated to be \$41,248 thousand.

b. Assets acquired and liabilities assumed at the date of acquisition

	<b>Amount</b>
Current assets	
Inventories	\$ 39,627
Non-current assets	
Intangible assets	99,864
Property, plant and equipment	1,303
Deferred tax assets	1,488
Current liabilities	
Other current liabilities	(2,436)
Non-current liabilities	
Deferred tax liabilities	<u>(30,350)</u>
	<u>\$ 109,496</u>

c. Goodwill recognized on acquisition

	<b>Amount</b>
Consideration transferred	\$ 244,516
Less: Fair value of identifiable net assets acquired	<u>(109,496)</u>
Goodwill recognized on acquisition	<u>\$ 135,020</u>

The goodwill recognized in the acquisition of Axis and Gripset mainly represents the control premium included in the cost of the combination. In addition, the consideration paid for the combination effectively included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforces. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The total amount of acquired goodwill is not tax-deductible.

Subsidiaries acquired

	<b>Principal Operating Activities</b>	<b>Date of Acquisition</b>	<b>Proportion of Voting Equity Interests Acquired (%)</b>	<b>Consideration Transferred</b>
FlexUP Technologies Corp.	Production and sale of polyimide materials	November 1, 2021	96.87%	<u>\$ 4,546</u>
Earnest Wealth Co., Ltd. with its subsidiary	General investment, Production and sale of adhesives	December 3, 2021	51.11%	<u>\$ 42,958</u>

The Group acquired FlexUP Technologies Corp. and Earnest Wealth Co., Ltd. with its subsidiary in November and December, 2021, respectively. The purpose of the acquisition was to expand the business and strengthen the product portfolio.

- 1) Consideration transferred totaled \$47,504 thousand in cash.
- 2) Assets acquired and liabilities assumed at the date of acquisition

	<b>FlexUP Technologies Corp.</b>	<b>Earnest Wealth Co., Ltd. with its subsidiary</b>	<b>Total</b>
Current assets			
Cash and cash equivalents	\$ 818	\$ 34,912	\$ 35,730
Other current assets	2,265	15,006	17,271
Property, plant and equipment	-	13,215	13,215
Other non-current assets	-	14,096	14,096
Current liabilities			
Other payables	<u>(129)</u>	<u>(3,665)</u>	<u>(3,794)</u>
	<u>\$ 2,954</u>	<u>\$ 73,564</u>	<u>\$ 76,518</u>

c. Non-controlling interests

The non-controlling interests of FlexUP Technologies Corp. and Earnest Wealth Co., Ltd. with its subsidiary recognized at the acquisition date were measured by reference to the fair value of the non-controlling interest and amounted \$144 thousand and \$32,872 thousand, respectively. This fair value was estimated by applying adjustment for market price and the lack of control or lack of marketability that market participants would consider when estimating the fair value of the non-controlling interest.

d. Goodwill recognized on acquisition

	<b>Amount</b>
Consideration transferred	\$ 47,504
Add: Non-controlling interests	33,016
Fair value of original shares	360
Less: Fair value of identifiable net assets acquired	<u>(76,518)</u>
Goodwill recognized on acquisition	<u>\$ 4,362</u>

The goodwill recognized in the acquisition of FlexUP Technologies Corp. and Earnest Wealth Co., Ltd.

with its subsidiary mainly represents the control premium included in the cost of the combination. In addition, the consideration paid for the combination effectively included amounts attributed to the benefits of expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

### 32. EQUITY TRANSACTIONS WITH NON – CONTROLLING INTERESTS IN 2020

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	
	<b>Prince Pharmaceutical Co., Ltd. (a)</b>	<b>Foshan Nan Pao Advanced Materials Co., Ltd. (b)</b>
Cash consideration paid	\$ -	\$ -
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	(1,655)	3,830
	<u>                    </u>	<u>                    </u>
Differences recognized from equity transactions	<u>\$ (1,655)</u>	<u>\$ 3,830</u>
<u>Line items adjusted for equity transactions</u>		
Capital surplus - changes in percentage of ownership interests in subsidiaries	<u>\$ 1,655</u>	<u>\$ (3,830)</u>

- a. In May 2020, Prince Pharmaceutical Co., Ltd. Exercised employee share options, resulting in a decrease in the shareholding ration from 52.3% to 50.51%.
- b. In November 2020, the Group did not subscribe to the issuance of ordinary share in the amount of CNY 15,000 thousand for cash of Foshan Nan Pao Advanced Materials Co., Ltd. in accordance with the shareholding ratio, decreasing its shareholding ratio from 68% to 60.47%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

### 33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will have sufficient financial resources and operating plans to fund its working capital needs, capital asset purchases, research and development expenses, debt service requirements, stock dividends and other business requirements associated with its existing operations.

### 34. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Limited partnership	\$ -	\$ -	\$ 36,135	\$ 36,135

Financial assets at FVTOCI

Investment in equity instruments				
Unlisted shares	\$ -	\$ -	\$ 6,284,859	\$ 6,284,859

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investment in equity instruments				
Unlisted shares	\$ -	\$ -	\$ 1,109,267	\$ 1,109,267

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

Financial assets at FVTPL

	<u>For the Year Ended December 31 2021</u>
Balance at January 1	\$ -
Recognized in profit or loss	11,135
Purchases	<u>25,000</u>
Balance at December 31	<u>\$ 36,135</u>

Financial assets at FVTOCI

	<u>For the Year Ended December 31</u>	
	2021	2020
Balance at January 1	\$ 1,109,267	\$ 976,745
Recognized in other comprehensive income (included in unrealized valuation gain or loss on financial assets at FVTOCI)	5,125,642	127,882
Reclassification to the investments accounted for using the equity method	(360)	-
Purchases	51,178	5,330
Proceeds from capital reduction	(868)	(315)
Dividends paid from capital surplus	<u>-</u>	<u>(375)</u>
Balance at December 31	<u>\$ 6,284,859</u>	<u>\$ 1,109,267</u>

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

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

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets</u>		
Financial asset at amortized cost (1)	\$ 8,909,346	\$ 8,805,518
Financial asset at FVTPL - Mandatorily classified as at FVTPL	36,135	-
Financial asset at FVTOCI - Equity instrument	6,284,859	1,109,267
<u>Financial liabilities</u>		
Amortized cost (2)	7,793,827	6,186,583

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

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, accounts receivable, accounts payable, borrowings and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

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

1) Market risk

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

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the year are set out in Note 38.

Sensitivity analysis

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

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

	<b>USD Impact</b>		
	<b>For the Year Ended December 31</b>		
	<b>2021</b>	<b>2020</b>	
Profit (loss)	\$ 9,031	\$ 8,075	i
	<b>VND Impact</b>		
	<b>For the Year Ended December 31</b>		
	<b>2021</b>	<b>2020</b>	
Profit (loss)	\$ 4,584	\$ 8,183	ii

- i. This was mainly attributable to the exposure on outstanding cash and cash equivalents, accounts receivable and payables and borrowings in USD that were not hedged at the end of the year. The Group's sensitivity to foreign currency was not changed significantly during the current year.
- ii. This was mainly attributable to the exposure on outstanding cash and cash equivalents in VND that were not hedged at the end of the year. The reason of change is the amount of cash in VND decreased.

b) Interest rate risk

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

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value interest rate risk		
Financial assets	\$ 865,927	\$ 1,068,554
Financial liabilities	550,223	556,883
Cash flow interest rate risk		
Financial assets	3,371,404	3,396,918
Financial liabilities	4,285,895	3,071,795

#### Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. If interest rates had been 0.25% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 and 2020 would increase/decrease by \$10,715 thousand and \$7,679 thousand, respectively, which was mainly a result of variable-rate borrowings.

#### c) Other price risk

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

#### 2) Credit risk

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

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

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

	<b>December 31</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Group A	\$ 322,182	8	\$ 288,565	8

#### 3) Liquidity risk

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

The Group's working capital and the credit line which the Group has obtained are sufficient to

support future operational needs, so there is no liquidity risk due to the inability to raise funds to fulfill contractual obligations.

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

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

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

December 31, 2021

	<b>Less than 1 Year</b>	<b>1 - 5 Years</b>	<b>Over 5 Years</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 3,503,734	\$ 4,198	\$ -
Lease liabilities	90,029	179,462	398,513
Fixed interest rate liabilities	73,261	-	-
Variable interest rate liabilities	<u>2,289,915</u>	<u>1,727,310</u>	<u>246,658</u>
	<u>\$ 5,956,939</u>	<u>\$ 1,910,970</u>	<u>\$ 645,171</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>6-10 Years</b>	<b>11-20 Years</b>	<b>Over 21 Years</b>
Lease liabilities	<u>\$ 90,029</u>	<u>\$ 179,462</u>	<u>\$ 159,137</u>	<u>\$ 138,767</u>	<u>\$ 100,609</u>

December 31, 2020

	<b>Less than 1 Year</b>	<b>1 - 5 Years</b>	<b>Over 5 Years</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 3,110,880	\$ 3,908	\$ -
Lease liabilities	93,174	156,705	390,799
Fixed interest rate liabilities	87,296	-	-
Variable interest rate liabilities	<u>1,323,972</u>	<u>1,468,311</u>	<u>252,632</u>
	<u>\$ 4,615,322</u>	<u>\$ 1,628,924</u>	<u>\$ 643,431</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>6-10 Years</b>	<b>11-20 Years</b>	<b>Over 21 Years</b>
Lease liabilities	<u>\$ 93,174</u>	<u>\$ 156,705</u>	<u>\$ 156,973</u>	<u>\$ 178,755</u>	<u>\$ 55,071</u>

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

b) Financing facilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Unsecured bank overdraft facilities, reviewed annually and payable at call:		
Amount used	\$ 3,935,385	\$ 2,670,447
Amount unused	<u>5,560,540</u>	<u>6,509,431</u>
	<u>\$ 9,495,925</u>	<u>\$ 9,179,878</u>
Secured bank overdraft facilities :		
Amount used	\$ 479,854	\$ 502,226
Amount unused	<u>257,302</u>	<u>359,065</u>
	<u>\$ 737,156</u>	<u>\$ 861,291</u>

### 35. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

Name of Related Party	Related Party Category
Total Acrylic Polymer Industry (Tapi) Corporation	Associate
Pou Chen Corporation and Subsidiaries	Investors with significant influence
Opulence Optronics Co., Ltd.	The Group is an executive of the Company
Shenglin Investment Co., Ltd.	Other related party

b. Sales of goods

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Related Party Category		
Investors with significant influence	\$ <u>1,034,962</u>	\$ <u>1,041,449</u>

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

c. Purchases of goods

	<u>For the Year Ended December 31</u>	
	2021	2020
Related Party Category		
Associate	\$ <u>4,348</u>	\$ <u>14,266</u>

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

d. Receivables from related parties

Line Item	Related Party Category / Name	<u>December 31</u>	
		2021	2020
Accounts receivable	Investors with significant influence Pou Chen Corporation and Subsidiaries	\$ <u>322,182</u>	\$ <u>288,565</u>

The outstanding accounts receivable from related parties are unsecured.

e. Payables to related parties

Line Item	Related Party Category	<u>December 31</u>	
		2021	2020
Accounts payable	Associate	\$ <u>-</u>	\$ <u>698</u>
Other payables	Investors with significant influence	\$ <u>129</u>	\$ <u>129</u>

The outstanding accounts payable to related parties are unsecured.

f. Others - refund liabilities

Line Item	Related Party Category / Name	<u>December 31</u>	
		2021	2020
Other current liabilities	Investors with significant influence Pou Chen Corporation and Subsidiaries	\$ <u>62,274</u>	\$ <u>82,098</u>

g. Lease arrangements - the Group is lessee

Line Item	Related Party Category / Name	<u>For the Year Ended December 31, 2021</u>
Lease expense	Other related party	\$ <u>1,371</u>

h. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 55,541	\$ 63,688
Post-employment benefits	<u>2,118</u>	<u>2,319</u>
	<u>\$ 57,659</u>	<u>\$ 66,007</u>

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

**36. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY**

The following assets are provided as collateral for tariff, letters of credit, long-term and short-term bank borrowings:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 675,459	\$ 639,008
Pledged time deposits (Financial assets measured at amortized cost)	25,264	9,787
Right-of-use assets	<u>-</u>	<u>16,305</u>
	<u>\$ 700,723</u>	<u>\$ 665,100</u>

**37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group at December 31, 2021 and 2020 were as follows:

- a. As of December 31, 2021 and 2020, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$127,133 thousand and \$92,191 thousand, respectively.
- b. Unrecognized commitments are as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Acquisition of property, plant and equipment	\$ 357,452	\$ 660,431
Acquisition of raw material	<u>84,066</u>	<u>84,011</u>
	<u>\$ 441,518</u>	<u>\$ 744,442</u>

- c. Material Lawsuits

The Company had won the bid for land, plant, and machinery equipment owned by He Kui Chemical Company from Changhua District Court in 2007 and sold the above assets to its subsidiary, Nan Pao Chemical Co., Ltd., for production purposes. On January 31, 2008, third-party Fu-chien Management

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

Based on the ruling of the Changhua District Court, He Kui Chemical Company argued for ownership of machinery equipment in the plant. Based on the aforementioned litigation, He Kui Chemical Company filed for an indemnity lawsuit against Nan Pao Chemical Co., Ltd. for damage caused by use of machinery equipment, and sought for indemnity of \$53,102 thousand. Nevertheless, the amount that He Kui Chemical Company claimed for was based on the purchase price of machinery equipment, and did not factor in depreciation based on the useful life of property, plant, and equipment. The batch of machinery was purchased in the 1990s and early 2000s, with surplus value under \$53,102 thousand. The Company has appropriated a liability reserve of \$38,445 thousand based on the remaining value.

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

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

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

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 52,973	27.68 (USD:NTD)	\$ 1,466,305
USD	8,092	6.37 (USD:CNY)	223,987
USD	9,618	13,980 (USD:IDR)	266,227
USD	4,461	7.7994 (USD:HKD)	123,489
VND	612,646,288	0.000044 (VND:USD)	740,630
			(Continued)

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial liabilities</u>			
Monetary items			
USD	25,538	27.68 (USD:NTD)	706,889
USD	2,663	6.37 (USD:CNY)	73,717
USD	3,907	7.7994 (USD:HKD)	108,153
USD	7,156	13,980 (USD:IDR)	198,075
USD	3,254	4.1723 (USD:MYR)	90,066
VND	231,353,023	0.000044 (VND:USD)	282,263
			(Concluded)

December 31, 2020

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 44,287	28.48 (USD:NTD)	\$ 1,261,294
USD	7,757	6.5171 (USD:CNY)	220,646
USD	7,622	14,030 (USD:IDR)	217,078
USD	5,972	7.75 (USD:HKD)	170,102
VND	840,813,025	0.000043 (VND:USD)	1,031,973

Financial liabilities

Monetary items			
USD	19,653	28.2 (USD:NTD)	554,219
USD	1,939	6.52 (USD:CNY)	55,237
USD	5,824	7.7539 (USD:HKD)	165,854
USD	6,775	14,030 (USD:IDR)	192,966
USD	3,274	4.01 (USD:MYR)	93,296
VND	173,150,789	0.000043 (VND:USD)	213,705

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

Functional Currency	For the Year Ended December 31			
	2021		2020	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	28.009(USD:NTD)	\$ 18,394	29.549(USD:NTD)	\$ 783
NTD	1(NTD:NTD)	(17,118)	1(NTD:NTD)	(51,606)
CNY	4.341(CNY:NTD)	(9,284)	4.282(CNY:NTD)	(26,487)
SGD	20.85(SGD:NTD)	28	21.43(SGD:NTD)	30
AUD	21.06(AUD:NTD)	(6,215)	20.395(AUD:NTD)	3,351
IDR	0.00198(IDR:NTD)	(716)	0.00205(IDR:NTD)	4,880
VND	0.0012(VND:NTD)	(208)	0.0013(VND:NTD)	518
Others		<u>826</u>		<u>6,297</u>
		<u>\$ (14,293)</u>		<u>\$ (62,234)</u>

### 39. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

b. Information on investees (Table 5)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 6)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 7):
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
  - c) The amount of property transactions and the amount of the resultant gains or losses
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes
  - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
  - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- d. Information of major shareholders : List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

#### 40. SEGMENT INFORMATION

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

a. Segment revenue and results

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

	Taiwan	Mainland China	Vietnam	Australia	Other Regions	Adjustments and Write-Off	Total
<i>For the year ended December 31, 2021</i>							
Revenue							
Revenue from external customers	\$ 3,696,575	\$ 6,228,176	\$ 4,070,701	\$ 2,322,106	\$ 1,662,449	\$ -	\$ 17,980,007
Inter segment revenue	<u>2,626,895</u>	<u>1,233,226</u>	<u>496,671</u>	<u>4,805</u>	<u>51,420</u>	<u>(4,413,017)</u>	<u>-</u>
Total revenue	\$ <u>6,323,470</u>	\$ <u>7,461,402</u>	\$ <u>4,567,372</u>	\$ <u>2,326,911</u>	\$ <u>1,713,869</u>	\$ <u>(4,413,017)</u>	\$ <u>17,980,007</u>
Segment income	\$ <u>294,616</u>	\$ <u>179,203</u>	\$ <u>224,955</u>	\$ <u>100,414</u>	\$ <u>126,598</u>	\$ <u>126,408</u>	\$ 1,052,194
Interest income							41,617
Other income							137,748
Other gains and losses							(7,445)
Finance costs							(54,797)
Share of profit of associates accounted for using the equity method							33,224
Profit before tax							\$ <u>1,202,541</u>

(Continued)

	Taiwan	Mainland China	Vietnam	Australia	Other Regions	Adjustments and Write-Off	Total
<u>For the year ended December 31, 2020</u>							
Revenue							
Revenue from external customers	\$ 3,089,778	\$ 5,511,179	\$ 3,747,259	\$ 1,994,353	\$ 1,208,775	\$ -	\$ 15,551,344
Inter segment revenue	<u>2,238,103</u>	<u>1,119,621</u>	<u>535,890</u>	<u>8,933</u>	<u>30,120</u>	<u>(3,932,667)</u>	<u>-</u>
Total revenue	\$ <u>5,327,881</u>	\$ <u>6,630,800</u>	\$ <u>4,283,149</u>	\$ <u>2,003,286</u>	\$ <u>1,238,895</u>	\$ <u>(3,932,667)</u>	\$ <u>15,551,344</u>
Segment income	\$ <u>551,482</u>	\$ <u>319,932</u>	\$ <u>507,904</u>	\$ <u>67,873</u>	\$ <u>93,698</u>	\$ <u>(39,189)</u>	\$ 1,501,700
Interest income							48,683
Other income							157,392
Other gains and losses							(90,898)
Finance costs							(58,881)
Share of profit of associates accounted for using the equity method							48,096
Profit before tax							\$ <u>1,606,092</u>

(Concluded)

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

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

b. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Adhesives	\$ 12,673,295	\$ 11,146,318
Construction materials	2,778,904	2,181,039
Coatings	1,753,614	1,546,681
Others	<u>774,194</u>	<u>677,306</u>
	\$ <u>17,980,007</u>	\$ <u>15,551,344</u>

c. Geographical information

The Group operates in three principal geographical areas - Taiwan (ROC), China and Southeast Asia.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	<b>Revenue from External Customers</b>	
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Asia	\$ 12,388,596	\$ 11,119,345
Taiwan	2,980,570	2,369,732
Oceania	2,323,211	1,805,382
America	82,732	95,248
Africa	53,349	50,194
Europe	<u>151,549</u>	<u>111,443</u>
	\$ <u>17,980,007</u>	\$ <u>15,551,344</u>

	<b>Non-current Assets</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Taiwan	\$ 3,508,417	\$ 3,571,540
Mainland China	830,250	940,655
Southeast Asia	1,369,638	1,264,905
Australia	<u>773,256</u>	<u>761,087</u>
	<u>\$ 6,481,561</u>	<u>\$ 6,538,187</u>

Non-current assets exclude financial instruments (excluding investment for using the equity method) and deferred tax assets.

**TABLE 1**

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

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2 & 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2 & 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship(N ote 1)										
0	Nan Pao Resins Chemical Co., Ltd.	Phymed Bio-Tec Co., Ltd.	2	\$ 3,055,569	\$ 10,000	\$ -	\$ -	\$ -	-	\$ 7,638,924	Y	N	N
		Nan Pao Philippines Export, Inc.	2	3,055,569	14,268	13,840	-	-	0.09	7,638,924	Y	N	N
		ITLS International Development Co., Ltd.	2	3,055,569	20,000	-	-	-	-	7,638,924	Y	N	N
		Nan Pao Resins Chemical Philippines Inc.	2	3,055,569	28,535	27,680	-	-	0.18	7,638,924	Y	N	N
		Nan Pao Resins International Ltd.	2	3,055,569	71,338	-	-	-	-	7,638,924	Y	N	N
		Nan Pao Group Holdings Ltd.	2	3,055,569	57,070	55,360	-	-	0.36	7,638,924	Y	N	N
		RLA Polymers (M) SDN BHD	2	3,055,569	85,605	83,040	71,196	-	0.54	7,638,924	Y	N	N
		Nan Pao Resins (HK) Limited	2	3,055,569	128,408	-	-	-	-	7,638,924	Y	N	N
		RLA Polymers Pty Ltd.	2	3,055,569	228,280	221,440	118,472	-	1.45	7,638,924	Y	N	N
		RLA Polymers (M) SDN BHD	2	3,055,569	114,140	110,720	6,637	-	0.72	7,638,924	Y	N	N
		Nan Pao New Materials (Huaian) Co., Ltd.	2	3,055,569	131,520	130,320	18,161	-	0.85	7,638,924	Y	N	Y
		Nan Pao Fine Materials Co., Ltd.	2	3,055,569	20,000	20,000	20,000	-	0.13	7,638,924	Y	N	N
		Nan Pao New Materials (Huaian) Co., Ltd.	2	3,055,569	218,000	217,200	-	-	1.42	7,638,924	Y	N	Y
		Nan Pao New Materials (Huaian) Co., Ltd.	2	3,055,569	130,800	86,880	7,559	-	0.57	7,638,924	Y	N	Y
		Nan Pao Fine Materials Co., Ltd.	2	3,055,569	-	-	-	-	-	7,638,924	Y	N	N
		Nan Pao Fine Materials Co., Ltd.	2	3,055,569	30,000	30,000	10,000	-	0.2	7,638,924	Y	N	N
		1	NP Australia Pty Ltd.	RLA Polymers Pty Ltd.	2	3,055,569	200,800	200,800	-	-	1.31	7,638,924	Y
RLA Polymers Pty Ltd.	2			-	108,388	-	-	-	-	-	N	N	N

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

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

Note 2: The limit on endorsement/guarantee given on behalf of each party is 20% of the Company's net value at the end of the period, while the aggregate endorsement/guarantee limit is 50% of the Company's net value.

Note 3: A company that directly and indirectly with an investment company may not certify a single enterprise.

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

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Nan Pao Resins Chemical Co., Ltd.	CDIB - Innolux Limited Partnership	None	Financial assets at fair value through profit or loss - non-current	-	\$ 36,135	9	\$ 36,135	
	Dairen Chemical Corp. - publicly owned company	None	Financial assets at fair value through other comprehensive income - non-current	6,515,606	\$ 6,226,769	2	\$ 6,226,769	
	Hua Chi Venture Capital Co., Ltd. - privately-issued equity	"	"	7,895	1,978	1	1,978	
	Opulence Optronics Co., Ltd. - privately-issued equity	"	"	1,754,417	2,352	13	2,352	
	Revivegen Environmental Technology Co., Ltd. - privately-issued equity	"	"	422,126	16,556	2	16,556	
	Contact Organics Pty Ltd- privately-issued equity	"	"	2,312	7,249	15	7,249	
					<u>\$ 6,254,904</u>		<u>\$ 6,254,904</u>	
Nan Pao Chemical Co., Ltd.	Ace Chemical Corp. -privately-issued equity	None	Financial assets at fair value through other comprehensive income - non-current	995,165	\$ 29,955	10	\$ 29,955	

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

Note 2: Please see Tables 5 and 6 for information on investments in subsidiaries and associates.

**TABLE 3**

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

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount (Note)	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note)	% of Total	
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Subsidiary	Sale	\$ 1,038,355	19	Payment within 90 days	Similar to general transactions	Similar to general transactions	\$ 347,247	27	
	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Subsidiary	Sale	388,591	7	Payment within 90 days	Similar to general transactions	Similar to general transactions	124,559	10	
	Nan Pao Materials Vietnam Co., Ltd.	Subsidiary	Sale	211,705	4	Payment within 90 days	Similar to general transactions	Similar to general transactions	99,402	8	
	Nan Pao Resins (HK) Limited	Subsidiary	Sale	220,245	4	Telegraphic transfer within 90 days	Similar to general transactions	Similar to general transactions	61,983	5	
	Nan Pao Resins (Foshan) Co., Ltd.	Subsidiary	Sale	246,653	5	Payment within 90 days	Similar to general transactions	Similar to general transactions	78,300	6	
Nan Pao Resins (Vietnam) Enterprise Ltd.	Nan Pao Resins International Ltd.	Same ultimate Parent Company	Sale	154,467	6	Payment within 90 days	Similar to general transactions	Similar to general transactions	36,955	7	
Nan Pao Resins (Dongguan) Co., Ltd.	Nan Pao Resins (HK) Limited	Same ultimate Parent Company	Processing Revenue	341,514	100	Payment within 90 days	No comparable produce sales for comparison	No third-party transaction for comparison	-	-	
Nan Pao Materials Vietnam Co., Ltd.	Nan Pao Resins International Ltd.	Same ultimate Parent Company	Sale	122,522	10	Payment within 90 days	Similar to general transactions	Similar to general transactions	29,500	10	
Fuqing Nan Pao Resins Co., Ltd.	Nan Pao Resins (China) Co., Ltd.	Same ultimate Parent Company	Sale	111,038	22	Payment within 90 days	Similar to general transactions	Similar to general transactions	24,152	22	
Nan Pao Resins (Foshan) Co., Ltd.	Fuqing Nan Pao Resins Co., Ltd.	Same ultimate Parent Company	Sale	129,909	6	Payment within 90 days	Similar to general transactions	Similar to general transactions	35,894	7	
Nan Pao Resins International Ltd.	Pou Chen Corporation and Subsidiaries	Investors with significant influence	Sale	282,237	99	Payment within 60 days	Similar to general transactions	Similar to general transactions	78,477	99	
PT. Indo Nan Pao Resins Chemical Co., Ltd.	Pou Chen Corporation and Subsidiaries	Investors with significant influence	Sale	397,297	35	Telegraphic transfer within 90 days	Similar to general transactions	Similar to general transactions	153,946	40	
Nan Pao Resins (Foshan) Co., Ltd.	Pou Chen Corporation and Subsidiaries	Investors with significant influence	Sale	100,958	5	Payment within 45 ~ 90 days	Similar to general transactions	Similar to general transactions	27,839	5	

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

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

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Subsidiary	\$ 347,247	2.28	\$ -	-	\$ 115,560	\$ -
	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Subsidiary	124,559	3.35	-	-	90,253	-
PT. Indo Nan Pao Resins Chemical Co., Ltd.	Pou Chen Corporation and Subsidiaries	Investors with significant influence	153,946	2.93	-	-	71,631	443

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

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

## INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Chemical Co., Ltd.	No.12, Nanhai, Nanhai Vil., Xigang Dist., Tainan City	Trading of chemical substances	\$ 300,000	\$ 300,000	15,000,000	100	\$ 178,317	\$ (2,151)	\$ 271	
	Nan Pao Application Material Co., Ltd.	No.12, Nanhai, Nanhai Vil., Xigang Dist., Tainan City	Trading of chemical substances	60,000	60,000	200,000	100	8,635	(608)	(608)	
	Nan Pao Electronic Material Company	No.510, Zhongshan Rd., Xigang Dist, Tainan City	Production and trading of electronic materials	63,540	63,540	4,000,000	100	52,608	4,482	4,482	
	ITLS International Development Co., Ltd.	3F, No.356, Sec.1, NeiHu Rd., Taipei City	Trading of construction materials and chemical substances	755,000	755,000	30,500,000	100	284,781	15,055	11,498	
	Prince Pharmaceutical Co., Ltd.	No. 168, Keyun S. Rd., Kendi Vil., Huwei Township, Yunlin County	Manufacturing, packaging, and processing of raw materials for various pharmaceutical and health food	324,683	324,683	16,767,305	50.51	337,334	(8,301)	(4,193)	
	Phymed Bio-Tec Co., Ltd.	No.12, Nanhai, Nanhai Vil., Xigang Dist., Tainan City	R&D and trading of health food	34,000	16,000	2,400,000	100	20,803	91	91	
	Biorich Biotechnology Co., Ltd.	3F, No.356, Sec.1, NeiHu Rd., Taipei City	R&D, production, and trading of new high protein business and health food	64,121	64,121	391,462	57.1	8,661	1,270	725	
	Nan Pao Advanced Materials Co., Ltd.	No. 521, Zhongshan Rd., Xigang Dist, Tainan City	Trading of adhesives and chemicals	3,500	3,500	350,000	70	7,392	4,200	2,940	
	Progroups Technology Co., Ltd.	No.12, Nanhai, Nanhai Vil., Xigang Dist., Tainan City	Trading of water-based PU resin	70,814	70,814	459,950	91.99	69,628	(2,964)	(693)	
	Nan Pao Fine Materials Co., Ltd.	No.217, Xinxing St., 4 Neighborhood, Qingan Vil., Xigang Dist., Tainan City	Production and trading of adhesives and chemicals	13,750	13,750	1,375,000	55	13,852	6,034	169	
	Total Acrylic Polymer Industry (TAPI) Corporation	12F., No. 117, Sec. 2, Chongqing N. Rd., Datong Dist., Taipei City	Production and trading of chemical materials including adhesives and resins	120,000	120,000	1,500,000	30	378,477	110,747	33,224	
	FlexUP Technologies Corp.	5F., No. 5, Ln. 569, Bo'ai St., Zhubei City, Hsinchu County	Production and trading of polyimide materials	21,094	21,094	16,352,173	96.87	4,008	(926)	(897)	
	Fuqing Nan Pao Investment Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	166,699	166,699	4,990,000	100	215,925	26,099	26,099	
	Thai Nan Pao Investment Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	169,909	169,909	5,282,000	100	166,634	6,363	6,363	
	Nan Pao Resins India Pvt Ltd.	204, Abhishek, off New Link Road, Andheri ( W ) , Mumbai 400053, India	Trading of adhesives	16,499	16,499	3,000,000	100	26,945	1,552	1,552	
	Nan Pao Materials Vietnam Co., Ltd.	LotA4, A5, A10, A11 Daden Industrial Park, Thu Dau Mot City, Binh Duong Province, Vietnam	Production and trading of adhesives and chemicals	685,094	685,094	-	100	926,258	90,430	89,809	
	Nan Pao Advanced Materials Vietnam Co., Ltd.	Phuc Son Industrial Area, Ninh Phuc Commune, Ninh Binh City, Ninh Binh province	Production and trading of adhesives and chemicals	465,970	465,970	-	100	401,110	22,362	22,362	
	Nan Pao Overseas Holdings Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	2,363,585	2,525,110	78,056,502	100	3,883,200	182,528	188,927	
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General investment	186,588	186,588	983,333	73.75	800,321	163,489	122,969	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	All Saints Enterprises Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	143,375	143,375	5,452,549	54.53	219,589	5,883	3,209	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
Ongoing Profits Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	46,426	46,426	1,560,000	32.18	180,455	117,665	38,429	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares	
PT. Indo Nan Pao Resins Chemical Co., Ltd.	Jl. Pajajaran Raya No.44, Jatiuwung Tangerang 15137, Indonesia	Production and trading of adhesives	39,276	39,276	2,756,250	49	230,510	86,147	42,212	Nan Pao Resins Chemical Co., Ltd. and related companies hold 67.5% of voting shares	
Nan Pao Philippines Export Inc.	Lot IL-2 Subic Bay Gateway Park Phase II, Subic Bay Freeport Zone	Trading of adhesives	14,993	14,993	25,750,000	100	12,579	(247)	(247)		
Nan Pao Resins Chemical (Bangladesh) Co., Ltd.	House No. 42 5 <sup>th</sup> floors, Lake drive Road, Sector 7, Uttara, Dhaka	Trading of adhesives	4,193	-	300,000	100	4,063	-	-		
Earnest Wealth Co., Ltd.	Level 2, Lotemau Centre Building, Vaea Street, Apia, Samoa	General investment	42,958	-	920,000	51.1	42,690	(217)	(111)		

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
ITLS International Development Co., Ltd.	ITLS Holding Pte. Ltd. Aftek Materials Vietnam Co., Ltd.	Blk 1049, Eunus Avenue 6, #01-132, Singapore 409628 No. 16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	General investment Production and trading of construction materials	\$ 545,462 49,172	\$ 545,462 49,172	24,064,549 -	100 70	\$ 131,919 27,023	\$ (1,705) (5,775)		
Fuqing Nan Pao Investment Ltd.	Wealth Castle Development Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	126,221 (USD 4,560,000)	126,221 (USD 4,560,000)	10,000	100	216,403	26,184		
Thai Nan Pao Investment Ltd.	Thai Nanpao Resins Chemical Co., Ltd.	412 Kor Soi, 1cBangpoo Industrial Tumbon Preaksa Ampur Muang Samutprakarn 10280, Thailand	Production and trading of adhesives	154,442 (USD 5,578,821)	154,442 (USD 5,578,821)	21,197,000	100	123,068	6,432		
Earnest Wealth Co., Ltd.	Apex Polytech Co., Ltd.	Lot T29-15A Street 7, Protrade International Industrial Park, An Tay Commune, Ben Cat Town, Binh Duong, Vietnam.	Production and trading of adhesives	59,512 (USD 2,150,000)	29,064 (USD 1,050,000)	-	100	59,482	(217)		
Nan Pao Overseas Holdings Ltd.	Nan Pao Group Holdings Ltd.	4 <sup>th</sup> Floor, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Islands	General investment	2,160,604 (USD 78,056,502)	2,028,958 (USD 73,300,502)	78,056,502	100	3,947,165	182,628		
ITLS Holding Pte. Ltd.	PT. ITLS Indonesia	Jl. Pajajaran Raya No. 44, Kel. Gandasari, Kec. Jatiuwung, Tangerang-15137 Indonesia	Production and trading of construction materials	70,075 (USD 2,531,620)	70,075 (USD 2,531,620)	2,437,109	100	17,160	(1,181)		
	ITLS Vietnam Co., Ltd.	No.16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and trading of construction materials	120,505 (USD 4,353,487)	120,505 (USD 4,353,487)	-	100	70,519	(296)		
Nan Pao Group Holdings Ltd.	Greatwill Materials (HK) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	34,877 (USD 1,260,000)	34,877 (USD 1,260,000)	7,172	67.68	429,652	50,604		
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General investment	52,250 (USD 1,887,627)	52,250 (USD 1,887,627)	350,000	26.25	288,098	163,489	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares	
	Nan Pao Resins (Holdings) Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	582,777 (USD 21,054,073)	582,777 (USD 21,054,073)	10,000	100	326,732	1,643		
	All Saints Enterprises Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	147,620 (USD 5,333,075)	147,620 (USD 5,333,075)	4,547,451	45.47	183,105	5,883	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares	
	NP Australia Pty. Ltd.	Collins Square Tower Five Level 22, 727 Collins Street, Docklands VIC 3008	General investment	606,704 (AUD 30,214,354)	506,304 (AUD 25,214,354)	30,214,354	100	797,552	58,333		
	Ongoing Profits Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	106,203 (USD 3,836,817)	106,203 (USD 3,836,817)	3,287,546	67.82	432,783	117,665	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares	
	Treasure Wealth (HK) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	127,605 (USD 4,610,000)	127,605 (USD 4,610,000)	4,610	100	167,152	4,351		
	Goldford Investments Ltd.	Creque Building, P.O. Box 116, Road Town, Tortola, British Virgin Islands	General investment	16,188 (USD 584,844)	16,188 (USD 584,844)	486,000	100	91,045	13,658		
	Nan Pao Resins Chemical Philippines, Inc.	Road 22 Phase 11, Cogejo Village, Antipolo City, Philippines	Trading of adhesives	5,813 (USD 210,000)	5,813 (USD 210,000)	9,000	100	70,317	11,465		
	Nan Pao Resins International Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Trading of chemical substances and related products	710 (HKD 200,000)	710 (HKD 200,000)	1,000	100	20,090	10,988		
	Nan Pao Resins (HK) Limited	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Production and trading of adhesives	481,632 (USD 17,400,000)	426,272 (USD 15,400,000)	17,400,000	100	435,767	(26,313)		
Profit Land Ltd.	Giant Profit Development Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	221,440 (USD 8,000,000)	221,440 (USD 8,000,000)	10,000	100	1,088,963	163,516		
Nan Pao Resins (Holdings) Ltd.	Eastlion Enterprises Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	153,350 (USD 5,540,100)	153,350 (USD 5,540,100)	20,240	100	184,374	(11,487)		
	Nan Pao Resins Development Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	83,040 (USD 3,000,000)	83,040 (USD 3,000,000)	3,000	100	135,759	13,139		
All Saints Enterprises Ltd.	Great Mount Enterprises Ltd.	Unit 2102, 21/F The Broadway, No., 54-62 Lockhart, Road, Wanchai, Hong Kong	General investment	276,800 (USD 10,000,000)	276,800 (USD 10,000,000)	10,000	100	398,878	5,968		
NP Australia Pty Ltd.	RLA Polymers Pty. Ltd.	Collins Square Tower Five Level 22, 727 Collins Street, Docklands VIC 3008	Production and trading of construction materials and chemical substances	428,394 (AUD 21,334,344)	327,994 (AUD 16,334,344)	16,552,080	100	456,341	54,398		
Ongoing Profits Ltd.	Rising Sun Associates Ltd.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Island	General investment	134,180 (USD 4,847,546)	134,180 (USD 4,847,546)	3,000,000	100	636,694	117,760		
Treasure Wealth (HK) Ltd.	Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Kcn Nhon Trach II, Xa Hiep Phuoc, Huyen Nhon Trach, Tinh Dong Nai, Vietnam	Production and trading of coatings	127,051 (USD 4,590,000)	127,051 (USD 4,590,000)	-	50	160,764	9,068		
Goldford Investments Ltd.	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Jl. Pajajaran Raya No. 44, Jatiuwung Tangerang 15137, Indonesia	Production and trading of adhesives	2,060 (IDR 1,040,625,000)	2,060 (IDR 1,040,625,000)	1,040,625	18.5	90,533	86,147	Nan Pao Resins Chemical Co., Ltd. and related companies hold 67.5% of voting shares	
Rising Sun Associates Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	10 Thong Nhat Boulevard, Song Than 2 Industrial Park Di An Town, Binh Duong Province, S.R Vietnam	Production and trading of adhesives	94,339 (USD 3,408,217)	94,339 (USD 3,408,217)	-	100	634,135	117,844		
RLA Polymers Pty Ltd.	RLA Polymers (M) SDN BHD	No.5, Lebuhraya Petai, Pandamaran, 42000 Port Klang, Selangor Darul Ehsan, Malaysia	Production and trading of construction materials and chemical substances	119,914 (AUD 5,971,801)	119,914 (AUD 5,971,801)	18,415,500	100	166,488	2,872		

(Concluded)

Note 1: The Company is only required to list the amount of profit and loss of each of the subsidiaries and each investee that is accounted for using the equity method. The rest of the information can be exempted.  
Note 2: Please refer to Table 6 for information on investees in mainland China.

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

### INFORMATION ON INVESTMENTS IN MAINLAND CHINA FOR THE YEAR ENDED DECEMBER 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 4)	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 (Note 4)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
Nan Pao Resins (China) Co., Ltd.	Production and trading of adhesives and coatings	\$ 276,800 (USD 10,000,000)	(2) Great Mount Enterprises Ltd.	\$ 298,665 (USD 10,789,932)	\$ -	\$ -	\$ 298,665 (USD 10,789,932)	\$ 5,975	100	\$ 5,975 (2)B.	\$ 398,756	\$ -
Fuqing Nan Pao Resins Co., Limited	Production and trading of adhesives	126,221 (USD 4,560,000)	(2) Wealth Castle Development Ltd.	138,123 (USD 4,990,000)	-	-	138,123 (USD 4,990,000)	26,322	100	26,322 (2)B.	215,721	164,643
Nan Pao Resins (Dongguan) Co., Ltd.	Processing of adhesive products	74,736 (USD 2,700,000)	(2) Eastlion Enterprises Ltd.	70,359 (USD 2,541,860)	-	-	70,359 (USD 2,541,860)	(8,208)	100	(8,208) (2)B.	136,387	-
Dongguan Jiaqin Electronics Co., Ltd.	Production and trading of coatings and advanced resins	83,040 (USD 3,000,000)	(2) Nan Pao Resins Development Ltd.	84,830 (USD 3,064,683)	-	-	84,830 (USD 3,064,683)	13,139	100	13,139 (2)B.	135,744	-
Foshan Nan Pao Advanced Materials Co., Ltd.	Production and trading of adhesives	46,693 (USD 1,686,900)	(2) Greatwill Materials (HK) Ltd. and Nan Pao Resins (Foshan) Co., Ltd.	-	-	-	-	56,844	60.47	34,373 (2)B.	432,428	-
Nan Pao Resins (Foshan) Co., Ltd.	Production and trading of adhesives	221,440 (USD 8,000,000)	(2) Giant Profit Development Ltd.	215,562 (USD 7,787,627)	-	-	215,562 (USD 7,787,627)	163,552	100	163,552 (2)B.	1,088,046	331,702
Goaden Nan Pao Materials Technology Co., Ltd.	Trading of footwear materials	21,720 (RMB 5,000,000)	(3) Nan Pao Resins (Foshan) Co., Ltd.	-	-	-	-	167	51	85 (2)B.	15,792	-
Gangyi Electronic (Dongguan) Co., Ltd. (Note 5)	Production and trading of magnetic covers, magnetic rings, iron cores and electronic components	-	(2) Qang Yi Electronic Factory Company Ltd.	11,072 (USD 400,000)	-	-	11,072 (USD 400,000)	-	-	-	-	-
Nanpao Advanced Investment Co., Ltd.	General investment	816,560 (USD 29,500,000)	(2) Nan Pao Group Holdings Ltd.	794,416 (USD 28,700,000)	22,144 (USD 800,000)	-	816,560 (USD 29,500,000)	(28,691)	100	(28,691) (2)B.	794,798	-
Nan Pao (Kunshan) Electronic Commerce Co., Ltd.	Online business agency and general merchandise trading	138,400 (USD 5,000,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	2,496	100	2,496 (2)B.	101,437	-
Nantong Nanpao Resins Materials Co., Ltd.	Production and trading of adhesives	152,240 (USD 5,500,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	14,806	100	14,806 (2)B.	157,202	-
Nan Pao Resins (Yunan) Co., Ltd.	Production and trading of adhesives	221,400 (USD 8,000,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	(6)	100	(6) (2)B.	236,841	-
Nan Pao New Materials (Huaian) Co., Ltd.	Production and trading of carbon fiber	276,800 (USD 10,000,000)	(3) Nan Pao Advanced Investment Co., Ltd.	-	-	-	-	(40,222)	100	(40,222) (2)B.	254,697	-
Nan Pao Optoelectronic Materials (Kunshan) Co., Ltd.	Production and trading of adhesives and chemical substances	22,144 (USD 800,000)	(3) Nan Pao Advanced Investment Co., Ltd.	-	-	-	-	(1,533)	100	(1,533) (2)B.	20,963	-

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2021 (Note 4)	Investment Amount Authorized by the Investment Commission, MOEA (Note 4)	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 3)
\$ 1,635,171 (USD 59,074,102)	\$ 2,666,539 (USD 96,334,490)	\$ 9,166,708

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

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

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

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

Note 3: The Company's investment limit in mainland China is calculated as follows:  
\$15,277,847 × 60% = \$9,166,708

Note 4: Relevant amounts are calculated based on the exchange rate of US\$1 = NT\$27.68 at the end of the period.  
Relevant amounts are calculated based on the exchange rate of CNY 1 = NT\$4.344 at the end of the period.

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

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

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

**FOR THE YEAR ENDED DECEMBER 31, 2021**

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

Buyer	Counterparty	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Unrealized Gain (Note)
			Purchase/Sale	Amount (Note)	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note)	% to Total	
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Foshan) Co., Ltd.	Subsidiary	Sales	\$ (246,653)	(5)	Payment within 90 days	Similar to general transactions	Similar to general transactions	\$ 78,300	5	\$ 8,062
	Nan Pao Resins (China) Co., Ltd.	Subsidiary	Sales	(18,935)	-	Payment within 90 days	Similar to general transactions	Similar to general transactions	1,073	-	-
	Donguan Jiaqin Electronics Co., Ltd.	Subsidiary	Sales	(16,514)	-	Payment within 90 days	Similar to general transactions	Similar to general transactions	5,955	-	13
	Fuqing Nan Pao Resins Co., Limited	Subsidiary	Sales	(14,216)	-	Payment within 90 days	Similar to general transactions	Similar to general transactions	6,495	-	636
Foshan Nan Pao Advanced Materials Co., Ltd.	Greatwill Material (HK) Ltd.	Same ultimate Parent Company	Sales	(85,566)	(4)	Payment within 90 days	Similar to general transactions	Similar to general transactions	20,144	3	-
	Nan Pao Resins India Pvt Co., Ltd.	Same ultimate Parent Company	Sales	(18,347)	(1)	Payment within 90 days	Similar to general transactions	Similar to general transactions	2,310	-	-
	Nan Pao Resins Chemical Co., Ltd.	Parent Company	Sales	(17,679)	(1)	Payment within 90 days	Similar to general transactions	Similar to general transactions	2,671	-	-
	Nan Pao Resins (Foshan) Co., Ltd.	Same ultimate Parent Company	Sales	(65,234)	(3)	Payment within 90 days	Similar to general transactions	Similar to general transactions	21,602	3	-
Nan Pao Resins (Dongguan) Co., Ltd.	Nan Pao Resins (HK) Limited	Same ultimate Parent Company	Processing Revenue	(341,514)	(100)	Payment within 90 days	No comparable product sales for comparison	No third-party transaction for comparison	-	-	-
Nan Pao Resins (Fo Shan) Co., Ltd.	Fuqing Nan Pao Resins Co., Limited	Same ultimate Parent Company	Sales	(129,909)	(6)	Payment within 90 days	Similar to general transactions	Similar to general transactions	35,894	7	-
	Nan Pao Resins (China) Co., Ltd.	Same ultimate Parent Company	Sales	(38,244)	(2)	Payment within 90 days	Similar to general transactions	Similar to general transactions	6,798	1	-
Fuqing Nan Pao Resins Co., Limited	Nan Pao Resins (China) Co., Ltd.	Same ultimate Parent Company	Sales	(111,017)	(22)	Payment within 90 days	Similar to general transactions	Similar to general transactions	24,134	22	-

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

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

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Amounts in Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount(Note 2)	Payment Terms	% of Total Sales or Assets
0	Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	1	Accounts receivable - related parties	\$ 347,247		1
				Sales revenue	1,038,355	Calculated based on general transaction prices, payment within 90 days	6
		Nan Pao Resins (Foshan) Co., Ltd.	1	Accounts receivable - related parties	78,300		-
				Sales revenue	246,653	Calculated based on general transaction prices, payment within 90 days	1
		PT. Indo Nan Pao Resins Chemical Co., Ltd.	1	Accounts receivable - related parties	124,559		-
				Sales revenue	388,591	Calculated based on general transaction prices, payment within 90 days	2
		Nan Pao Resins (HK) Limited	1	Accounts receivable - related parties	61,983		-
				Sales revenue	220,245	Calculated based on general transaction prices, payment within 90 days	1
		Nan Pao Materials Vietnam Co., Ltd.	1	Accounts receivable - related parties	99,402		-
				Sales revenue	211,705	Calculated based on general transaction prices, payment within 90 days	1
		ITLS International Development Co., Ltd.	1	Accounts receivable - related parties	33,286		-
				Sales revenue	81,807	Calculated based on general transaction prices, payment within 90 days	-
		Nan Pao Resins (China) Co., Ltd.	1	Sales revenue	18,935	Calculated based on general transaction prices, payment within 90 days	-
		Nan Pao Advanced Materials Co., Ltd.	1	Accounts receivable - related parties	14,451		-
		Sales revenue	44,494	Calculated based on general transaction prices, payment within 90 days	-		
		Nan Pao Advanced Materials Vietnam Co., Ltd.	1	Accounts receivable - related parties	78,517		-
				Sales revenue	92,074	Calculated based on general transaction prices, payment within 90 days	1
		Nan Pao Fine Materials Co., Ltd.	1	Purchase	20,508	Calculated based on general transaction prices, payment collected 90 days from date of invoice	-
		Foshan Nan Pao Advanced Materials Co., Ltd.	1	Purchase	18,166	Calculated based on general transaction prices, payment collected 90 days from date of invoice	-
1	Nan Pao Resins (Vietnam) Enterprise Ltd.	PT. Indo Nan Pao Resins Chemical Co., Ltd.	3	Sales revenue	52,219	Calculated based on general transaction prices, payment within 90 days	-
				Accounts receivable - related parties	36,955		-
				Sales revenue	154,467	Calculated based on general transaction prices, payment collected 90 days from date of invoice	1
		Nan Pao Resins (HK) Limited	3	Accounts payable - related parties	9,068		-
				Purchase	59,555	Calculated based on general transaction prices, payment collected 90 days from date of invoice	-
		Progroups Technology Co., Ltd.	3	Purchase	33,573	No prices for similar products available for comparison, payment made 90 days from the date of the invoice	-
2	Foshan Nan Pao Advanced Materials Co., Ltd.	Greatwill Materials (HK) Ltd.	3	Accounts receivable - related parties	20,144		-
				Sales revenue	85,566	Calculated based on general transaction prices, payment within 90 days	-
		Nan Pao Resins (Foshan) Co., Ltd.	3	Accounts receivable - related parties	21,602		-
				Sales revenue	65,234	Calculated based on general transaction prices, payment within 90 days	-
3	Nan Pao Resins (Foshan) Co., Ltd.	Nan Pao Resins India Pvt, Ltd.	3	Accounts receivable - related parties	2,310		-
				Sales revenue	18,347	Calculated based on general transaction prices, payment within 90 days	-
		Fuqing Nan Pao Resins Co., Limited	3	Accounts receivable - related parties	35,894		-
				Sales revenue	129,909	Calculated based on general transaction prices, payment within 90 days	1
				Purchase	26,853	Calculated based on general transaction prices, payment collected 90 days from date of invoice	-
		Foshan Nan Pao Advanced Materials Co., Ltd.	3	Accounts payable - related parties	21,602		-
				Purchase	65,234	Calculated based on general transaction prices, payment within 90 days	-
4	Nan Pao Resins (HK) Limited	Nan Pao Resins (China) Co., Ltd.	3	Sales revenue	44,213	Calculated based on general transaction prices, payment within 90 days	-
		Nan Pao Resins (Dongguan) Co., Ltd.	3	Other accounts payables - related parties	78,837		-
				Processing fee	341,514	No prices for similar products available for comparison, payment made 90 days from the date of the invoice	2
		Nan Pao Resins Chemical Philippines, Inc.	3	Sales revenue	33,600	Calculated based on general transaction prices, payment within 90 days	-
				Accounts receivable - related parties	6,601		-
		PT. Indo Nan Pao Resins Chemical Co., Ltd.	3	Sales revenue	78,112	Calculated based on general transaction prices, payment within 90 days	-
				Accounts receivable - related parties	20,341		-
		Nan Pao Materials Vietnam Co., Ltd.	3	Accounts receivable - related parties	16,185		-
				Sales revenue	81,337	Calculated based on general transaction prices, payment within 90 days	1
		Nan Pao Advanced Materials Vietnam Co., Ltd.	3	Accounts receivable - related parties	8,671		-
				Sales revenue	33,374	Calculated based on general transaction prices, payment within 90 days	-
5	Nan Pao Resins (China) Co., Ltd.	Fuqing Nan Pao Resins Co., Limited	3	Accounts payable - related parties	24,134		-
				Purchase	111,017	No prices for similar products available for comparison, payment made 90 days from the date of the invoice	1
6	Nan Pao Materials Vietnam Co., Ltd.	PT. Indo Nan Pao Resins Chemical Co., Ltd.	3	Accounts receivable - related parties	29,220		-
				Sales revenue	90,847	Calculated based on general transaction prices, payment within 90 days	-
		Nan Pao Advanced Materials Vietnam Co., Ltd.	3	Accounts receivable - related parties	36,774		-
				Sales revenue	59,281	Calculated based on general transaction prices, payment within 90 days	-
		Nan Pao Resins International Ltd.	3	Accounts receivable - related parties	29,500		-
				Sales revenue	122,522	Calculated based on general transaction prices, payment within 90 days	-
7	PT. Indo Nan Pao Resins Chemical Co., Ltd.	PT. ITLS Indonesia	3	Sales revenue	14,453	Calculated based on general transaction prices, payment within 90 days	-
		Nan Pao Fine Materials Co., Ltd.	3	Purchase	20,789	Calculated based on general transaction prices, payment collected 30 days from date of invoice	-
				Accounts payable - related parties	13,599		-
8	RLA Ploymers	Thai Nanpao Resins Chemical Co., Ltd.	3	Purchase	25,448	Calculated based on general transaction prices, payment collected 90 days from date of invoice	-
9	ITLS International Development Co., Ltd.	Nan Pao Materials Vietnam Co., Ltd.	3	Accounts receivable - related parties	22,619		-
				Sales revenue	57,062	Calculated based on general transaction prices, payment within 90 days	-
		Nan Pao Resins (Vietnam) Enterprise Ltd.	3	Sales revenue	13,392	Calculated based on general transaction prices, payment within 90 days	-

Note 1: Relationship with counterparty can be specified using the following three categories:  
(1) Parent Company to Subsidiaries.  
(2) Subsidiaries to Parent Company.  
(3) Between Subsidiaries

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

**TABLE 9****NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES****II INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Pou Chien Enterprise Co., Ltd.	10,920,248	9.05%
Ding-Feng Investment Co., Ltd.	10,828,947	8.98%
Yue Dean Technology Corporation	10,285,000	8.53%
Chuan-De Investment Co., Ltd.	10,065,298	8.34%
Guang Rong Investment Ltd.	8,868,132	7.35%
Growth Machine Development Co., Ltd.	7,850,523	6.51%
Pao-Wang Investment Co., Ltd.	7,532,068	6.24%

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

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

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

**CHANGES IN PROPERTY, PLANT AND EQUIPMENT  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
(In Thousands of New Taiwan Dollars)

	Land	Land Improvement	Buildings	Machinery and equipment	Transportation equipment	Miscellaneous equipment	Construction in progress	Total
<b>Cost</b>								
Balance at January 1, 2021	\$ 1,186,018	\$ 16,890	\$ 2,450,210	\$ 2,742,547	\$ 240,608	\$ 926,130	\$ 330,511	\$ 7,892,914
Acquisitions from business combination	-	-	11,379	2,489	650	-	-	14,518
Additions	-	5,637	12,879	385,222	20,830	115,245	296,373	836,186
Disposals	-	-	-	( 96,714)	( 11,157)	( 12,835)	( 2,630)	( 123,336)
Effects of foreign currency exchange differences	( 1,412)	( 20)	( 36,308)	( 44,440)	( 3,146)	( 4,295)	( 7,531)	( 97,152)
Balance at December 31, 2021	<u>\$ 1,184,606</u>	<u>\$ 22,507</u>	<u>\$ 2,438,160</u>	<u>\$ 2,989,104</u>	<u>\$ 247,785</u>	<u>\$ 1,024,245</u>	<u>\$ 616,723</u>	<u>\$ 8,523,130</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2021	\$ -	\$ 6,451	\$ 798,230	\$ 1,828,522	\$ 164,667	\$ 579,664	\$ -	\$ 3,377,534
Depreciation	-	1,699	69,312	193,910	20,910	81,236	-	367,067
Disposals	-	-	-	( 80,049)	( 9,956)	( 12,567)	-	( 102,572)
Effects of foreign currency exchange differences	-	( 2)	( 13,785)	( 31,887)	( 2,196)	( 2,798)	-	( 50,668)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 8,148</u>	<u>\$ 853,757</u>	<u>\$ 1,910,496</u>	<u>\$ 173,425</u>	<u>\$ 645,535</u>	<u>\$ -</u>	<u>\$ 3,591,361</u>
Carrying amount at December 31, 2021	<u>\$ 1,184,606</u>	<u>\$ 14,359</u>	<u>\$ 1,584,403</u>	<u>\$ 1,078,608</u>	<u>\$ 74,360</u>	<u>\$ 378,710</u>	<u>\$ 616,723</u>	<u>\$ 4,931,769</u>
<b>Cost</b>								
Balance at January 1, 2020	\$ 1,186,651	\$ 11,624	\$ 1,952,850	\$ 2,583,636	\$ 236,726	\$ 772,468	\$ 525,118	\$ 7,269,073
Additions	-	5,782	530,484	231,408	19,225	184,608	( 199,406)	772,101
Disposals	-	( 431)	( 1,718)	( 69,345)	( 16,376)	( 30,491)	-	( 118,361)
Reclassification	-	-	-	-	4,528	-	-	4,528
Effects of foreign currency exchange differences	( 633)	( 85)	( 31,406)	( 3,152)	( 3,495)	( 455)	4,799	( 34,427)
Balance at December 31, 2020	<u>\$ 1,186,018</u>	<u>\$ 16,890</u>	<u>\$ 2,450,210</u>	<u>\$ 2,742,547</u>	<u>\$ 240,608</u>	<u>\$ 926,130</u>	<u>\$ 330,511</u>	<u>\$ 7,892,914</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2020	\$ -	\$ 5,847	\$ 732,110	\$ 1,718,441	\$ 158,958	\$ 556,825	\$ -	3,172,181
Depreciation	-	1,069	65,736	168,078	20,652	67,696	-	323,231
Disposals	-	( 431)	( 1,449)	( 64,391)	( 15,575)	( 30,247)	-	( 112,093)
Reclassification	-	-	-	-	2,482	-	-	2,482
Effects of foreign currency exchange differences	-	( 34)	1,833	6,394	( 1,850)	( 14,610)	-	( 8,267)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 6,451</u>	<u>\$ 798,230</u>	<u>\$ 1,828,522</u>	<u>\$ 164,667</u>	<u>\$ 579,664</u>	<u>\$ -</u>	<u>\$ 3,377,534</u>
Carrying amount at December 31, 2020	<u>\$ 1,186,018</u>	<u>\$ 10,439</u>	<u>\$ 1,651,980</u>	<u>\$ 914,025</u>	<u>\$ 75,941</u>	<u>\$ 346,466</u>	<u>\$ 330,511</u>	<u>\$ 4,515,380</u>

## Appendix 2: Statutory 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, 2021 and 2020, 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, 2021 and 2020, 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 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. 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, 2021. 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, 2021 is detailed as follows:

### Authenticity of Revenue Recognition

As stated in Notes 4(n) and 25 the Company's main source of revenue is revenue from the sale of adhesives, coatings, and construction material. Revenue from sale of goods of adhesives department represented approximately 80% of the total operating revenue. We considered the materiality of this to the standalone financial statements as well as the regulations in the auditing standards regarding the presumed significant risk in revenue recognition, and thus deemed the authenticity of revenue recognition of the aforementioned 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 the customers based on the revenue recognition terms, commercial invoices, bill of lading and collections of this customers 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\$1,295,650 thousand and NT\$1,038,776 thousand as of December 31, 2021 and 2020, respectively, and both accounting for 6% and 7% of total assets, respectively. The comprehensive income in using equity method was NT\$59,100 thousand and NT\$18,408 thousand as of December 31, 2021 and 2020, respectively, accounting for 1.0% and 1.5% 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, 2021 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 24, 2022

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, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

ASSETS	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash (Notes 4 and 6)	\$ 473,941	3	\$ 287,063	2
Financial assets at amortized cost - current (Notes 4, 9 and 10)	509,655	3	534,893	4
Notes receivable (Notes 4 and 11)	237,855	1	190,781	2
Accounts receivable (Notes 4, 11 and 25)	398,621	2	410,632	3
Accounts receivable - related parties (Notes 4, 11, 25 and 33)	878,398	4	910,756	6
Other receivables (Notes 4, 11 and 33)	17,848	-	13,156	-
Inventories (Notes 4 and 12)	677,416	3	466,846	3
Non-current assets held for sale (Notes 4 and 13)	378,477	2	-	-
Other current assets (Note 19)	23,849	-	39,830	-
Total current assets	<u>3,596,060</u>	<u>18</u>	<u>2,853,957</u>	<u>20</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	36,135	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	6,254,904	31	1,080,530	7
Financial assets at amortized cost - non-current (Notes 4, 9 and 10)	13,699	-	13,919	-
Investments accounted for using the equity method (Notes 4 and 14)	8,096,299	39	8,403,544	58
Property, plant and equipment (Notes 4 and 15)	2,170,973	11	1,940,046	13
Right-of-use assets (Notes 4 and 16)	26,151	-	32,180	-
Investment properties (Notes 4 and 17)	17,760	-	17,760	-
Other intangible assets (Notes 4 and 18)	24,541	-	29,289	-
Deferred tax assets (Notes 4 and 27)	231,717	1	205,389	2
Other non-current assets (Note 19)	58,613	-	33,226	-
Total non-current assets	<u>16,930,792</u>	<u>82</u>	<u>11,755,883</u>	<u>80</u>
<b>TOTAL</b>	<u>\$ 20,526,852</u>	<u>100</u>	<u>\$ 14,609,840</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 20)	\$ 1,326,699	6	\$ 935,174	6
Contract liabilities - current (Note 25)	14,650	-	5,779	-
Notes payable (Note 21)	284	-	5,466	-
Accounts payable (Notes 21 and 33)	841,927	4	646,847	5
Lease liabilities - current (Notes 4 and 16)	6,362	-	6,232	-
Other payables (Notes 22 and 32)	416,461	2	386,036	3
Current tax liabilities (Note 27)	135,500	1	186,570	1
Current portion of long-term borrowing (Note 20)	104,800	1	-	-
Other current liabilities (Notes 22, 25 and 33)	25,693	-	29,889	-
Total current liabilities	<u>2,872,376</u>	<u>14</u>	<u>2,201,993</u>	<u>15</u>
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities - non-current (Notes 4 and 16)	20,152	-	26,226	-
Long-term borrowings (Note 20)	1,564,020	8	1,265,382	9
Deferred tax liabilities (Notes 4, 5 and 27)	752,046	4	768,224	5
Other non-current liabilities	2,210	-	3,916	-
Net defined benefit liabilities - non-current (Notes 4 and 23)	38,201	-	77,498	1
Total non-current liabilities	<u>2,376,629</u>	<u>12</u>	<u>2,141,246</u>	<u>15</u>
Total liabilities	<u>5,249,005</u>	<u>26</u>	<u>4,343,239</u>	<u>30</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 24)</b>				
Share capital - ordinary shares	1,205,707	6	1,205,707	8
Capital surplus	2,101,673	10	2,101,673	14
Retained earnings				
Legal reserve	1,300,961	6	1,178,822	8
Special reserve	313,321	2	313,321	2
Unappropriated earnings	5,021,383	24	5,115,900	35
Total retained earnings	<u>6,635,665</u>	<u>32</u>	<u>6,608,043</u>	<u>45</u>
Other equity	5,334,802	26	351,178	3
Total equity	<u>15,277,847</u>	<u>74</u>	<u>10,266,601</u>	<u>70</u>
<b>TOTAL</b>	<u>\$ 20,526,852</u>	<u>100</u>	<u>\$ 14,609,840</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 24, 2022)

## NAN PAO RESINS CHEMICAL CO., LTD. and Subsidiaries

### STANDALONE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 25 and 33)	\$ 5,359,550	100	\$ 4,635,634	100
OPERATING COSTS (Notes 12, 23 and 33)	<u>4,137,788</u>	<u>77</u>	<u>3,144,066</u>	<u>68</u>
GROSS PROFIT	<u>1,221,762</u>	<u>23</u>	<u>1,491,568</u>	<u>32</u>
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	(119,117)	(2)	(183,462)	(4)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>183,462</u>	<u>3</u>	<u>110,569</u>	<u>2</u>
REALIZED GROSS PROFIT	<u>1,286,107</u>	<u>24</u>	<u>1,418,675</u>	<u>30</u>
OPERATING EXPENSES (Notes 26 and 33)				
Selling and marketing expenses	457,914	9	393,784	9
General and administrative expenses	288,199	5	295,390	6
Research and development expenses	186,859	4	198,774	4
Estimated credit loss (gain)	<u>270</u>	<u>-</u>	<u>(2,493)</u>	<u>-</u>
Total operating expenses	<u>933,242</u>	<u>18</u>	<u>885,455</u>	<u>19</u>
PROFIT FROM OPERATIONS	<u>352,865</u>	<u>6</u>	<u>533,220</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 26)				
Interest income	179	-	1,210	-
Other income	77,483	1	107,617	2
Other gains and losses	(1,651)	-	(47,697)	(1)
Finance costs	(21,816)	-	(22,166)	-
Share of profit of subsidiaries and associates	<u>588,582</u>	<u>11</u>	<u>792,780</u>	<u>17</u>
Total non-operating income and expenses	<u>642,777</u>	<u>12</u>	<u>831,744</u>	<u>18</u>
PROFIT BEFORE INCOME TAX	995,642	18	1,364,964	29
INCOME TAX EXPENSE (Notes 4 and 27)	<u>119,862</u>	<u>2</u>	<u>145,211</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>875,780</u>	<u>16</u>	<u>1,219,753</u>	<u>26</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 23, 24 and 27)				

(Continued)

## NAN PAO RESINS CHEMICAL CO., LTD. and Subsidiaries

### STANDALONE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
Items that will not be reclassified subsequently to profit or loss:				
Remensurement of defined benefit plans	11,181	-	2,968	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	5,124,424	96	107,602	2
Share of other comprehensive income of subsidiaries accounted for using equity method	2,750	-	19,540	1
Income tax relating to items that will not be reclassified subsequently to profit or loss	(2,236)	-	(593)	-
	<u>5,136,119</u>	<u>96</u>	<u>129,517</u>	<u>3</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(191,403)	(4)	(122,291)	(3)
Share of other comprehensive income (loss) of subsidiaries accounted for using the equity method	(4,419)	-	30	-
Income tax relating to items may be reclassified subsequently to profit or loss	39,164	1	24,452	1
	<u>(156,658)</u>	<u>(3)</u>	<u>(97,809)</u>	<u>(2)</u>
Other comprehensive loss for the year, net of income tax	<u>4,979,461</u>	<u>93</u>	<u>31,708</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,855,241</u>	<u>109</u>	<u>\$ 1,251,461</u>	<u>27</u>
EARNINGS PER SHARE (Note 28)				
Basic	<u>\$ 7.26</u>		<u>\$ 10.12</u>	
Diluted	<u>\$ 7.24</u>		<u>\$ 10.09</u>	

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

(With Deloitte & Touche auditors' report dated March 24, 2022)

(Concluded)

**NAN PAO RESINS CHEMICAL CO., LTD.**

**STANDALONE STANDALONE STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(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, 2020	\$ 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 24)									
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 29)	-	(2,175)	-	-	-	-	-	-	(2,175)
BALANCE AT DECEMBER 31, 2020	1,205,707	2,101,673	1,178,822	313,321	5,115,900	(487,817)	838,995	351,178	10,266,601
Appropriation of the 2020 earnings (Note 24)									
Legal reserve	-	-	122,139	-	(122,139)	-	-	-	-
Cash dividends distributed by the Company - \$7 per share	-	-	-	-	(843,995)	-	-	-	(843,995)
Disposal of financial assets at fair value through other comprehensive income (Notes 8 and 24)	-	-	-	-	(14,640)	-	14,640	14,640	-
Net profit for the year ended December 31, 2021	-	-	-	-	875,780	-	-	-	875,780
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	10,477	(156,658)	5,125,642	4,968,984	4,979,461
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	886,257	(156,658)	5,125,642	4,968,984	5,855,241
BALANCE AT DECEMBER 31, 2021	\$ 1,205,707	\$ 2,101,673	\$ 1,300,961	\$ 313,321	\$ 5,021,383	\$ (644,475)	\$ 5,979,277	\$ 5,334,802	\$ 15,277,847

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

(With Deloitte & Touche audit report dated March 24, 2022)

# NAN PAO RESINS CHEMICAL CO., LTD.

## STANDALONE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 995,642	\$ 1,364,964
Adjustments for:		
Depreciation expenses	148,124	147,743
Amortization expenses	9,828	9,845
Estimated credit loss (gain) recognized on trade receivables	270	(2,493)
Gain in fair value changes of financial assets at fair value through profit or loss	(11,135)	-
Interest income	(179)	(1,210)
Finance costs	21,816	22,166
Dividend income	(65,735)	(45,925)
Write-downs of inventories	59,895	2,848
Share of profit of subsidiaries and associates	(588,582)	(792,780)
Gain on disposal of property, plant and equipment	(410)	(973)
Unrealized gain on the transactions with subsidiaries	119,117	183,462
Realized gain on the transaction with subsidiaries	(183,462)	(110,569)
Gain on lease modification	-	(36)
Changes in operating assets and liabilities		
Notes receivable	(47,074)	(10,053)
Accounts receivable	11,741	(92,246)
Accounts receivable - related parties	32,358	(295,814)
Other receivables	(4,692)	92,511
Inventories	(270,465)	13,563
Other current assets	(5,319)	3,423
Contract liabilities	8,871	(3,651)
Notes payable	(5,615)	(5,382)
Accounts payable	195,080	114,401
Other payables	21,409	36,345
Other current liabilities	(4,196)	4,371
Net defined benefit liabilities	(28,116)	(19,201)
Cash generated from operations	409,171	615,309
Interest received	179	2,176
Interest paid	(21,577)	(22,550)
Income tax paid	(176,510)	(115,934)
Net cash generated from operating activities	<u>211,263</u>	<u>479,001</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	25,458	-
Proceeds from capital reduction of investments accounted for under financial assets at fair value through other comprehensive income	(25,000)	-
Net increase of financial assets at amortized cost	(29,878)	(26,629)
Net decrease of financial assets at amortized cost	868	315

(Continued)

## NAN PAO RESINS CHEMICAL CO., LTD.

### STANDALONE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Purchase of financial assets at fair value through profit or loss	-	(152,040)
Acquisitions of investments accounted for using the equity method	(51,696)	(28,743)
Proceeds from capital reduction of investments accounted for using the equity method	-	149,450
Payments for property, plant and equipment	(391,167)	(285,389)
Proceeds from disposal of property, plant and equipment	461	973
Payments for intangible assets	(2,634)	(1,479)
Dividends received	<u>658,319</u>	<u>553,615</u>
Net cash generated from investing activities	<u>184,731</u>	<u>210,073</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	6,340,312	5,297,244
Repayments of short-term borrowings	(5,948,787)	(5,072,070)
Proceeds from long-term borrowings	2,720,000	2,794,089
Repayments of long-term borrowings	(2,318,268)	(2,988,000)
Repayment of the principal portion of lease liabilities	(6,473)	(7,917)
Cash dividends paid	(843,995)	(723,425)
Acquisition of additional interest in subsidiaries	<u>(151,905)</u>	<u>(298,549)</u>
Net cash used in financing activities	<u>(209,116)</u>	<u>(998,628)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	186,878	(309,554)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>287,063</u>	<u>596,617</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 473,941</u>	<u>\$ 287,063</u>

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

(With Deloitte & Touche auditors' report dated March 24, 2022)

(Concluded)

# NAN PAO RESINS CHEMICAL CO., LTD.

## NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

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

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The standalone financial statements were approved and authorized for issue by the Company’s board of directors on March 24, 2022.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

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

- Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.
- Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.
- Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17—Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

- Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.
- Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.
- Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.
- Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

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

prevailing at the dates of the transactions.

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

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

e. Inventories

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

f. Investments in subsidiaries

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

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

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

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

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

The Company assesses its investment for any impairment by comparing the carrying amount with the

estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

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

g. Investments in associates

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

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

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

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

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is also a part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is

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

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's standalone financial statements only to the extent of interests in the associate that are not related to the Company.

h. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Property, plant and equipment in the course of construction are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

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

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

i. Investment properties

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

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

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

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

j. Intangible assets

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

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

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

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

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

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

#### l. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

When the Group is committed to a sale plan involving the disposal of an investment or a portion of an investment in an associate or a joint venture, only the investment or the portion of the investment that will be disposed of is classified as held for sale when the classification criteria are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. If the Group ceases to have significant influence or joint control over the investment after the disposal takes place, the Group accounts for any retained interest that has not been classified as held for sale in accordance with the accounting policies for financial instruments.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Such assets classified as held for sale are not depreciated.

#### m. Financial instruments

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

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

##### 1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends and interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 32.

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

n. Revenue recognition

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

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

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

o. Leases

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

1) The Company as lessor

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

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

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

2) The Company as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method,

with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

p. Borrowing costs

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

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

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

q. Government grants

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

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

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

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

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

#### s. Taxation

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

##### 1) Current tax

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

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

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

##### 2) Deferred tax

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

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

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

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

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

from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current tax and deferred tax for the year

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

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

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

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**6. CASH**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash on hand	\$ 1,053	\$ 1,053
Checking accounts and demand deposits	<u>472,888</u>	<u>286,010</u>
	<u>\$ 473,941</u>	<u>\$ 287,063</u>

**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – DECEMBER 31, 2021**

	<b>Amount</b>
<u>Financial assets at FVTPL – non-current</u>	
Financial assets mandatorily classified as a FVTPL	
Non-derivative financial assets	
Limited partnership	<u>\$ 36,135</u>

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Domestic investments		
Unlisted stocks	<u>\$ 6,254,904</u>	<u>\$ 1,080,530</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly,

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

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

In November 2021, the Company acquired the retained shares of FlexUP Technologies Corp., resulting in an increase in shareholding ratio from 7.11% to 96.87%, and obtained the controlling interests. The Company derecognized the original shareholding of 7.11%, which was recognized as financial assets at fair value through other comprehensive income, and transferred the unrealized losses in other equity of \$14,640 thousand into retained earnings.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2021	2020
<u>Current</u>		
Restricted demand deposits (a)	\$ 509,655	\$ 534,893
<u>Non-current</u>		
Refunded deposits	\$ 13,699	\$ 13,919

- a. Restricted demand deposits as of December 31, 2021 and 2020 are funds that the Company put into the dedicated bank account in accordance with "the Management, Utilization, and Taxation of Repatriated Offshore Funds Act".
- b. Refer to Note 10 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.

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

	<u>December 31</u>	
	2021	2020
Financial assets at amortized cost - current	\$ 509,655	\$ 534,893
Financial assets at amortized cost - non-current	<u>13,699</u>	<u>13,919</u>
	<u>\$ 523,354</u>	<u>\$ 548,812</u>

The Company invests only in debt instruments that have low credit risk for the purpose of impairment assessment. In determining the expected credit losses for debt instrument investments, the Company considers the historical default loss rates, the current financial condition of debtors, and the future prospects of the industries. Because counterparties have a low risk of default and a strong capacity to meet contractual cash flows, the Company did not make any provision for expected credit losses with respect to financial assets at amortized cost as of December 31, 2021 and 2020.

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Notes receivable</u>		
At amortized cost		
Notes receivable - operating	\$ <u>237,855</u>	\$ <u>190,781</u>
<u>Accounts receivable (including related parties)</u>		
Amortized cost		
Gross carrying amount	\$ 1,277,776	\$ 1,321,915
Less: Allowance for impairment loss	<u>757</u>	<u>527</u>
	\$ <u>1,277,019</u>	\$ <u>1,321,388</u>
<u>Other receivables</u>		
Gross carrying amount	\$ <u>17,848</u>	\$ <u>13,156</u>
<u>Accounts receivable at amortized cost</u>		

The average credit period of sales of goods was 15 days to 150 days, and no interest was charged on accounts receivable. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses estimated by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, loss allowance based on past due status is not further distinguished according to the Company's different customer base.

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

### Notes receivable

As of December 31, 2021 and 2020, the notes receivable analyzed by the Company based on the past due days were not overdue, and the Company did not measure any loss allowance for notes receivable.

### Accounts receivable (including related parties)

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

## December 31, 2021

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 365 Days	Over 365 Days	Total
Expected credit loss rate	0.01%	0.2%~1.2%	3%~7%	8%~32%	37%~83%	100%	
Gross carrying amount	\$ 1,235,028	\$ 36,424	\$ 5,939	\$ -	\$ -	\$ 385	\$ 1,277,776
Loss allowance (Lifetime ECLs)	<u>(36)</u>	<u>(104)</u>	<u>(232)</u>	<u>-</u>	<u>-</u>	<u>(385)</u>	<u>(757)</u>
Amortized cost	<u>\$ 1,234,992</u>	<u>\$ 36,320</u>	<u>\$ 5,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,277,019</u>

## December 31, 2020

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 365 Days	Over 365 Days	Total
Expected credit loss rate	0.01%	0.2%~1.2%	3%~7%	8%~32%	37%~83%	100%	
Gross carrying amount	\$ 1,048,610	\$ 272,310	\$ 595	\$ -	\$ -	\$ 400	\$ 1,321,915
Loss allowance (Lifetime ECLs)	<u>(39)</u>	<u>(47)</u>	<u>(41)</u>	<u>-</u>	<u>-</u>	<u>(400)</u>	<u>(527)</u>
Amortized cost	<u>\$ 1,048,571</u>	<u>\$ 272,263</u>	<u>\$ 554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,321,388</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ 527	\$ 3,500
Add: Net remeasurement of loss allowance	270	(2,493)
Less: Amounts written off	<u>(40)</u>	<u>(480)</u>
Balance at December 31	<u>\$ 757</u>	<u>\$ 527</u>

## 12. INVENTORIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Goods	\$ 8,597	\$ 7,581
Finished goods and semi-finished goods	294,544	190,585
Work in process	49,297	25,248
Raw materials and supplies	<u>324,978</u>	<u>243,432</u>
	<u>\$ 677,416</u>	<u>\$ 466,846</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$4,138,198 thousand and \$3,145,039 thousand, respectively. The cost of goods sold included inventory write-downs of \$59,895 thousand and \$2,848 thousand for the years ended December 31, 2021 and 2020, respectively.

## 13. NON-CURRENT ASSETS HELD FOR SALE – DECEMBER 31, 2021

	<u>Amount</u>
Investments accounted for using the equity method held for sale	<u>\$ 378,477</u>

In November 2021, the board of directors resolved to dispose of the 30% of the shareholdings of the associate, Total Acrylic Polymer Industry (TAPI) Corporation, to the non-related party, SEIKO PMC CORPORATION. The Company expected to complete the procedure within 12 months. Accordingly, the

carrying amount \$378,477 thousand of investments accounted for using the equity method was reclassified as non-current assets held for sale, and was presented separately in the standalone balance sheets.

#### 14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Investments in subsidiaries	\$ 8,096,299	\$ 8,035,791
Investments in associates	<u>-</u>	<u>367,753</u>
	<u>\$ 8,096,299</u>	<u>\$ 8,403,544</u>

##### a. Investments in subsidiaries

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Name of Subsidiaries		
Nan Pao Overseas Holdings Ltd.	\$ 3,883,199	\$ 3,868,876
Fuqing Nan Pao Investment Ltd.	215,925	222,102
Thai Nan Pao Investment Ltd.	166,634	178,538
Nan Pao Resins India Pvt. Ltd.	26,945	26,334
Nan Pao Materials Vietnam Co., Ltd.	926,258	969,581
Nan Pao Advanced Materials Vietnam Co., Ltd.	401,110	394,399
Nan Pao Electronic Material Co., Ltd.	52,608	48,126
Nan Pao Chemical Co., Ltd.	178,317	176,828
ITLS International Development Co., Ltd.	284,781	278,547
Phymed Bio-Tec Co., Ltd.	20,803	2,712
Nan Pao Application Material Co., Ltd.	8,635	9,243
Biorich Biotechnology Co., Ltd.	8,661	7,936
Prince Pharmaceutical Co., Ltd.	337,334	341,326
Nan Pao Advanced Materials Co., Ltd.	7,392	8,148
Progroups Technology Co., Ltd.	69,628	70,321
Nan Pao Fine Materials Co., Ltd.	13,852	13,683
PT. Indo Nan Pao Resins Chemical Co., Ltd.	230,510	210,910
All Saints Enterprises Ltd.	219,589	217,310
Ongoing Profits Ltd.	180,455	230,545
Profit Land Ltd.	800,321	746,295
Nan Pao Philippines Export Inc.	12,579	14,031
Nan Pao Resins Chemical (Bangladesh) Co., Ltd.	4,063	-
FlexUP Technologies Corp.	4,009	-
Earnest Wealth Co., Ltd.	<u>42,691</u>	<u>-</u>
	<u>\$ 8,096,299</u>	<u>\$ 8,035,791</u>

Name of Subsidiaries	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Nan Pao Overseas Holdings Ltd.	100%	100%
Fuqing Nan Pao Investment Ltd.	100%	100%
Thai Nan Pao Investment Ltd.	100%	100%
Nan Pao Resins India Pvt. Ltd.	100%	100%
Nan Pao Materials Vietnam Co., Ltd.	100%	100%
Nan Pao Advanced Materials Vietnam Co., Ltd.	100%	100%
Nan Pao Electronic Material Co., Ltd.	100%	100%
Nan Pao Chemical Co., Ltd.	100%	100%
ITLS International Development Co., Ltd.	100%	100%
Phymed Bio-Tec Co., Ltd.	100%	100%
Nan Pao Application Material Co, Ltd.	100%	100%
Biorich Biotechnology Co., Ltd.	57%	57%
Prince Pharmaceutical Co., Ltd.	51%	51%
Nan Pao Advanced Materials Co., Ltd.	70%	70%
Progroups Technology Co., Ltd	92%	92%
Nan Pao Fine Materials Co., Ltd.	55%	55%
PT. Indo Nan Pao Resins Chemical Co., Ltd.	49%	49%
All Saints Enterprises Ltd.	55%	55%
Ongoing Profits Ltd.	32%	32%
Profit Land Ltd.	74%	74%
Nan Pao Philippines Export Inc.	100%	100%
Nan Pao Resins Chemical (Bangladesh) Co., Ltd.	100%	-
FlexUP Technologies Corp.	97%	-
Earnest Wealth Co., Ltd.	51%	-

Refer to Note 36 for details of the indirect investments in subsidiaries.

b. Investment in associates

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Investments in associates		
Associates that are not individually material	\$ <u>          -</u>	\$ <u>    367,753</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
The Company's share of:		
Net income and total comprehensive income for the year	\$ <u>    33,224</u>	\$ <u>    48,096</u>

The Company reclassified investments accounted for using the equity method to non-current assets held for sale in December 2021. Refer to Note 13.

## 15. PROPERTY, PLANT AND EQUIPMENT

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

Leasehold improvements	4 - 15 years
Buildings	2 - 55 years
Machinery	2 - 30 years
Transportation equipment	2 - 20 years
Miscellaneous equipment	2 - 20 years

Refer to Table 9 for the detailed information of changes in property, plant and equipment.

No impairment assessment was performed for the year ended December 31, 2021 and 2020 as there were no indications of impairment.

As of December 31, 2021 and 2020, all of the Company's property, plant and equipment were not pledged as collateral.

## 16. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>Buildings</b>	<b>Machinery</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2021	\$ 42,956	\$ 341	\$ 43,297
Additions	<u>529</u>	<u>-</u>	<u>529</u>
Balance at December 31, 2021	<u>\$ 43,485</u>	<u>\$ 341</u>	<u>\$ 43,826</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2021	\$ 10,926	\$ 191	\$ 11,117
Depreciation expenses	<u>6,463</u>	<u>95</u>	<u>6,558</u>
Balance at December 31, 2021	<u>\$ 17,389</u>	<u>\$ 286</u>	<u>\$ 17,675</u>
Carrying amount at December 31, 2021, net	<u>\$ 26,096</u>	<u>\$ 55</u>	<u>\$ 26,151</u>
<u>Cost</u>			
Balance at January 1, 2020	\$ 47,348	\$ 151	\$ 47,499
Additions	2,052	190	2,242
Disposals	<u>(6,444)</u>	<u>-</u>	<u>(6,444)</u>
Balance at December 31, 2020	<u>\$ 42,956</u>	<u>\$ 341</u>	<u>\$ 43,297</u>

(Continued)

	<b>Buildings</b>	<b>Machinery</b>	<b>Total</b>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2020	\$ 6,010	\$ 95	\$ 6,105
Depreciation expenses	7,967	96	8,063
Disposals	<u>(3,051)</u>	<u>-</u>	<u>(3,051)</u>
Balance at December 31, 2020	<u>\$ 10,926</u>	<u>\$ 191</u>	<u>\$ 11,117</u>
Carrying amount at December 31, 2020, net	<u>\$ 32,030</u>	<u>\$ 150</u>	<u>\$ 32,180</u>

(Concluded)

b. Lease liabilities

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<u>Carrying amounts</u>		
Current	\$ 6,362	\$ 6,232
Non-current	<u>\$ 20,152</u>	<u>\$ 26,226</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Buildings	0.77% ~ 1.05%	0.81% ~ 1.05%
Machinery	1.05%	1.05%

c. Other lease information

	<b>For the Year Ended December 31 2021</b>	<b>2020</b>
Expenses relating to short-term leases	\$ 1,209	\$ 1,643
Expenses relating to low-value asset leases	\$ 613	\$ 820
Total cash outflow for leases	<u>\$ 8,605</u>	<u>\$ 10,559</u>

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

## 17. INVESTMENT PROPERTIES

	<b>Land</b>
Balance at December 31, 2021, and 2020	<u>\$ 17,760</u>

Investment properties measured at fair value were both \$78,764 thousand. For investment properties not valued by any independent valuer, the Company's management determined their fair values with reference

to the closing prices of similar properties in the vicinity of the Company's investment properties.

These investment properties were not pledged as collateral.

## 18. OTHER INTANGIBLE ASSETS

	<b>Computer Software</b>
<u>Cost</u>	
Balance at January 1, 2021	\$ 66,306
Additions	<u>5,080</u>
Balance at December 31, 2021	<u>\$ 71,386</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2021	\$ 37,017
Amortization expenses	<u>9,828</u>
Balance at December 31, 2021	<u>\$ 46,845</u>
Carrying amount at December 31, 2020, net	<u>\$ 24,541</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 63,167
Additions	<u>3,139</u>
Balance at December 31, 2020	<u>\$ 66,306</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2020	\$ 27,172
Amortization expenses	<u>9,845</u>
Balance at December 31, 2020	<u>\$ 37,017</u>
Carrying amount at December 31, 2020, net	<u>\$ 29,289</u>

The intangible assets above are amortized on a straight-line basis over 2 - 5 years estimated useful lives.

## 19. OTHER ASSETS

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Current</u>		
Prepaid expenses	\$ 17,002	\$ 16,122
Prepayments	4,916	-
Prepayments for investment	-	21,299
Others	<u>1,931</u>	<u>2,409</u>
	<u>\$ 23,849</u>	<u>\$ 39,830</u>
 <u>Non-Current</u>		
Prepayments for equipment	<u>\$ 58,613</u>	<u>\$ 33,226</u>

## 20. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Unsecured borrowings</u>		
Unsecured bank loans	<u>\$ 1,326,699</u>	<u>\$ 935,174</u>

Annual interest rates of short-term borrowings were as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Unsecured bank loans	0.72% ~ 1.27%	0.75% ~ 0.85%

### b. Long-term borrowings

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Unsecured bank loans (Note)	\$ 1,668,820	\$ 1,265,382
Decrease: Current portion of long-term borrowings	<u>104,800</u>	<u>-</u>
	<u>\$ 1,564,020</u>	<u>\$ 1,265,382</u>

Note : As of December 31, 2021 and 2020, the range of weighted average effective interest rates of unsecured bank loans was 0.38%-0.8% and 0.38%-0.95% per annum, respectively. Long-term borrowings mentioned above will expire in March 2025, and payments of interest and principal are made on schedule.

## 21. NOTES PAYABLE AND ACCOUNTS PAYABLE

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Notes Payable</u>		
Operating	\$ 284	\$ 5,466
<u>Accounts Payable</u>		
Operating	\$ 841,927	\$ 646,847

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

## 22. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Other payables		
Payables for salaries and bonuses	\$ 165,694	\$ 171,358
Payables for compensation of employees	36,960	42,000
Payables for remuneration of directors	17,600	20,000
Payables for commission	24,204	21,527
Payables for annual leave	22,947	21,918
Payables for purchases of equipment	17,910	9,133
Payables for repair expenses	16,786	13,468
Payables for export and import expenses	15,420	8,905
Payables for hydro and gas	9,845	10,421
Payables for professional service fees	7,762	7,354
Payables for shipping expenses	6,550	7,725
Payables for labor and health insurance	4,561	9,222
Others	<u>70,222</u>	<u>43,005</u>
	<u>\$ 416,461</u>	<u>\$ 386,036</u>
<u>Current</u>		
Other liabilities		
Refund liabilities	\$ 23,310	\$ 27,880
Others	<u>2,383</u>	<u>2,009</u>
	<u>\$ 25,693</u>	<u>\$ 29,889</u>

## 23 RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

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

b. Defined benefit plans

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

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 359,179	\$ 404,102
Fair value of plan assets	<u>(320,978)</u>	<u>(326,604)</u>
Net defined benefit liabilities	<u>\$ 38,201</u>	<u>\$ 77,498</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2020	\$ 403,774	\$ (304,107)	\$ 99,667
Service cost			
Current service cost	3,950	-	3,950
Net interest expense (income)	<u>2,779</u>	<u>(2,154)</u>	<u>625</u>
Recognized in profit or loss	<u>6,729</u>	<u>(2,154)</u>	<u>4,575</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(9,946)	(9,946)
Actuarial loss – changes in financial assumptions	13,471	-	13,471
Actuarial gain – experience adjustments	<u>(6,493)</u>	<u>-</u>	<u>(6,493)</u>
Recognized in other comprehensive income	<u>6,978</u>	<u>(9,946)</u>	<u>(2,968)</u>
Contributions from the employer	<u>-</u>	<u>(23,187)</u>	<u>(23,187)</u>
Benefits paid	<u>(13,379)</u>	<u>12,790</u>	<u>(589)</u>
Balance at December 31, 2020	<u>404,102</u>	<u>(326,604)</u>	<u>77,498</u>
Service cost			
Past service cost	(128)	-	(128)
Current service cost	3,155	-	3,155
Net interest expense (income)	<u>1,181</u>	<u>(979)</u>	<u>202</u>
Recognized in profit or loss	<u>4,208</u>	<u>(979)</u>	<u>3,229</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (4,765)	\$ (4,765)
Actuarial gain – changes in financial assumptions	(11,959)	-	(11,959)
Actuarial loss – changes in demographic assumptions	624	-	624
Actuarial loss – experience adjustments	4,919	-	4,919
Recognized in other comprehensive income	<u>(6,416)</u>	<u>(4,765)</u>	<u>(11,181)</u>
Contributions from the employer	<u>-</u>	<u>(22,872)</u>	<u>(22,872)</u>
Benefits paid	<u>(42,715)</u>	<u>34,242</u>	<u>(8,473)</u>
Balance at December 31, 2021	<u>\$ 359,179</u>	<u>\$ (320,978)</u>	<u>\$ 38,201</u> (Concluded)

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating costs	\$ 1,930	\$ 2,683
Selling and marketing expenses	266	543
General and administrative expenses	645	877
Research and development expenses	<u>388</u>	<u>472</u>
	<u>\$ 3,229</u>	<u>\$ 4,575</u>

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

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

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rates	0.7%	0.3%
Expected rates of salary increase	2.5%	2.5%

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rates		
0.25% increase	\$ (7,272)	\$ (8,499)
0.25% decrease	\$ 7,495	\$ 8,772
Expected rates of salary increase		
0.25% increase	\$ 7,343	\$ 8,559
0.25% decrease	\$ (7,163)	\$ (8,339)

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Expected contributions to the plans for the next year	\$ 19,065	\$ 20,302
Average duration of the defined benefit obligation	8 years	8 years

## 24. EQUITY

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Number of shares authorized (in thousands)	200,000	200,000
Shares authorized	\$ 2,000,000	\$ 2,000,000
Number of shares issued and fully paid (in thousands)	120,571	120,571
Shares issued	\$ 1,205,707	\$ 1,205,707

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

b. Capital surplus

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 2,040,204	\$ 2,040,204
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual acquisition	2	2
Employee share options	44,083	44,083
Expired employee share options	135	135
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in subsidiaries (2)	<u>17,249</u>	<u>17,249</u>
	<u>\$ 2,101,673</u>	<u>\$ 2,101,673</u>

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 26-g.

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

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

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

The appropriations of earnings for 2020 and 2019 which were approved in the shareholders' meetings in July, 2021 and June, 2020, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends per share (NT\$)</u>	
	<u>For the Year Ended December 31</u>		<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Legal reserve	\$ 122,139	\$ 122,820		
Cash dividends	843,995	723,425	\$ 7	\$ 6

The appropriation of earnings for 2021 which had been proposed by the Company's board of directors on March, 2022 was as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends per share (NT\$)</u>
Legal reserve	\$ 87,162	
Cash dividends	723,425	\$ 6

The appropriation of earnings for 2021 is subject to the resolution of the shareholders in the shareholders' meeting to be held in June, 2022.

d. Special reserve

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

e. Other equity items

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

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ (487,817)	\$ (390,008)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(152,239)	(97,839)
Share from subsidiaries accounted for using the equity method	<u>(4,419)</u>	<u>30</u>
Balance at December 31	<u>\$ (644,475)</u>	<u>\$ (487,817)</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 838,995	\$ 711,113
Recognized for the year		
Unrealized gain – equity instruments	5,124,424	107,602
Share from subsidiaries accounted for using the equity method	1,218	20,280
Other comprehensive income for the year	5,125,642	127,882
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	14,640	-
Balance at December 31	<u>\$ 5,979,277</u>	<u>\$ 838,995</u>

**25. REVENUE**

a. Disaggregation of revenue

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Adhesives	\$ 4,258,025	\$ 3,757,792
Paint	675,866	545,249
Others	425,659	332,593
	<u>\$ 5,359,550</u>	<u>\$ 4,635,634</u>

b. Contract balances

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Accounts receivable (including related parties)	\$ 1,277,776	\$ 1,321,915	\$ 934,335
Contract liabilities – current			
Sale of goods	\$ 14,650	\$ 5,779	\$ 9,430

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

**26. NET PROFIT**

a. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Bank deposits	\$ 179	\$ 1,210

b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Dividend income	\$ 65,735	\$ 45,925
Grant income (Note)	1,156	43,367
Rental income	1,409	1,598
Other income	<u>9,183</u>	<u>16,727</u>
	<u>\$ 77,483</u>	<u>\$ 107,617</u>

Note: The Company received total \$41,841 thousand for wage and working capital subsidy in June and September, 2020 in accordance with “Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens”.

c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Net foreign exchange loss	\$ (12,778)	\$ (47,511)
Fair value changes of financial assets mandatorily classified as at FVTPL	11,135	-
Others	<u>(8)</u>	<u>(186)</u>
	<u>\$ (1,651)</u>	<u>\$ (47,697)</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on bank loans	\$ 21,506	\$ 21,764
Interest on lease liabilities	<u>310</u>	<u>402</u>
	<u>\$ 21,816</u>	<u>\$ 22,166</u>

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
An analysis of depreciation by function		
Operating costs	\$ 115,898	\$ 110,364
Operating expenses	<u>32,226</u>	<u>37,379</u>
	<u>\$ 148,124</u>	<u>\$ 147,743</u>
An analysis of amortization by function		
Operating costs	\$ 373	\$ 340
Operating expenses	<u>9,455</u>	<u>9,505</u>
	<u>\$ 9,828</u>	<u>\$ 9,845</u>

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits		
Salaries	\$ 706,822	\$ 697,869
Labor and health insurance	58,852	54,586
Others	47,335	49,234
	<u>813,009</u>	<u>801,689</u>
Post-employment benefits		
Defined contribution plans	21,542	21,347
Defined benefit plans (Note 23)	3,229	4,575
	<u>24,771</u>	<u>25,922</u>
	<u>\$ 837,780</u>	<u>\$ 827,611</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 277,351	\$ 260,991
Operating expenses	560,429	566,620
	<u>\$ 837,780</u>	<u>\$ 827,611</u>

g. Employees' compensation and remuneration of directors

According to the Company's Articles, the Company accrued employees' compensation and remuneration of directors at rates of 2% to 6% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and the remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on March, 2021 and 2020, respectively, are as follows:

1) Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Employees' compensation	3.5%	2.9%
Remuneration of directors	1.5%	1.4%

2) Amount

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 36,960	\$ 42,000
Remuneration of directors	16,000	20,000

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the standalone financial statements for the years ended December 31, 2020 and 2019.

Information on the employees' compensation and remuneration of directors resolved by the

Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Foreign exchange gains	\$ 46,866	\$ 36,110
Foreign exchange losses	<u>(59,644)</u>	<u>(83,621)</u>
	<u>\$ (12,778)</u>	<u>\$ (47,511)</u>

## 27. INCOME TAXES

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current year	\$ 109,347	\$ 158,925
Adjustments for prior years	(25,883)	(14,402)
Repatriation of overseas funds	<u>41,976</u>	<u>30,482</u>
	<u>125,440</u>	<u>175,005</u>
Deferred tax		
In respect of the current year	5,722	38,997
Adjustments for prior years	<u>(11,300)</u>	<u>(68,791)</u>
	<u>(5,578)</u>	<u>(29,794)</u>
	<u>\$ 119,862</u>	<u>\$ 145,211</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit before income tax	<u>\$ 995,642</u>	<u>\$ 1,364,964</u>
Income tax expense calculated at the statutory rate	\$ 199,128	\$ 272,993
Non-deductible expenses in determining taxable income	22,180	16,204
Unrecognizable income in determining taxable income	(9,140)	(5,884)
Tax-exempt income	(13,147)	(9,185)
Adjustments for prior year	(37,183)	(83,193)
Repatriation of overseas funds	41,976	30,482
Temporary differences	<u>(83,952)</u>	<u>(76,206)</u>
	<u>\$ 119,862</u>	<u>\$ 145,211</u>

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	\$ 39,164	\$ 24,452
Remeasurement of defined benefit plans	<u>(2,236)</u>	<u>(593)</u>
	<u>\$ 36,928</u>	<u>\$ 23,859</u>

c. Current tax liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Income tax payable	<u>\$ 135,500</u>	<u>\$ 186,570</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2021

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred Tax Assets</u>				
Temporary differences				
Loss on decline in market price of inventories	\$ 17,750	\$ 11,979	\$ -	\$ 29,729
Refund liabilities	5,575	(913)	-	4,662
Payables for annual leave	4,384	205	-	4,589
Defined benefit obligations	15,500	(5,623)	(2,236)	7,641
Unrealized gross profit	36,692	(12,869)	-	23,823
Exchange differences on translating the financial statements of foreign operations	121,954	-	39,164	161,118
Others	<u>3,534</u>	<u>(3,379)</u>	<u>-</u>	<u>155</u>
	<u>\$ 205,389</u>	<u>\$ (10,600)</u>	<u>\$ 36,928</u>	<u>\$ 231,717</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Foreign investment income	\$ 536,455	\$ (16,178)	\$ -	\$ 520,277
Provision for land appreciation tax	<u>231,769</u>	<u>-</u>	<u>-</u>	<u>231,769</u>
	<u>\$ 768,224</u>	<u>\$ (16,178)</u>	<u>\$ -</u>	<u>\$ 752,046</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Loss on decline in market price of inventories	\$ 17,181	\$ 569	\$ -	\$ 17,750
Refund liabilities	4,735	840	-	5,575
Payables for annual leave	3,977	407	-	4,384
Defined benefit obligations	19,934	(3,841)	(593)	15,500
Unrealized gross profit	22,114	14,578	-	36,692
Exchange differences on translating the financial statements of foreign operations	97,502	-	24,452	121,954
Others	<u>2,884</u>	<u>650</u>	<u>-</u>	<u>3,534</u>
	<u>\$ 168,327</u>	<u>\$ 13,203</u>	<u>\$ 23,859</u>	<u>\$ 205,389</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Foreign investment income	\$ 553,046	\$ (16,591)	\$ -	\$ 536,455
Provision for land appreciation tax	231,769	-	-	231,769
	<u>\$ 784,815</u>	<u>\$ (16,591)</u>	<u>\$ -</u>	<u>\$ 768,224</u>

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

As of December 31, 2021 and 2020, the taxable temporary differences related to the investment of subsidiaries and unrecognized deferred income tax liabilities are \$202,248 thousand and \$190,948 thousand, respectively.

- f. Income tax assessments

The income tax returns of the Company through 2020 have been assessed by the tax authorities.

## 28. EARNINGS PER SHARE

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

### Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Profit for the year of the Company	<u>\$ 875,780</u>	<u>\$ 1,219,753</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	120,571	120,571
Effect of potentially dilutive ordinary shares		
Employees' compensation or bonuses issued to employees	<u>319</u>	<u>361</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>120,890</u>	<u>120,932</u>

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

## **29. ACQUISITION OF SUBSIDIARIES**

The Company acquired a subsidiary that constitutes a business of Axis Manufacture Pty Ltd. and Gripset Industries Pty Ltd. with obtained control in March, 2021. Then, the Company acquired the control of Earnest Wealth Co., Ltd. with its subsidiaries and FlexUP Technologies Corp. in November and December, 2021. Refer to Note 31 "Business Combinations" of consolidated financial reports in 2021.

## **30. PARTIAL ACQUISITION OR DISPOSAL OF SUBSIDIARY INVESTMENTS – NOT AFFECT CONTROL**

In November 2020, the Company did not subscribe to the issuance of ordinary share in the amount of CNY 15,000 thousand for cash of Foshan Nan Pao Advanced Materials Co., Ltd. In accordance with the shareholding ratio, decreasing its shareholding ratio from 67.68% to 60.47%.

In May 2020, Prince Pharmaceutical Co., Ltd. Exercised employee share options, resulting in a decrease in the shareholding ration from 52.3% to 50.51%.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries. Refer to Note 32 of the consolidated financial report in 2021 of the Company for related information.

## **31. CAPITAL RISK MANAGEMENT**

The Company requires significant amounts of capital to build and expand its production facilities and equipment.

Therefore, the Company manages its capital to ensure that the Company will have sufficient financial resources and operating plans to fund its working capital needs, capital asset purchases, stock dividends and other business requirements associated with its existing operations.

### 32. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Limited partnership	\$ _____ -	\$ _____ -	\$ 36,135	\$ 36,135
<u>Financial assets at FVTOCI</u>				
Investment in equity instruments				
Unlisted shares	\$ _____ -	\$ _____ -	\$ 6,254,904	\$ 6,254,904

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investment in equity instruments				
Unlisted shares	\$ _____ -	\$ _____ -	\$ 1,080,530	\$ 1,080,530

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

Financial assets at FVTPL

	<u>For the Year Ended December 31 2021</u>
Balance at January 1	\$ -
Recognized in profit or loss (included in unrealized valuation gain or loss on financial assets at FVTPL)	11,135
Purchases	<u>25,000</u>
Balance at December 31	<u>\$ 36,135</u>

### Financial assets at FVTOCI

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ 1,080,530	\$ 968,288
Recognized in other comprehensive income (included in unrealized valuation gain or loss on financial assets at FVTOCI)	5,124,424	107,602
Purchases	51,178	5,330
Reclassification	(360)	-
Proceeds from capital reduction	(868)	(315)
Dividends paid from capital surplus	-	(375)
Balance at December 31	<u>\$ 6,254,904</u>	<u>\$ 1,080,530</u>

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

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

### c. Categories of financial instruments

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets</u>		
Financial asset at amortized cost (1)	\$ 2,530,017	\$ 2,361,200
Financial asset at FVTPL – mandatorily classified as at FVTPL	36,135	-
Financial asset at FVTOCI – investment in equity instruments	6,254,904	1,080,530
<u>Financial liabilities</u>		
Amortized cost (2)	4,254,191	3,238,905

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

### d. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, accounts receivable, accounts payable, borrowings and lease liabilities. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Company through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk

(including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

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

1) Market risk

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

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

a) Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the year are set out in Note 35.

Sensitivity analysis

The Company is mainly exposed to the USD.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan Dollar (NTD, the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items. A positive number below indicates an increase in pre-tax profit and other equity associated with the NTD weakening 1% against the relevant currency. For a 1% strengthening of the NTD against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	<b>USD Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit (loss)	\$ 6,867	\$ 6,077

This was mainly attributable to the exposure on outstanding cash and cash equivalents, accounts receivable and payables and borrowings in USD that were not hedged at the end of the year. The reason of changes is the amount of cash in USD decreased.

b) Interest rate risk

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

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value interest rate risk		
Financial liabilities	\$ 26,514	\$ 32,458
Cash flow interest rate risk		
Financial assets	449,050	262,293
Financial liabilities	2,995,519	2,200,555

#### Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for both derivative and non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. If interest rates had been 0.25% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2021 and 2020 would decrease/increase by \$7,489 thousand and \$5,501 thousand, respectively, which was mainly a result of variable-rate borrowings.

#### c) Other price risk

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

#### 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation, could be equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

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

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

As of December 31, 2021 and 2020, the maximum amount of credit risk that the Company provides endorsements / guarantees is \$252,025 thousand and \$ 193,604 thousand, respectively.

#### 3) Liquidity risk

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

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

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

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

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

December 31, 2021

	<b>Less than 1 Year</b>	<b>1 – 5 Years</b>	<b>Over 5 Years</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 1,258,672	\$ -	\$ -
Lease liabilities	6,653	17,226	3,333
Variable interest rate liabilities	1,436,976	1,585,235	-
Financial guarantee contracts	<u>252,026</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,954,327</u>	<u>\$ 1,602,461</u>	<u>\$ 3,333</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1 – 5 Years</b>	<b>5-10 Years</b>
Lease liabilities	<u>\$ 6,653</u>	<u>\$ 17,226</u>	<u>\$ 3,333</u>

December 31, 2020

	<b>Less than 1 Year</b>	<b>1 – 5 Years</b>	<b>Over 5 Years</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 1,038,349	\$ -	\$ -
Lease liabilities	6,641	20,670	6,190
Variable interest rate liabilities	938,819	1,288,258	-
Financial guarantee contracts	<u>193,604</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,177,413</u>	<u>\$ 1,308,928</u>	<u>\$ 6,190</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1 – 5 Years</b>	<b>5-10 Years</b>
Lease liabilities	<u>\$ 6,641</u>	<u>\$ 20,670</u>	<u>\$ 6,190</u>

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

b) Financing facilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Unsecured bank overdraft facilities, reviewed annually and payable at call:		
Amount used	\$ 3,115,040	\$ 2,294,503
Amount unused	<u>3,869,741</u>	<u>4,670,897</u>
	<u>\$ 6,984,781</u>	<u>\$ 6,965,400</u>

### 33. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

<b>Name of Related Party</b>	<b>Related Party Category</b>
Nan Pao Chemical Co. Ltd.	Subsidiary
Nan Pao Fine Materials Co., Ltd.	Subsidiary
Nan Pao Electronic Material Co., Ltd.	Subsidiary
ITLS International Development Co., Ltd.	Subsidiary
Nan Pao Philippines Export Inc.	Subsidiary
Phymed Bio-Tec Co., Ltd.	Subsidiary
Biorich Biotechnology Co., Ltd.	Subsidiary
Nan Pao Advanced Materials Co., Ltd.	Subsidiary
Fuqing Nan Pao Resins Co., Ltd.	Subsidiary
Nan Pao New Materials (Huaian) Co., Ltd.	Subsidiary
Thai Nanpao Resins Chemical Co., Ltd.	Subsidiary
Nan Pao Materials Vietnam Co., Ltd.	Subsidiary
PT. Indo Nan Pao Resins Chemical Co., Ltd.	Subsidiary
Nan Pao Resins (Foshan) Co., Ltd.	Subsidiary
Foshan Nan Pao Advanced Materials Co., Ltd.	Subsidiary
Nan Pao Resins (HK) Limited	Subsidiary
Dongguan Jia Chin Electronics Co., Ltd.	Subsidiary
Nan Pao Resins (China) Co., Ltd.	Subsidiary
Progroups Technology Co., Ltd.	Subsidiary
Nan Pao Advanced Material Vietnam Co., Ltd.	Subsidiary
RLA Polymers Pty. Ltd.	Subsidiary
Nan Pao Resins (Vietnam) Enterprise Ltd.	Subsidiary
Nan Pao Resins Chemical Philippines, Inc.	Subsidiary
Nan Pao Resins International Ltd.	Subsidiary
RLA Polymers (M) SDN BHD	Subsidiary

(Continued)

Name of Related Party	Related Party Category
Prince Pharmaceutical Co., Ltd.	Subsidiary
Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Subsidiary
Total Acrylic Polymer Industry (Tapi) Corporation	Associate
Pou Chen Corporation and Subsidiaries	Investors with significant influence
Opulence Optronics Co., Ltd.	The Company is an executive of the other company

(Concluded)

b. Sales of goods

Related Party Category/Name	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiary		
Nan Pao Resins (Vietnam) Enterprise Ltd.	\$ 1,038,355	\$ 1,102,027
Others	1,395,417	976,356
Investors with significant influence	<u>37,390</u>	<u>46,138</u>
	<u>\$ 2,471,162</u>	<u>\$ 2,124,521</u>

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

c. Purchases of goods

Related Party Category	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiary	\$ 100,478	\$ 98,285
Associate	<u>2,994</u>	<u>682</u>
	<u>\$ 103,472</u>	<u>\$ 98,967</u>

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

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

Line Item	Related Party Category / Name	December 31	
		2021	2020
Accounts receivable	Subsidiary		
	Nan Pao Resins (Vietnam) Enterprise Ltd.	\$ 347,247	\$ 562,394
	PT. Indo Nan Pao Resins Chemical Co., Ltd.	124,559	107,492
	Others	399,682	230,806
	Investors with significant influence	6,910	10,064
		<u>\$ 878,398</u>	<u>\$ 910,756</u>
Other receivables	Subsidiary	\$ 270	\$ 244

The outstanding accounts receivable from related parties are unsecured.

e. Payables to related parties

Line Item	Related Party Category	December 31	
		2021	2020
Accounts payable	Subsidiary	\$ 22,030	\$ 17,737
Other payables	Subsidiary	\$ 519	\$ 1,059

The outstanding accounts payable to related parties are unsecured.

f. Others - refund liabilities

Line Item	Related Party Category / Name	December 31	
		2021	2020
Other current liabilities	Investors with significant influence		
	Pou Chen Corporation and Subsidiaries	\$ 1,823	\$ 4,227

g. Endorsements and guarantees

Endorsements and guarantees provided by the Company

Related Party Category	December 31	
	2021	2020
Subsidiary		
Amount endorsed	\$ 1,197,280	\$ 802,110
Amount utilized	\$ 252,025	\$ 193,604

h. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 55,541	\$ 63,688
Post-employment benefits	<u>2,118</u>	<u>2,319</u>
	<u>\$ 57,659</u>	<u>\$ 66,007</u>

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

### 34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Company at December 31, 2021 and 2020 were as follows:

- a. As of December 31, 2021 and 2020, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$117,310 thousand and \$85,261 thousand, respectively.
- b. Unrecognized commitments are as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Acquisition of property, plant and equipment	<u>\$ 352,666</u>	<u>\$ 568,369</u>

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

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

(In thousands of New Taiwan Dollars and foreign currency)

December 31, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 49,801	27.68	\$ 1,378,522 (Continued)

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Non-monetary items</u>			
Investment accounted for using equity method			
USD (Note)	\$ 235,141	27.68	\$ 6,508,702
IDR	121,106	0.00198	239,790
VND	338,115	0.00121	410,664

Financial liabilities

Monetary items

USD	24,992	27.68	691,792 (Concluded)
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December 31, 2020

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 40,408	28.48	\$ 1,150,824

Non-monetary items

Investment accounted for using equity method			
USD (Note)	225,878	28.48	6,433,007
IDR	103,896,347	0.00203	210,910
VND	319,803,097	0.00123	394,458

Financial liabilities

Monetary items

USD	19,064	28.49	543,162
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Note: The difference between the amounts of investments accounted for using equity method is the unrealized gross profit.

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

Functional Currency	For the Year Ended December 31			
	2021		2020	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	28.009(USD:NTD)	\$ (13,109)	29.549(USD:NTD)	\$ (47,779)
Others		<u>331</u>		<u>268</u>
		<u>\$ (12,778)</u>		<u>\$ (47,511)</u>

### 36. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

b. Information on invests (Table 5)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 6)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 7):
  - a) The amount and percentage of purchases and the balance and percentage of the related payables

at the end of the year

- b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
  - c) The amount of property transactions and the amount of the resultant gains or losses
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes
  - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
  - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- d. Information of major shareholders : List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8)

TABLE 1

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

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2 & 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2 & 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship(N ote 1)										
0	Nan Pao Resins Chemical Co., Ltd.	Phymed Bio-Tec Co., Ltd.	2	\$ 3,055,569	\$ 10,000	\$ -	\$ -	\$ -	-	\$ 7,638,924	Y	N	N
		Nan Pao Philippines Export, Inc	2	3,055,569	14,268	13,840	-	-	0.09	7,638,924	Y	N	N
		ITLS International Development Co., Ltd.	2	3,055,569	20,000	-	-	-	-	7,638,924	Y	N	N
		Nan Pao Resins Chemical Philippines Inc.	2	3,055,569	28,535	27,680	-	-	0.18	7,638,924	Y	N	N
		Nan Pao Resins International Ltd.	2	3,055,569	71,338	-	-	-	-	7,638,924	Y	N	N
		Nan Pao Group Holdings Ltd.	2	3,055,569	57,070	55,360	-	-	0.36	7,638,924	Y	N	N
		RLA Polymers (M) SDN BHD	2	3,055,569	85,605	83,040	71,196	-	0.54	7,638,924	Y	N	N
		Nan Pao Resins (HK) Limited	2	3,055,569	128,408	-	-	-	-	7,638,924	Y	N	N
		RLA Polymers Pty Ltd.	2	3,055,569	228,280	221,440	118,472	-	1.45	7,638,924	Y	N	N
		RLA Polymers (M) SDN BHD	2	3,055,569	114,140	110,720	6,637	-	0.72	7,638,924	Y	N	N
		Nan Pao New Materials (Huaian) Co., Ltd.	2	3,055,569	131,520	130,320	18,161	-	0.85	7,638,924	Y	N	Y
		Nan Pao Fine Materials Co., Ltd.	2	3,055,569	20,000	20,000	20,000	-	0.13	7,638,924	Y	N	N
		Nan Pao New Materials (Huaian) Co., Ltd.	2	3,055,569	218,000	217,200	-	-	1.42	7,638,924	Y	N	Y
		Nan Pao New Materials (Huaian) Co., Ltd.	2	3,055,569	130,800	86,880	7,559	-	0.57	7,638,924	Y	N	Y
		Nan Pao Fine Materials Co., Ltd.	2	3,055,569	20,000	-	-	-	-	7,638,924	Y	N	N
		Nan Pao Fine Materials Co., Ltd.	2	3,055,569	30,000	30,000	10,000	-	0.2	7,638,924	Y	N	N
		1	NP Australia Pty Ltd.	RLA Polymers Pty Ltd.	2	3,055,569	200,800	200,800	-	-	1.31	7,638,924	Y
RLA Polymers Pty Ltd.	2			-	108,388	-	-	-	-	-	N	N	N

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

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

Note 2: The limit on endorsement/guarantee given on behalf of each party is 20% of the Company's net value at the end of the period, while the aggregate endorsement/guarantee limit is 50% of the Company's net value.

Note 3: A company that directly and indirectly with an investment company may not certify a single enterprise.

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

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership(%)	Fair Value	
Nan Pao Resins Chemical Co., Ltd.	CDIB - Innolux Limited Partnership	None	Financial assets at fair value through profit or loss - non-current	-	\$ 36,135	9	\$ 36,135	
	Dairen Chemical Corp. - publicly owned company	None	Financial assets at fair value through other comprehensive income - non-current	6,515,606	\$ 6,226,769	2	\$ 6,226,769	
	Hua Chi Venture Capital Co., Ltd. - privately-issued equity	"	"	7,895	1,978	1	1,978	
	Opulence Optronics Co., Ltd. - privately-issued equity	"	"	1,754,417	2,352	13	2,352	
	Revivegen Environmental Technology Co., Ltd. - privately-issued equity	"	"	422,126	16,556	2	16,556	
	Contact Organics Pty Ltd- privately-issued equity	"	"	2,312	7,249	15	7,249	
					<u>\$ 6,254,904</u>		<u>\$ 6,254,904</u>	
Nan Pao Chemical Co., Ltd.	Ace Chemical Corp. -privately-issued equity	None	Financial assets at fair value through other comprehensive income - non-current	995,165	\$ 29,955	10	\$ 29,955	

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

Note 2: Please see Tables 5 and 6 for information on investments in subsidiaries and associates.

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

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount (Note)	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note)	% of Total	
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Subsidiary	Sale	\$ 1,038,355	19	Payment within 90 days	Similar to general transactions	Similar to general transactions	\$ 347,247	27	
	PT Indo Nan Pao Resins Chemical Co., Ltd.	Subsidiary	Sale	388,591	7	Payment within 90 days	Similar to general transactions	Similar to general transactions	124,559	10	
	Nan Pao Materials Vietnam Co., Ltd.	Subsidiary	Sale	211,705	4	Payment within 90 days	Similar to general transactions	Similar to general transactions	99,402	8	
	Nan Pao Resins (HK) Limited	Subsidiary	Sale	220,245	4	Telegraphic transfer within 90 days	Similar to general transactions	Similar to general transactions	61,983	5	
	Nan Pao Resins (Foshan) Co., Ltd.	Subsidiary	Sale	246,653	5	Payment within 90 days	Similar to general transactions	Similar to general transactions	78,300	6	
Nan Pao Resins (Vietnam) Enterprise Ltd.	Nan Pao Resins International Ltd.	Same ultimate Parent Company	Sale	154,467	6	Payment within 90 days	Similar to general transactions	Similar to general transactions	36,955	7	
Nan Pao Resins (Dongguan) Co., Ltd.	Nan Pao Resins (HK) Limited	Same ultimate Parent Company	Processing Revenue	341,514	100	Payment within 90 days	No comparable produce sales for comparison	No third-party transaction for comparison	-	-	
Nan Pao Materials Vietnam Co., Ltd.	Nan Pao Resins International Ltd.	Same ultimate Parent Company	Sale	122,522	10	Payment within 90 days	Similar to general transactions	Similar to general transactions	29,500	10	
Fuqing Nan Pao Resins Co., Ltd.	Nan Pao Resins (China) Co., Ltd.	Same ultimate Parent Company	Sale	111,038	22	Payment within 90 days	Similar to general transactions	Similar to general transactions	24,152	22	
Nan Pao Resins (Foshan) Co., Ltd.	Fuqing Nan Pao Resins Co., Ltd.	Same ultimate Parent Company	Sale	129,909	6	Payment within 90 days	Similar to general transactions	Similar to general transactions	35,894	7	
Nan Pao Resins International Ltd.	Pou Chen Corporation and Subsidiaries	Investors with significant influence	Sale	282,237	99	Payment within 60 days	Similar to general transactions	Similar to general transactions	78,477	99	
PT. Indo Nan Pao Resins Chemical Co., Ltd.	Pou Chen Corporation and Subsidiaries	Investors with significant influence	Sale	397,297	35	Telegraphic transfer within 90 days	Similar to general transactions	Similar to general transactions	153,946	40	
Nan Pao Resins (Foshan) Co., Ltd.	Pou Chen Corporation and Subsidiaries	Investors with significant influence	Sale	100,958	5	Payment within 45 ~ 90 days	Similar to general transactions	Similar to general transactions	27,839	5	

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

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

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Subsidiary	\$ 347,247	2.28	\$ -	-	\$ 115,560	\$ -
	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Subsidiary	124,559	3.35	-	-	90,253	-
PT. Indo Nan Pao Resins Chemical Co., Ltd.	Pou Chen Corporation and Subsidiaries	Investors with significant influence	153,946	2.93	-	-	71,631	443

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

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

**INFORMATION ON INVESTEEES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Chemical Co., Ltd.	No.12, Nanhai, Nanhai Vil., Xigang Dist., Tainan City	Trading of chemical substances	\$ 300,000	\$ 300,000	15,000,000	100	\$ 178,317	\$ (2,151)	\$ 271	
	Nan Pao Application Material Co., Ltd.	No.12, Nanhai, Nanhai Vil., Xigang Dist., Tainan City	Trading of chemical substances	60,000	60,000	200,000	100	8,635	(608)	(608)	
	Nan Pao Electronic Material Company	No.510, Zhongshan Rd., Xigang Dist, Tainan City	Production and trading of electronic materials	63,540	63,540	4,000,000	100	52,608	4,482	4,482	
	ITLS International Development Co., Ltd.	3F, No.356, Sec.1, NeiHu Rd., Taipei City	Trading of construction materials and chemical substances	755,000	755,000	30,500,000	100	284,781	15,055	11,498	
	Prince Pharmaceutical Co., Ltd.	No. 168, Keyun S. Rd., Kendi Vil., Huwei Township, Yunlin County	Manufacturing, packaging, and processing of raw materials for various pharmaceutical and health food	324,683	324,683	16,767,305	50.51	337,334	(8,301)	(4,193)	
	Phymed Bio-Tec Co., Ltd.	No.12, Nanhai, Nanhai Vil., Xigang Dist., Tainan City	R&D and trading of health food	34,000	16,000	2,400,000	100	20,803	91	91	
	Biorich Biotechnology Co., Ltd.	3F, No.356, Sec.1, NeiHu Rd., Taipei City	R&D, production, and trading of new high protein business and health food	64,121	64,121	391,462	57.1	8,661	1,270	725	
	Nan Pao Advanced Materials Co., Ltd.	No. 521, Zhongshan Rd., Xigang Dist, Tainan City	Trading of adhesives and chemicals	3,500	3,500	350,000	70	7,392	4,200	2,940	
	Progroups Technology Co., Ltd.	No.12, Nanhai, Nanhai Vli., Xigang Dist., Tainan City	Trading of water-based PU resin	70,814	70,814	459,950	91.99	69,628	(2,964)	(693)	
	Nan Pao Fine Materials Co., Ltd.	No.217, Xinxing St., 4 Neighborhood, Qingan Vil., Xigang Dist., Tainan City	Production and trading of adhesives and chemicals	13,750	13,750	1,375,000	55	13,852	6,034	169	
	Total Acrylic Polymer Industry (TAPI) Corporation	12F., No. 117, Sec. 2, Chongqing N. Rd., Datong Dist., Taipei City	Production and trading of chemical materials including adhesives and resins	120,000	120,000	1,500,000	30	378,477	110,747	33,224	
	FlexUP Technologies Corp.	5F., No. 5, Ln. 569, Bo'ai St., Zhubei City, Hsinchu County	Production and trading of polyimide materials	21,094	21,094	16,352,173	96.87	4,008	(926)	(897)	
	Fuqing Nan Pao Investment Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	166,699	166,699	4,990,000	100	215,925	26,099	26,099	
	Thai Nan Pao Investment Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	169,909	169,909	5,282,000	100	166,634	6,363	6,363	
	Nan Pao Resins India Pvt Ltd.	204, Abhishek, off New Link Road, Andheri ( W ) , Mumbai 400053, India	Trading of adhesives	16,499	16,499	3,000,000	100	26,945	1,552	1,552	
	Nan Pao Materials Vietnam Co., Ltd.	LotA4, A5, A10, A11 Daden Industrial Park, Thu Dau Mot City, Binh Duong Province, Vietnam	Production and trading of adhesives and chemicals	685,094	685,094	-	100	926,258	90,430	89,809	
	Nan Pao Advanced Materials Vietnam Co., Ltd.	Phuc Son Industrial Area, Ninh Phuc Commune, Ninh Binh City, Ninh Binh province	Production and trading of adhesives and chemicals	465,970	465,970	-	100	401,110	22,362	22,362	
	Nan Pao Overseas Holdings Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	2,363,585	2,525,110	78,056,502	100	3,883,200	182,528	188,927	
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General investment	186,588	186,588	983,333	73.75	800,321	163,489	122,969	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	All Saints Enterprises Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	143,375	143,375	5,452,549	54.53	219,589	5,883	3,209	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
Ongoing Profits Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	46,426	46,426	1,560,000	32.18	180,455	117,665	38,429	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares	
PT. Indo Nan Pao Resins Chemical Co., Ltd.	Jl. Pajajaran Raya No.44, Jatiuwung Tangerang 15137, Indonesia	Production and trading of adhesives	39,276	39,276	2,756,250	49	230,510	86,147	42,212	Nan Pao Resins Chemical Co., Ltd. and related companies hold 67.5% of voting shares	
Nan Pao Philippines Export Inc.	Lot IL-2 Subic Bay Gateway Park Phase II, Subic Bay Freeport Zone	Trading of adhesives	14,993	14,993	25,750,000	100	12,579	(247)	(247)		
Nan Pao Resins Chemical (Bangladesh) Co., Ltd.	House No, 42 5 <sup>th</sup> floors, Lake drive Road, Sector 7, Uttara, Dhaka	Trading of adhesives	4,193	-	300,000	100	4,063	-	-		
Earnest Wealth Co., Ltd.	Level 2, Lotemau Centre Building, Vaea Street, Apia, Samoa	General investment	42,958	-	920,000	51.1	42,690	(217)	(111)		

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
ITLS International Development Co., Ltd.	ITLS Holding Pte. Ltd. Aftek Materials Vietnam Co., Ltd.	Blk 1049, Eunost Avenue 6, #01-132, Singapore 409628 No. 16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	General investment Production and trading of construction materials	\$ 545,462 49,172	\$ 545,462 49,172	24,064,549 -	100 70	\$ 131,919 27,023	\$ (1,705) (5,775)		
Fuqing Nan Pao Investment Ltd.	Wealth Castle Development Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	126,221 (USD 4,560,000)	126,221 (USD 4,560,000)	10,000	100	216,403	26,184		
Thai Nan Pao Investment Ltd.	Thai Nanpao Resins Chemical Co., Ltd.	412 Kor Soi, 1cBangpoo Industrial Tumbon Preaksa Ampur Muang Samutprakarn 10280, Thailand	Production and trading of adhesives	154,442 (USD 5,578,821)	154,442 (USD 5,578,821)	21,197,000	100	123,068	6,432		
Earnest Wealth Co., Ltd.	Apex Polytech Co., Ltd.	Lot T29-15A Street 7, Protrade International Industrial Park, An Tay Commune, Ben Cat Town, Binh Duong, Vietnam.	Production and trading of adhesives	59,512 (USD 2,150,000)	29,064 (USD 1,050,000)	-	100	59,482	(217)		
Nan Pao Overseas Holdings Ltd.	Nan Pao Group Holdings Ltd.	4th Floor, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Islands	General investment	2,160,604 (USD 78,056,502)	2,028,958 (USD 73,300,502)	78,056,502	100	3,947,165	182,628		
ITLS Holding Pte. Ltd.	PT. ITLS Indonesia	Jl. Pajajaran Raya No. 44, Kel. Gandasari, Kec. Jatiuwung, Tangerang-15137 Indonesia	Production and trading of construction materials	70,075 (USD 2,531,620)	70,075 (USD 2,531,620)	2,437,109	100	17,160	(1,181)		
	ITLS Vietnam Co., Ltd.	No.16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and trading of construction materials	120,505 (USD 4,353,487)	120,505 (USD 4,353,487)	-	100	70,519	(296)		
Nan Pao Group Holdings Ltd.	Greatwill Materials (HK) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	34,877 (USD 1,260,000)	34,877 (USD 1,260,000)	7,172	67.68	429,652	50,604		
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General investment	52,250 (USD 1,887,627)	52,250 (USD 1,887,627)	350,000	26.25	288,098	163,489	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares	
	Nan Pao Resins (Holdings) Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	582,777 (USD 21,054,073)	582,777 (USD 21,054,073)	10,000	100	326,732	1,643		
	All Saints Enterprises Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	147,620 (USD 5,333,075)	147,620 (USD 5,333,075)	4,547,451	45.47	183,105	5,883	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares	
	NP Australia Pty. Ltd.	Collins Square Tower Five Level 22, 727 Collins Street, Docklands VIC 3008	General investment	606,704 (AUD 30,214,354)	506,304 (AUD 25,214,354)	30,214,354	100	797,552	58,333		
	Ongoing Profits Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	106,203 (USD 3,836,817)	106,203 (USD 3,836,817)	3,287,546	67.82	432,783	117,665	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares	
	Treasure Wealth (HK) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	127,605 (USD 4,610,000)	127,605 (USD 4,610,000)	4,610	100	167,152	4,351		
	Goldford Investments Ltd.	Creque Building, P.O. Box 116, Road Town, Tortola, British Virgin Islands	General investment	16,188 (USD 584,844)	16,188 (USD 584,844)	486,000	100	91,045	13,658		
	Nan Pao Resins Chemical Philippines, Inc.	Road 22 Phase 11, Cogejo Village, Antipolo City, Philippines	Trading of adhesives	5,813 (USD 210,000)	5,813 (USD 210,000)	9,000	100	70,317	11,465		
	Nan Pao Resins International Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Trading of chemical substances and related products	710 (HKD 200,000)	710 (HKD 200,000)	1,000	100	20,090	10,988		
	Nan Pao Resins (HK) Limited	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Production and trading of adhesives	481,632 (USD 17,400,000)	426,272 (USD 15,400,000)	17,400,000	100	435,767	(26,313)		
Profit Land Ltd.	Giant Profit Development Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	221,440 (USD 8,000,000)	221,440 (USD 8,000,000)	10,000	100	1,088,963	163,516		
Nan Pao Resins (Holdings) Ltd.	Eastlion Enterprises Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	153,350 (USD 5,540,100)	153,350 (USD 5,540,100)	20,240	100	184,374	(11,487)		
	Nan Pao Resins Development Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	83,040 (USD 3,000,000)	83,040 (USD 3,000,000)	3,000	100	135,759	13,139		
All Saints Enterprises Ltd.	Great Mount Enterprises Ltd.	Unit 2102, 21/F The Broadway, No., 54-62 Lockhart, Road, Wanchai, Hong Kong	General investment	276,800 (USD 10,000,000)	276,800 (USD 10,000,000)	10,000	100	398,878	5,968		
NP Australia Pty Ltd.	RLA Polymers Pty. Ltd.	Collins Square Tower Five Level 22, 727 Collins Street, Docklands VIC 3008	Production and trading of construction materials and chemical substances	428,394 (AUD 21,334,344)	327,994 (AUD 16,334,344)	16,552,080	100	456,341	54,398		
Ongoing Profits Ltd.	Rising Sun Associates Ltd.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Island	General investment	134,180 (USD 4,847,546)	134,180 (USD 4,847,546)	3,000,000	100	636,694	117,760		
Treasure Wealth (HK) Ltd.	Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Kcn Nhon Trach II, Xa Hiep Phuoc, Huyen Nhon Trach, Tinh Dong Nai, Vietnam	Production and trading of coatings	127,051 (USD 4,590,000)	127,051 (USD 4,590,000)	-	50	160,764	9,068		
Goldford Investments Ltd.	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Jl. Pajajaran Raya No. 44, Jatiuwung Tangerang 15137, Indonesia	Production and trading of adhesives	2,060 (IDR 1,040,625,000)	2,060 (IDR 1,040,625,000)	1,040,625	18.5	90,533	86,147	Nan Pao Resins Chemical Co., Ltd. and related companies hold 67.5% of voting shares	
Rising Sun Associates Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	10 Thong Nhat Boulevard, Song Than 2 Industrial Park Di An Town, Binh Duong Province, S.R Vietnam	Production and trading of adhesives	94,339 (USD 3,408,217)	94,339 (USD 3,408,217)	-	100	634,135	117,844		
RLA Polymers Pty Ltd.	RLA Polymers (M) SDN BHD	No.5, Lebuhraya Petai, Pandamaran, 42000 Port Klang, Selangor Darul Ehsan, Malaysia	Production and trading of construction materials and chemical substances	119,914 (AUD 5,971,801)	119,914 (AUD 5,971,801)	18,415,500	100	166,488	2,872		

Note 1: The Company is only required to list the amount of profit and loss of each of the subsidiaries and each investee that is accounted for using the equity method. The rest of the information can be exempted.  
Note 2: Please refer to Table 6 for information on investees in mainland China.

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

### INFORMATION ON INVESTMENTS IN MAINLAND CHINA FOR THE YEAR ENDED DECEMBER 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 4)	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 (Note 4)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
Nan Pao Resins (China) Co., Ltd.	Production and trading of adhesives and coatings	\$ 276,800 (USD 10,000,000)	(2) Great Mount Enterprises Ltd.	\$ 298,665 (USD 10,789,932)	\$ -	\$ -	\$ 298,665 (USD 10,789,932)	\$ 5,975	100	\$ 5,975 (2)B.	\$ 398,756	\$ -
Fuqing Nan Pao Resins Co., Limited	Production and trading of adhesives	126,221 (USD 4,560,000)	(2) Wealth Castle Development Ltd.	138,123 (USD 4,990,000)	-	-	138,123 (USD 4,990,000)	26,322	100	26,322 (2)B.	215,721	164,643
Nan Pao Resins (Dongguan) Co., Ltd.	Processing of adhesive products	74,736 (USD 2,700,000)	(2) Eastlion Enterprises Ltd.	70,359 (USD 2,541,860)	-	-	70,359 (USD 2,541,860)	(8,208)	100	(8,208) (2)B.	136,387	-
Dongguan Jiaqin Electronics Co., Ltd.	Production and trading of coatings and advanced resin	83,040 (USD 3,000,000)	(2) Nan Pao Resins Development Ltd.	84,830 (USD 3,064,683)	-	-	84,830 (USD 3,064,683)	13,139	100	13,139 (2)B.	135,744	-
Foshan Nan Pao Advanced Materials Co., Ltd.	Production and trading of adhesives	46,693 (USD 1,686,900)	(2) Greatwill Materials (HK) Ltd. and Nan Pao Resins (Foshan) Co., Ltd.	-	-	-	-	56,844	60.47	34,373 (2)B.	432,428	-
Nan Pao Resins (Foshan) Co., Ltd.	Production and trading of adhesives	221,440 (USD 8,000,000)	(2) Giant Profit Development Ltd.	215,562 (USD 7,787,627)	-	-	215,562 (USD 7,787,627)	163,522	100	163,552 (2)B.	1,088,046	331,702
Goaden Nan Pao Materials Technology Co., Ltd.	Trading of footwear materials	21,720 (RMB 5,000,000)	(3) Nan Pao Resins (Foshan) Co., Ltd.	-	-	-	-	167	51	85 (2)B.	15,792	-
Gangyi Electronic (Dongguan) Co., Ltd. (Note 5)	Production and trading of magnetic covers, magnetic rings, iron cores and electronic components	-	(2) Qang Yi Electronic Factory Company Ltd.	11,072 (USD 400,000)	-	-	11,072 (USD 400,000)	-	-	-	-	-
Nanpao Advanced Investment Co., Ltd.	General investment	816,560 (USD 29,500,000)	(2) Nan Pao Group Holdings Ltd.	794,416 (USD 28,700,000)	22,144 (USD 800,000)	-	816,560 (USD 29,500,000)	(28,691)	100	(28,691) (2)B.	794,798	-
Nan Pao (Kunshan) Electronic Commerce Co., Ltd.	Online business agency and general merchandise trading	138,400 (USD 5,000,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	2,496	100	2,496 (2)B.	101,437	-
Nantong Nanpao Resins Materials Co., Ltd.	Production and trading of adhesives	152,240 (USD 5,500,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	14,806	100	14,806 (2)B.	157,202	-
Nan Pao Resins (Yunan) Co., Ltd.	Production and trading of adhesives	221,400 (USD 8,000,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	(6)	100	(6) (2)B.	236,841	-
Nan Pao New Materials (Huaian) Co., Ltd.	Production and trading of carbon fiber	276,800 (USD 10,000,000)	(3) Nan Pao Advanced Investment Co., Ltd.	-	-	-	-	(40,222)	100	(40,222) (2)B.	254,697	-
Nan Pao Optoelectronic Materials (Kunshan) Co., Ltd.	Production and trading of adhesives and chemical substance	22,144 (USD 800,000)	(3) Nan Pao Advanced Investment Co., Ltd.	-	-	-	-	(1,533)	100	(1,533) (2)B.	20,963	-

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2021 (Note 4)	Investment Amount Authorized by the Investment Commission, MOEA (Note 4)	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 3)
\$ 1,635,171 (USD 59,074,102)	\$ 2,666,539 (USD 96,334,490)	\$ 9,166,708

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

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

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

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

Note 3: The Company's investment limit in mainland China is calculated as follows:  
\$15,277,847 × 60% = \$9,166,708

Note 4: Relevant amounts are calculated based on the exchange rate of US\$1 = NT\$27.68 at the end of the period.  
Relevant amounts are calculated based on the exchange rate of CNY 1 = NT\$4.344 at the end of the period.

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

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

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

**FOR THE YEAR ENDED DECEMBER 31, 2021**

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

Buyer	Counterparty	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Unrealized Gain (Note)
			Purchase/Sale	Amount (Note)	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note)	% to Total	
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Foshan) Co., Ltd.	Subsidiary	Sales	\$ (246,653)	(5)	Payment within 90 days	Similar to general transactions	Similar to general transactions	\$ 78,300	5	\$ 8,062
	Nan Pao Resins (China) Co., Ltd.	Subsidiary	Sales	(18,935)	-	Payment within 90 days	Similar to general transactions	Similar to general transactions	1,073	-	-
	Donguan Jiaqin Electronics Co., Ltd.	Subsidiary	Sales	(16,514)	-	Payment within 90 days	Similar to general transactions	Similar to general transactions	5,955	-	13
	Fuqing Nan Pao Resins Co., Limited	Subsidiary	Sales	(14,216)	-	Payment within 90 days	Similar to general transactions	Similar to general transactions	6,495	-	636
Foshan Nan Pao Advanced Materials Co., Ltd.	Greatwill Material (HK) Ltd.	Same ultimate Parent Company	Sales	(85,566)	(4)	Payment within 90 days	Similar to general transactions	Similar to general transactions	20,144	3	-
	Nan Pao Resins India Pvt Co., Ltd.	Same ultimate Parent Company	Sales	(18,347)	(1)	Payment within 90 days	Similar to general transactions	Similar to general transactions	2,310	-	-
	Nan Pao Resins Chemical Co., Ltd.	Parent Company	Sales	(17,679)	(1)	Payment within 90 days	Similar to general transactions	Similar to general transactions	2,671	-	-
	Nan Pao Resins (Foshan) Co., Ltd.	Same ultimate Parent Company	Sales	(65,234)	(3)	Payment within 90 days	Similar to general transactions	Similar to general transactions	21,602	3	-
Nan Pao Resins (Dongguan) Co., Ltd.	Nan Pao Resins (HK) Limited	Same ultimate Parent Company	Processing Revenue	(341,514)	(100)	Payment within 90 days	No comparable product sales for comparison	No third-party transaction for comparison	-	-	-
Nan Pao Resins (Fo Shan) Co., Ltd.	Fuqing Nan Pao Resins Co., Limited	Same ultimate Parent Company	Sales	(129,909)	(6)	Payment within 90 days	Similar to general transactions	Similar to general transactions	35,894	7	-
	Nan Pao Resins (China) Co., Ltd.	Same ultimate Parent Company	Sales	(38,244)	(2)	Payment within 90 days	Similar to general transactions	Similar to general transactions	6,798	1	-
Fuqing Nan Pao Resins Co., Limited	Nan Pao Resins (China) Co., Ltd.	Same ultimate Parent Company	Sales	(111,017)	(22)	Payment within 90 days	Similar to general transactions	Similar to general transactions	24,134	22	-

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

**TABLE 8****NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES****II INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Pou Chien Enterprise Co., Ltd.	10,920,248	9.05%
Ding-Feng Investment Co., Ltd	10,828,947	8.98%
Yue Dean Technology Corporation	10,285,000	8.53%
Chuan-De Investment Co., Ltd.	10,065,298	8.34%
Guang Rong Investment Ltd.	8,868,132	7.35%
Growth Machine Development Co., Ltd.	7,850,523	6.51%
Pao-Wang Investment Co., Ltd.	7,532,068	6.24%

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

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

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

CHANGES IN PROPERTY, PLANT AND EQUIPMENT  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)

	Land	Land Improvement	Buildings	Machinery and equipment	Transporation equipment	Miscellaneous equipment	Construction in progress	Total
<u>Cost</u>								
Balance at January 1, 2020	\$ 970,170	\$ 10,316	\$ 450,615	\$ 1,087,763	\$ 111,831	\$ 536,624	\$ 29,163	\$ 3,196,482
Additions	-	5,782	952	58,253	9,250	30,576	204,409	309,222
Disposals	-	-	-	( 31,139 )	( 7,994 )	( 16,122 )	-	( 55,255 )
Balance at December 31, 2020	<u>\$ 970,170</u>	<u>\$ 16,098</u>	<u>\$ 451,567</u>	<u>\$ 1,114,877</u>	<u>\$ 113,087</u>	<u>\$ 551,078</u>	<u>\$ 233,572</u>	<u>\$ 3,450,449</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2020	\$ -	\$ 5,304	\$ 237,413	\$ 720,016	\$ 77,937	\$ 385,308	\$ -	\$ 1,425,978
Depreciation	-	1,029	11,682	76,180	10,584	40,205	-	139,680
Disposals	-	-	-	( 31,139 )	( 7,994 )	( 16,122 )	-	( 55,255 )
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 6,333</u>	<u>\$ 249,095</u>	<u>\$ 765,057</u>	<u>\$ 80,527</u>	<u>\$ 409,391</u>	<u>\$ -</u>	<u>\$ 1,510,403</u>
Carrying amount at December 31, 2020	<u>\$ 970,170</u>	<u>\$ 9,765</u>	<u>\$ 202,472</u>	<u>\$ 349,820</u>	<u>\$ 32,560</u>	<u>\$ 141,687</u>	<u>\$ 233,572</u>	<u>\$ 1,940,046</u>
<u>Cost</u>								
Balance at January 1, 2021	\$ 970,170	\$ 16,098	\$ 451,567	\$ 1,114,877	\$ 113,087	\$ 551,078	\$ 233,572	\$ 3,450,449
Additions	-	5,637	2,649	37,570	6,775	53,227	266,686	372,544
Disposals	-	-	-	( 10,953 )	( 4,835 )	( 7,488 )	-	( 23,276 )
Balance at December 31, 2021	<u>\$ 970,170</u>	<u>\$ 21,735</u>	<u>\$ 454,216</u>	<u>\$ 1,141,494</u>	<u>\$ 115,027</u>	<u>\$ 596,817</u>	<u>\$ 500,258</u>	<u>\$ 3,799,717</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2021	\$ -	\$ 6,333	\$ 249,095	\$ 765,057	\$ 80,527	\$ 409,391	\$ -	\$ 1,510,403
Depreciation	-	1,666	11,495	76,574	9,676	42,155	-	141,566
Disposals	-	-	-	( 10,953 )	( 4,835 )	( 7,437 )	-	( 23,225 )
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 7,999</u>	<u>\$ 260,590</u>	<u>\$ 830,678</u>	<u>\$ 85,368</u>	<u>\$ 444,109</u>	<u>\$ -</u>	<u>\$ 1,628,744</u>
Carrying amount at December 31, 2021	<u>\$ 970,170</u>	<u>\$ 13,736</u>	<u>\$ 193,626</u>	<u>\$ 310,816</u>	<u>\$ 29,659</u>	<u>\$ 152,708</u>	<u>\$ 500,258</u>	<u>\$ 2,170,973</u>

## THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

ITEM	STATEMENT INDEX
MAJOR ACCOUNTING ITEMS IN ASSETS, LIABILITIES AND EQUITY	
STATEMENT OF CASH	1
STATEMENT OF FINANCIAL ASSETS AT AMORTIZED COST - CURRENT	Note 9
STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – NON-CURRENT	2
STATEMENT OF NOTES RECEIVABLE	3
STATEMENT OF ACCOUNTS RECEIVABLE	4
STATEMENT OF OTHER RECEIVABLES	5
STATEMENT OF INVENTORIES	6
STATEMENT OF OTHER CURRENT ASSETS	Note 19
STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – NON-CURRENT	7
STATEMENT OF FINANCIAL ASSETS AT AMORTIZED COST - NON-CURRENT	Note 9
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	8
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT	Note 15
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT	Note 15
STATEMENT OF CHANGES IN INVESTMENT PROPERTIES	Note 17
STATEMENT OF CHANGES IN REGHT - OF - USE ASSETS	Note 16
STATEMENT OF CHANGES IN ACCUMAULATED DEPRECIATION OF REGHT - OF - USE ASSETS	Note 16
STATEMENT OF CHANGES IN INTANGIBLE ASSETS	Note 18
STATEMENT OF DEFERRED TAX ASSETS	Note 27
STATEMENT OF OTHER NON-CURRENT ASSETS	Note 19
STATEMENT OF SHORT-TERM BORROWINGS	9
STATEMENT OF NOTES PAYABLE	10
STATEMENT OF ACCOUNTS PAYABLE	11
STATEMENT OF OTHER PAYABLES	Note 22
STATEMENT OF OTHER CURRENT LIABILITIES	Note 22
STATEMENT OF LONG-TERM BORROWINGS	12
STATEMENT OF LEASE LIABILITIES	Note 16
STATEMENT OF DEFERRED TAX LIABILITIES	Note 27
MAJOR ACCOUNTING ITEMS IN PROFIT OR LOSS	
STATEMENT OF OPERATING REVENUES	13
STATEMENT OF OPERATING COSTS	14
STATEMENT OF OPERATING EXPENSES	15
STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION	16

**STATEMENT 1****NAN PAO RESINS CHEMICAL CO., LTD.****STATEMENT OF CASH****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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<b>Item</b>	<b>Maturity Date</b>	<b>Interest Rate (%)</b>	<b>Amount</b>
Cash on hand			\$ 1,053
Deposits			
Demand deposits			351,905
Check deposits			23,838
Foreign currency deposits (Note)			<u>97,145</u>
			<u>\$ 473,941</u>

Note: Including US\$ 3,243,428.5, JPY\$ 54,219.83, AUD\$ 39,758.86, EUR\$ 12,378.64, HKD\$ 515,530.92 and RMB\$ 998,638.53  
(US \$1=NT \$ 27.68, JPY 1=NT\$ 0.2405, AUD 1=NT\$20.08, EUR 1=NT\$31.32, HKD 1=NT\$3.549 and RMB 1=NT\$4.344)

## NAN PAO RESINS CHEMICAL CO., LTD.

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - NON-CURRENT  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars)

Investee Company	Balance at January 1, 2021		Additions (Note)		Reductions		Balance at December 31, 2021		Collateral
	Shares	Amount	Shares/Units	Amount	Shares	Amount	Shares	Fair Value	
Limited Partnership									
CDIB - Innolux Limited Partnership	-	\$ -	-	\$ 36,135	-	\$ -	-	\$ 36,135	None

Note : The increase in the year is due to the purchase in the amount of \$ 25,000 thousand and the unrealized gain in the amount of \$ 11,135 thousand.

**NAN PAO RESINS CHEMICAL CO., LTD.**

**STATEMENT OF NOTES RECEIVABLE**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars)**

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<b>Customer Name</b>	<b>Amount</b>
Unrelated parties	
Customer A	\$ 24,246
Customer B	13,856
Others (Note)	<u>199,753</u>
	<u>\$ 237,855</u>

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

**NAN PAO RESINS CHEMICAL CO., LTD.****STATEMENT OF ACCOUNTS RECEIVABLE****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

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<b>Customer Name</b>	<b>Amount</b>
Unrelated parties	
Customer A	\$ 34,337
Customer B	21,589
Others (Note)	<u>343,452</u>
	399,378
Less: Allowance for impairment loss	<u>757</u>
	<u>\$ 398,621</u>
Related parties	
Nan Pao Resins (Vietnam) Enterprise Ltd.	\$ 347,247
PT Indo Nan Pao Resins Chemical Co., Ltd.	124,559
Nan Pao Material Vietnam Co., Ltd.	99,402
Nan Pao Resins (HK) Limited	61,983
Nan Pao Advanced Material Vietnam Co., Ltd.	78,517
Nan Pao Resins (Foshan) Co., Ltd.	78,300
Others (Note)	<u>88,390</u>
	<u>\$ 878,398</u>

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

**STATEMENT 5**

**NAN PAO RESINS CHEMICAL CO., LTD.**

**STATEMENT OF OTHER RECEIVABLES**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars)**

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	<b>Description</b>	<b>Amount</b>
<b>Item</b>		
Tax refund receivable	Business tax refund receivable	\$ 17,230
Other receivable - related parties	Receivables of related parties and endorsements / guarantees fee	270
Others		<u>348</u>
		<u>\$ 17,848</u>

**STATEMENT 6****NAN PAO RESINS CHEMICAL CO., LTD.****STATEMENT OF INVENTORIES****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

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Item	Amount	
	Cost	Market Price
Merchandise	\$ 8,597	\$ 14,720
Finished goods and semi-finished goods	294,544	374,187
Work-in-process	49,297	72,165
Raw materials	312,829	314,634
Supplies	<u>12,149</u>	<u>12,149</u>
	<u>\$ 677,416</u>	<u>\$ 787,855</u>

Note: Market price is meant net realizable value.

## NAN PAO RESINS CHEMICAL CO., LTD.

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars)

Investee Company	Balance at January 1, 2021		Additions (Reductions)		Unrealized Gain (loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Balance at December 31, 2021			Note	Collateral
	Shares	Amount	Shares/Units	Amount (Note 4)		Shares	Amount	Fair Value		
Publicly owned company										
Dairen Chemical Corp.	6,515,606	\$ 1,056,114	-	\$ -	\$ 5,170,655	6,515,606	\$ 6,226,769	\$ 6,226,769	Note 1	None
Unlisted shares										
Hua Chi Venture Capital Co., Ltd.	94,737	2,937	(86,842)	(868)	(91)	7,895	1,978	1,978	Note 2	None
Opulence Optronics Co., Ltd.	1,024,600	1,233	729,817	7,298	(6,179)	1,754,417	2,352	2,352	Note 3	None
Revivegen Environmental Technology Co., Ltd.	395,957	13,075	26,169	1,046	2,435	422,126	16,556	16,556	Note 1	None
FlexUP Technologies Corp.	1,200,000	1,284	(1,200,000)	(360)	(924)	-	-	-		
Contact Organics Pty Ltd.	1,191	5,887	1,121	42,834	(41,472)	2,312	7,249	7,249	Note 1	None
		<u>\$ 1,080,530</u>		<u>\$ 49,950</u>	<u>\$ 5,124,424</u>		<u>\$ 6,254,904</u>	<u>\$ 6,254,904</u>		

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

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

Note 3: Fair value is based on asset-based approach used by the appraiser.

Note 4: The change in the year is due to the proceeds from capital reduction of the investee company in the amount of \$ 868 thousand, reclassification to the investments accounted for using the equity method in the amount of \$ 360 thousand and the additional investment in the amount of \$ 51,178 thousand.

## NAN PAO RESINS CHEMICAL CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Investee Company	Balance, January 1, 2021		Additions (Reductions)		Note	Gain (loss) on Investments	Cumulative Translation Adjustment	Adjustments in other comprehensive income	Balance, December 31, 2021					
	Shares	Amount	Shares/Units	Amount					Shares	Proportion of Ownership (%)	Amount	Fair Value	Collateral	
Investment accounted for using the equity method														
Nan Pao Overseas Holdings Ltd. (foreign company)	73,300,502	\$ 3,868,876	4,756,000	\$ (58,291)	Note 1	\$ 188,927	\$ (116,677)	\$ 365	78,056,502	100	\$ 3,883,200	\$ 3,952,320	None	
Fuqing Nan Pao Investment Ltd. (foreign company)	4,990,000	222,102	-	(30,267)	Note 4	26,099	(2,009)	-	4,990,000	100	215,925	216,562	None	
Thai Nan Pao Investment Ltd. (foreign company)	5,282,000	178,538	-	288	Note 3	6,363	(18,555)	-	5,282,000	100	166,634	166,751	None	
Nan Pao Resins India Pvt. Ltd. (foreign company)	3,000,000	26,334	-	-		1,552	(941)	-	3,000,000	100	26,945	26,945	None	
Nan Pao Materials Vietnam Co., Ltd. (foreign company)	-	969,581	-	(105,302)	Note 10	89,809	(27,830)	-	-	100	926,258	938,709	None	
Nan Pao Advanced Materials Vietnam Co., Ltd. (foreign company)	-	394,399	-	(9,495)	Note 2	22,362	(6,156)	-	-	100	401,110	410,664	None	
Nan Pao Electronic Material Co. (unlisted company)	4,000,000	48,126	-	-		4,482	-	-	4,000,000	100	52,608	52,608	None	
Nan Pao Chemical Co. Ltd. (unlisted company)	15,000,000	176,828	-	-		271	-	1,218	15,000,000	100	178,317	175,894	None	
ITLS International Development Co., Ltd. (unlisted company)	30,500,000	278,547	-	(845)	Note 2	11,498	(4,419)	-	30,500,000	100	284,781	290,078	None	
Phymed Bio-Tec Co., Ltd. (unlisted company)	600,000	2,712	1,800,000	18,000	Note 9	91	-	-	2,400,000	100	20,803	20,803	None	
Nan Pao Application Material Co. (unlisted company)	200,000	9,243	-	-		(608)	-	-	200,000	100	8,635	8,635	None	
Biorich Biotechnology Co., Ltd. (unlisted company)	391,462	7,936	-	-		725	-	-	391,462	57.1	8,661	8,661	None	
Prince Pharmaceutical Co., Ltd. (unlisted company)	16,767,305	341,326	-	-		(4,193)	-	201	16,767,305	50.51	337,334	337,397	None	
Nan Pao Advanced Materials Co., Ltd. (unlisted company)	350,000	8,148	-	(3,696)	Note 5	2,940	-	-	350,000	70	7,392	7,392	None	
Progroup Technology Co., Ltd (unlisted company)	459,950	70,321	-	-		(693)	-	-	459,950	91.99	69,628	69,628	None	
PT. Indo Nan Pao Resins Chemical Co., Ltd. (foreign company)	2,756,250	210,910	-	(17,507)	Note 6	42,212	(6,071)	966	2,756,250	49	230,510	239,790	None	
All Saints Enterprises Ltd. (foreign company)	5,452,549	217,310	-	-		3,209	(930)	-	5,452,549	54.53	219,589	219,589	None	
Ongoing Profits Ltd. (foreign company)	1,560,000	230,545	-	(81,256)	Note 7	38,429	(7,263)	-	1,560,000	32.18	180,455	205,352	None	
Profit Land Ltd. (foreign company)	983,333	746,295	-	(65,463)	Note 8	122,969	(3,480)	-	983,333	73.75	800,321	809,419	None	
Total Acrylic Polymer Industry (Tapi) Corporation (unlisted company)	1,500,000	367,753	(1,500,000)	(400,977)	Note 12	33,224	-	-	-	-	-	-	None	
Nan Pao Philippines Export Inc. (foreign company)	25,750	14,031	-	-		(247)	(1,205)	-	25,750,000	100	12,579	12,579	None	
Nan Pao Fine Materials Co., Ltd. (unlisted company)	1,375,000	13,683	-	-		169	-	-	1,375,000	55	13,852	16,986	None	
Nan Pao Resins Chemical (Bangladesh) Co., Ltd.	-	-	1,259,250	4,193	Note 9	-	(130)	-	300,000	100	4,063	4,063	None	
FlexUP Technologies Corp.	-	-	16,352,173	4,905	Note 11	(897)	-	-	16,352,173	96.87	4,008	4,008	None	
Earnest Wealth Co., Ltd.	-	-	920,000	42,958	Note 9	(111)	(156)	-	920,000	51.11	42,691	42,690	None	
		<u>\$ 8,403,544</u>		<u>\$ (702,755)</u>		<u>\$ 588,582</u>	<u>\$ (195,822)</u>	<u>\$ 2,750</u>			<u>\$ 8,096,299</u>	<u>\$ 8,237,523</u>		

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

Addition of investments	\$ 133,905
Cash dividends paid	(238,264)
Adjustments of realized gain on downstream transactions	46,068
	<u>\$ (194,484)</u>

Note 2: Adjustments of unrealized gain on downstream transactions

Note 3: Adjustments of realized gain on downstream transactions

Note 4: The details of increase (decrease) were as follows:

Cash dividends paid	\$ (30,090)
Adjustments of unrealized gain on downstream transactions	(177)
	<u>\$ (30,267)</u>

Note 5: Cash dividends paid

Note 6: The details of increase (decrease) were as follows:

Cash dividends paid	\$ (23,762)
Adjustments of realized gain on downstream transactions	6,255
	<u>\$ (17,507)</u>

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

Cash dividends paid	\$ (98,849)
Adjustments of unrealized gain on downstream transactions	(17,593)
	<u>\$ (81,256)</u>

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

Cash dividends paid	\$ (63,723)
Adjustments of unrealized gain on downstream transactions	<u>(1,740)</u>
	<u>\$ (65,463)</u>

Note 9: Addition of investments

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

Cash dividends paid	\$ (111,700)
Adjustments of realized gain on downstream transactions	<u>6,398</u>
	<u>\$ (105,302)</u>

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

Addition of investments	\$ 4,545
Reclassification from the financial assets at FVTOCI	<u>360</u>
	<u>\$ 4,905</u>

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

Cash dividends paid	\$ (22,500)
Reclassified to non-current assets held for sale	<u>(378,477)</u>
	<u>\$ (400,977)</u>

**NAN PAO RESINS CHEMICAL CO., LTD.****STATEMENT OF SHORT-TERM BORROWINGS****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

	<b>Maturity Date</b>	<b>Interest rate (%)</b>	<b>Balance</b>	<b>Credit Line</b>	<b>Collateral</b>
Borrowings of unsecured loans					
E.Sun Commercial Bank	2021.10 - 2022.03	0.78-0.85	\$ 119,872	300,000	None
HSBC Bank	2021.10 - 2022.01	0.72	220,000	553,600	None
Cathay United Bank	2021.10 - 2022.02	0.76-0.77	230,000	470,560	None
Mizuho Bank	2021.08 - 2022.05	0.72-0.79	552,266	692,000	None
Standard Chartered Bank	2021.11 - 2022.02	0.8	154,731	276,800	None
Hua Nan Bank	2021.07 - 2022.05	0.78-1.27	23,315	314,000	None
Mega International Commercial Bank	2021.10 - 2022.01	0.82	2,129	200,000	None
Taiwan Cooperative Bank	2021.10 - 2022.02	0.74-0.77	11,415	250,000	None
First Commercial Bank	2021.09 - 2022.03	0.85	<u>12,971</u>	200,000	None
			<u>\$ 1,326,699</u>		

**NAN PAO RESINS CHEMICAL CO., LTD.**

**STATEMENT OF NOTES PAYABLE  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Vendor Name</b>	<b>Amount</b>
Kao Heng Weaving Enterprise Co., Ltd.	\$ 203
Chongren Vegetarian Restaurant	75
Others (Note)	<u>6</u>
	<u>\$ 284</u>

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

**NAN PAO RESINS CHEMICAL CO., LTD.**

**STATEMENT OF ACCOUNTS PAYABLE  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Vendor Name</b>	<b>Amount</b>
Dairen Chemical Corp.	\$ 138,752
Others (Note)	<u>703,175</u>
	<u>\$ 841,927</u>

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

## NAN PAO RESINS CHEMICAL CO., LTD.

STATEMENT OF LONG-TERM BORROWINGS  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

	Contract Period and Repayment Method	Interest rate (%)	Current	Balance, December 31, 2021 Over 1 Year	Total	Collateral
Borrowings of unsecured loans						
E. Sun Commercial Bank	2021.04 – 2023.04, repaid in the due date with revolving basis within the quota	0.80	\$ -	\$ 100,000	\$ 100,000	None
CTBC Bank	2021.09 – 2023.09, repaid in the due date with revolving basis within the quota	0.80	-	130,000	130,000	None
Yuanta Bank	2019.08 – 2022.08, repaid in the due date with revolving basis within the quota	0.75	100,000	-	100,000	None
Mizuho Bank	2021.12 – 2023.12, repaid in the due date with revolving basis within the quota	0.78	-	700,000	700,000	None
Taipei Fubon Bank	2021.12 – 2023.12, repaid in the due date with revolving basis within the quota	0.79	-	180,000	180,000	None
DBS Bank	2021.11 – 2023.11, repaid in the due date with revolving basis within the quota	0.80	-	240,000	240,000	None
E.Sun Commercial Bank	2019.11 – 2024.11, not with revolving basis within the quota, monthly repays the principal portion of the borrowings since December 2022	0.40	1,597	36,361	37,958	None
CTBC Bank	2019.11 – 2024.11, not with revolving basis within the quota, monthly repays the principal portion of the borrowings since December 2022	0.40	1,667	37,958	39,625	None
CTBC Bank	2019.12 – 2024.12, not with revolving basis within the quota, monthly repays the principal portion of the borrowings since January 2023	0.40	-	49,520	49,520	None
Taipei Fubon Bank	2019.12 – 2024.12 not with revolving basis within the quota, monthly repays the principal portion of the borrowings since December 2022	0.38	1,536	36,481	38,017	None
Taipei Fubon Bank	2020.03 – 2025.03 not with revolving basis within the quota, monthly repays the principal portion of the borrowings since March 2023	0.38	-	53,700	53,700	None
			<u>\$ 104,800</u>	<u>\$ 1,564,020</u>	<u>\$ 1,688,820</u>	

**NAN PAO RESINS CHEMICAL CO., LTD.****STATEMENT OF OPERATING REVENUES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Quantities (Ton)</b>	<b>Amount</b>
Adhesives	51,237	\$ 4,331,728
Paint	6,874	690,264
Others (Note)	-	<u>426,579</u>
		5,448,571
Less : Sales returns		7,112
Sales discounts		<u>81,909</u>
Net operating revenue		<u>\$ 5,359,550</u>

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

## NAN PAO RESINS CHEMICAL CO., LTD.

**STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

Item	Amount
Merchandise, beginning of year	\$ 7,581
Add: Merchandise purchased	153,699
Less: Merchandise, end of year	8,597
Others	216
Cost of commodity transaction	<u>152,467</u>
Raw materials, beginning of year	236,224
Add: Raw material purchased	3,300,815
Less: Raw materials, end of year	312,829
Raw materials costs of sales	204,416
Others	<u>15,461</u>
Raw material consumption	<u>3,004,333</u>
Supplies beginning of year	7,208
Add: Supplies purchased	230,740
Less: Supplies, end of year	12,149
Supplies costs of sales	1,301
Others	<u>2,146</u>
Supplies consumption	<u>222,352</u>
Direct labor	144,889
Manufacturing expenses	<u>553,203</u>
Cost input during the year	3,924,777
Add: Work-in-process, beginning of year	25,248
Finished goods and semi-finished goods reworked	899,488
Less: Work-in-process, end of year	<u>49,297</u>
Manufacturing cost	4,800,216
Add: Semi-finished goods, beginning of year	19,017
Less: Semi-finished goods, end of year	35,816
Semi-finished goods used	601,425
Others	<u>4,648</u>
Finished goods costs	4,177,344
Add: Finished goods, beginning of year	171,568
Less: Finished goods, end of year	258,728
Finished goods used	298,062
Others	<u>12,588</u>
Finished goods costs of sales	<u>3,779,534</u>
Subtotal	3,932,001
Costs from sale of raw materials and supplies	205,717
Revenue from sale of scraps	<u>(2,275)</u>
Loss from physical count and disposal	2,755
The cost of inventories	4,138,198
Gain on disposals of property, plant and equipment	<u>(410)</u>
	<u>\$ 4,137,788</u>

**NAN PAO RESINS CHEMICAL CO., LTD.****STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Selling Expenses</b>	<b>General and Administrative Expenses</b>	<b>Research and Development Expenses</b>	<b>Estimated credit loss (gain)</b>	<b>Total</b>
Payroll expense	\$ 200,750	\$ 155,867	\$ 120,588	\$ -	\$ 477,205
Traveling expense	11,494	552	529	-	12,575
Shipping expense	37,713	184	991	-	38,888
Remuneration of director	-	17,600	-	-	17,600
Depreciation	4,873	13,872	13,481	-	32,226
Commission expense	48,445	-	-	-	48,445
Export and import expense	73,811	-	-	-	73,811
Professional service fee	4,914	27,662	1,447	-	34,023
Labor and health insurance expense	13,165	11,188	10,508	-	34,861
Estimated credit loss(gain)	-	-	-	270	270
Others	<u>62,749</u>	<u>61,274</u>	<u>39,315</u>	<u>-</u>	<u>163,338</u>
Total	<u>\$ 457,914</u>	<u>\$ 288,199</u>	<u>\$ 186,859</u>	<u>\$ 270</u>	<u>\$ 933,242</u>

## NAN PAO RESINS CHEMICAL CO., LTD.

STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Average Labor Cost and Average Salary and Bonus)

	For the Year Ended December 31, 2021			For the Year Ended December 31, 2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salaries	\$ 229,617	\$ 477,205	\$ 706,822	\$ 215,578	\$ 482,291	\$ 697,869
Labor and health insurance	23,991	34,861	58,852	21,893	32,693	54,586
Post-employment benefits	9,556	15,215	24,771	9,784	16,138	25,922
Remuneration of directors	-	17,600	17,600	-	20,000	20,000
Others	14,187	15,548	29,735	13,736	15,498	29,234
	<u>\$ 277,351</u>	<u>\$ 560,429</u>	<u>\$ 837,780</u>	<u>\$ 260,991</u>	<u>\$ 566,620</u>	<u>\$ 827,611</u>
Depreciation	\$ 115,898	\$ 32,226	\$ 148,124	\$ 110,364	\$ 37,379	\$ 147,743
Amortization	373	9,455	9,828	340	9,505	9,845

Note 1: For the years ended December 31, 2021 and 2020, there were 806 and 828 employees in the Company, respectively. In addition, the Company had 4 non-employee directors for the years then ended.

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

- Average labor cost for the years ended December 31, 2021 and 2020 were NT\$1,023 thousand and NT\$980 thousand, respectively.
- Average salary and bonuses for the years ended December 31, 2021 and 2020 were NT\$881 thousand and NT\$847 thousand, respectively.
- The average salary and bonuses increased by 4% year-over-year.

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

Note 4: Remuneration policy was as follows:

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