

NAN PAO RESINS CHEMICAL CO., LTD.

2022 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, 2023

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 |
|--------------|---|----------------|
| Head Office | No. 519, Zhongshan Rd., Xigang Dist., Tainan City | 886-6-796-5888 |
| 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 | 886-6-795-2710 |
| Plant Bao Li | No. 508 and 510, Zhongshan Rd., Xigang Dist., Tainan City | 886-6-795-2710 |

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 | https://www.ctbcbank.com/ |
| 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 | https://www.deloitte.com.tw/ |
| 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 | 8 |
| I. | Organization..... | 8 |
| II. | Board Members and Management Team | 10 |
| III. | Remuneration Paid to Directors, General Managers and Deputy General Managers .. | 23 |
| IV. | Implementation of Corporate Governance | 30 |
| V. | Information on CPA Professional Fees | 80 |
| VI. | Replacement of the CPA..... | 81 |
| VII. | Information on service of the Company's chairman, president, and financial or accounting managers at the accounting firm or its affiliates..... | 82 |
| 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..... | 82 |
| IX. | Relationship Among the Top Ten Shareholders | 84 |
| X. | Long-term Investment Ownership | 85 |
| IV. | Capital Overview | 86 |
| I. | Capital and Shares..... | 86 |
| II. | Status of Corporate Bonds | 89 |
| III. | Status of Preferred Shares | 89 |
| IV. | Status of Global Depository Receipts..... | 89 |
| V. | Status of Employee Stock Options | 89 |
| VI. | Status of Restricted Stock Issuance with Limitations on Employee Rights | 89 |
| VII. | Status of Issuing New Shares for Mergers or Acquisitions of Other Companies' Shares..... | 89 |
| VIII. | Execution Status of Capital Utilization Plan..... | 89 |
| V. | Operational Highlights | 90 |
| I. | Business Activities..... | 90 |
| II. | Market and Sales Overview | 102 |
| III. | Employee Information..... | 108 |
| IV. | Environmental Expenditure Information..... | 109 |
| V. | Labor Relations..... | 110 |
| VI. | Information and Communication Security Management..... | 113 |
| VII. | Important Contracts..... | 115 |
| VI. | Financial Information..... | 116 |
| I. | Five-Year Financial Summary | 116 |
| II. | Five-Year Financial Analysis | 120 |
| III. | Review Report of Audit Committee | 123 |
| IV. | Consolidated Financial Statements for the Years Ended December 31, 2022 and 2021, and Independent Auditors' Report | 123 |
| V. | Individual Financial Statements for the Years Ended December 31, 2022 and 2021, and Independent Auditors' Report | 123 |
| VI. | Any financial turnover difficulties experienced by the Company and its affiliated companies in the most recent year and up to the date of publication of the annual report | 123 |

| | | |
|--------------|---|------------|
| VII. | Review of Financial Status, Operating Results, and Risk Management | 124 |
| I. | Financial Status | 124 |
| II. | Financial Performance | 125 |
| III. | Cash Flow | 126 |
| IV. | Financial and Business Impact from Major Capital Expenditure Items | 126 |
| V. | Long-term Equity Investment Policy and Results Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year | 126 |
| VI. | Analysis of Risk Management | 127 |
| VII. | Other Important Matters | 132 |
| VIII. | Special Disclosure | 133 |
| I. | Summary of Affiliated Companies | 133 |
| II. | Private Placement Securities in the Most Recent Years | 153 |
| III. | The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years | 153 |
| IV. | Other necessary supplementary explanations..... | 153 |
| IX. | In the most recent year and up to the date of publication of the annual report, if any event that has a significant impact on shareholders' equity or securities prices as specified in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act | 153 |
| | Appendix 1: 2022 Consolidated Financial Statements | 154 |
| | Appendix 2: 2022 Statutory Financial Statements | 235 |

I. Letter to Shareholders

Dear Shareholders,

Looking back at 2022, the global economy was initially expected to continue recovering. However, the outbreak of the Russo-Ukrainian war in the first quarter resulted in a historic energy shock and impacted the supply chain, leading to a significant increase in raw material prices. Overall, during the first three quarters of the year, due to the active replenishment of inventory by brand customers and strong end-market demand, Nan Pao achieved high visibility in orders. The Company successfully mitigated the impact of raw material price fluctuations by reducing response time differences and maintaining strict control over operating expenses within the group. This drove improvements in operational efficiency and resulted in record-high revenue and profits. In the fourth quarter, although inventory levels recovered for sports brand customers and the pace of new orders slowed down, the lower base effect from the Vietnamese pandemic in the previous year led to year-on-year revenue growth. Among the product lines, the footwear and adhesives business showed the strongest growth momentum, driving overall revenue growth throughout the year. Different industries and markets demonstrated diverse performances. The technology industry became more conservative, while the adhesive business for medical supplies and flexible packaging actively seized growth opportunities in new products and applications. The coatings business initiated team integration and reorganized products to provide better and more comprehensive product lines and services. Furthermore, in order to enhance customer service quality and provide employees with a good working environment, the Headquarters and R&D Building of the Company was officially completed and put into use in October.

We hereby report the 2022 operating conditions and future prospects of the Company and its subsidiaries as follows:

I. Review of 2022 Business Performance

1. Results of Business Plan

The total consolidated revenue of 2022 was NT\$22.00 billion, an increase of 22.38% from the previous year. The total gross profit was NT\$5.29 billion, an increase of 28.90% from the previous year. The operating profit was NT\$1.82 billion, an increase of 73.39% from the previous year. The net income was NT\$1.86 billion, an increase of 100.43% from the previous year. Earnings per share after taxes was NT\$14.44.

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

| Item \ Year | 2022 | | 2021 | | Varieties | | |
|---------------------------|---------------------------|-----------|------------|---------|-----------|---------|--------|
| | Amount | % | Amount | % | % | % | |
| Net Operating Revenue | 22,004,313 | 100 | 17,980,007 | 100 | 4,024,306 | 22.38 | |
| Gross Profit | 5,287,537 | 24 | 4,102,045 | 23 | 1,185,492 | 28.90 | |
| Operating Profit | 1,824,375 | 8 | 1,052,194 | 6 | 772,181 | 73.39 | |
| Pre-tax Income | 2,385,414 | 11 | 1,202,541 | 7 | 1,182,873 | 98.36 | |
| Net Income | 1,862,728 | 8 | 929,353 | 5 | 933,375 | 100.43 | |
| Net Income attributed to | Shareholders | 1,741,459 | 8 | 875,780 | 5 | 865,679 | 98.85 |
| | Non-controlling Interests | 121,269 | - | 53,573 | - | 67,696 | 126.36 |
| Earning Per Share(dollar) | 14.44 | | 7.26 | | 7.18 | 98.90 | |

2. Budget Implementation : The Company did not release financial forecasts, so there is no analysis data of budget implementation.
3. Analysis of Financial Status and Profitability

Unit : NT\$1,000 ; %

| Item | 2022 | 2021 |
|--|-------------|-----------|
| Cash inflow from operating | 1,916,763 | 137,057 |
| Cash inflow (outflow) from investing | 694,838 | (528,849) |
| Cash (outflow) inflow from fundraising | (1,918,865) | 322,399 |
| Return on Assets (%) | 7.59 | 4.27 |
| Return on Equity (%) | 11.67 | 6.77 |
| Profit before tax to capital stock (%) | 197.84 | 99.74 |
| Net Profit Margin (%) | 8.47 | 5.17 |

4. R&D Achievements

Nan Pao is committed to continuous growth and enhancing its innovative capabilities by investing heavily in R&D and technological resources in various areas, including high-performance adhesives for footwear, functional textile adhesives, adhesives for medical products, low-VOC adhesives and hot-melt adhesives for automobiles, adhesives for flexible packaging materials, pressure-sensitive adhesives for optical applications, building chemicals, and functional coatings. In 2022, R&D expenses accounted for approximately 2.33% of the Company's consolidated operating revenue.

As raw materials account for over 70% of Nan Pao's product life cycle carbon emissions, the Company remains focused on its green product strategy and places greater emphasis on environmental protection and sustainable development, which includes:

- (1) **Low/Zero VOC products**, water-based products contain little or no volatile organic compounds (VOCs). After the adhesive products are converted from solvent-based to water-based, greenhouse gas emissions can be reduced by about 50%. Currently, 75% to 80% of the footwear products are low or zero VOC, and there are also solvent-free woodworking PUR adhesives, hot-melt adhesives for automobiles, and powder coatings used for water pipes.
- (2) **Using biobased or recyclable materials for products** can reduce reliance on fossil raw materials and lower greenhouse gas emissions. Currently, the adoption rate of such products is still low, but there is significant potential for growth in the long term. Examples of these products include biobased waterborne PU coatings for fabrics, waterborne PU coatings for fabrics containing recycled PET, biobased foam insoles, biobased woodworking adhesives, and high-biobased content hot melt adhesives for can label adhesion.
- (3) **High-performance and environmentally friendly/low-pollution products** provide customized and comprehensive solutions while also delivering added environmental value, supporting customers in achieving their sustainable development goals. For example, acid-free adhesives can help customers achieve low-corrosion and low-contamination designs for ITO films; hollow glass sealants with features such as sun resistance, temperature resistance, and moisture resistance can achieve energy-saving benefits for buildings; and semiconductor UV release tapes can be easily peeled off from wafers with ultraviolet irradiation, improving production efficiency. Additionally, the development of paper coatings without plastic film enables paper cups and boxes to be recycled as paper, achieving recycling and reuse.

- (4) **ZDHC-compliant and bluesign®-approved products** are produced using synthetic resin polymer synthesis technology and structural design to eliminate harmful substances and manage hazardous materials. The core technology not only provides functional performance for product applications, but also reduces human contact and environmental impact to achieve consumer safety. Nan Pao has currently obtained bluesign® certification for 20 textile products, including foam coating for textiles, lightweight windproof coating, abrasion-resistant high-strength bag materials coating, water-based PU for lamination, formaldehyde-free water-based acrylic, PUR adhesives for textiles/films, fluorine-free water repellent for dyeing and finishing, and thick moisture-wicking and quick-drying agents.

II. Summary of 2023 Business Plan

1. Business Strategy

(1) Diversification of product applications

Continuously develop products to enhance potential growth opportunities, expand the application of products in other markets, and also focus on strategic M&A targets that have synergistic effects to achieve vertical or horizontal integration through reinforcing acquisitions, enabling Nan Pao to expand its global presence and product applications.

(2) Strengthening ESG:

In response to international development trends, develop ESG strategies to achieve goals such as energy conservation and carbon reduction and adapting to climate change. Additionally, enhance ESG information disclosure to respond to investor concerns and enhance the Company's sustainable competitiveness.

(3) Investment in R&D

Focus on the link between green products and environmental sustainability, continue to develop products with sustainable value that meet environmental and market demands, and invest in research and development of green products for sustainable growth towards a low-carbon economy.

2. Expected Sales Quantity and Basis

The sales plan of the Company is estimated based on contracts, historical sales records, and market changes. The sales target for 2023 is expected to maintain a stable development.

3. Important Production and Marketing Strategies

(1) Industry Focus on Innovation and Excellence

In addition to expanding the footwear adhesive market with innovative products and excellent services, and stabilizing the market share of tier-one sports brands, the Company also develops growth momentum beyond footwear adhesives, such as footwear cleaners, footwear treatments, and footwear hardeners used in the shoe manufacturing process. Furthermore, the Company focuses on five major fields including textiles, technology, flexible packaging materials, woodworking, and healthcare materials. The strategy starts from penetrating more local customers, acquiring local tier-one customers, and eventually entering the supply chain of international first-tier customers to continue strengthening the Company's market position.

(2) Green Products and Industrial Opportunities

Continuously research and promote more environmentally friendly chemicals. In addition, strive to seize green industry opportunities under major trends such as green sustainability, circular economy, and energy-saving and low-carbon. Currently, the focus of the adhesive business's green products is on high-efficiency, environmentally sustainable products, high-margin electronic and optoelectronic products, and high-performance automotive electric vehicle industries. The coatings and building materials business mainly pursues energy-efficient and comfortable housing and applies them to solar energy and water resource industries.

(3) Golden Sample Strategy for Products Development

In the future, the Company will adopt a "Golden Sample" strategy for product development, seeking to develop star products that meet strong application market demand, have first-class performance that the R&D team can develop at a competitive price, and can be produced with higher cost-effectiveness, to accelerate growth and improve profitability through economies of scale.

III. External Competitive, Regulatory and Overall Business Environment Impact on Future Development Strategy

Nan Pao has set 2021 as the ESG year for the group and pledged to achieve corporate carbon neutrality by 2050. The Company has also established sustainable development goals, including greenhouse gas inventory, implementation of TCFD (Task Force on Climate-related Financial Disclosures) to enhance supply chain climate change risk resilience, establishment of renewable energy generation equipment in factories, increasing the revenue contribution of green products, introducing ISO 46001 water resource management, reducing the use of high-concern chemical items, and actively seeking alternative raw materials.

Observing recent international economic situations affected by factors such as mutant viruses, the Russia-Ukraine conflict, high inflation, and climate change, major economies have initiated interest rate cycles to counter inflation, and high interest rates have affected corporate investment willingness. Manufacturing activities in various countries have significantly slowed down. Looking to the future, the global economic outlook still faces many downward risks, such as the global economic slowdown trend that may continue into 2023 or even lead to a mild recession.

Facing the future development of the world, and in anticipation of industry supply and demand returning to a relatively stable state, Nan Pao will actively create and seize various energy-saving opportunities with its core technological innovation ability and sound financial structure. The Company will accelerate the realization of its strategies by using sustainable products as the cornerstone. By continuously accumulating corporate competitiveness, the Company is committed to implementing corporate governance, risk management, and sustainable operations, creating sustainable value for stakeholders, and keeping track of domestic and foreign policy development trends and regulatory changes. The Company aims to minimize the negative impact of external environmental factors to maintain steady profit performance and repay shareholders for their support.

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.

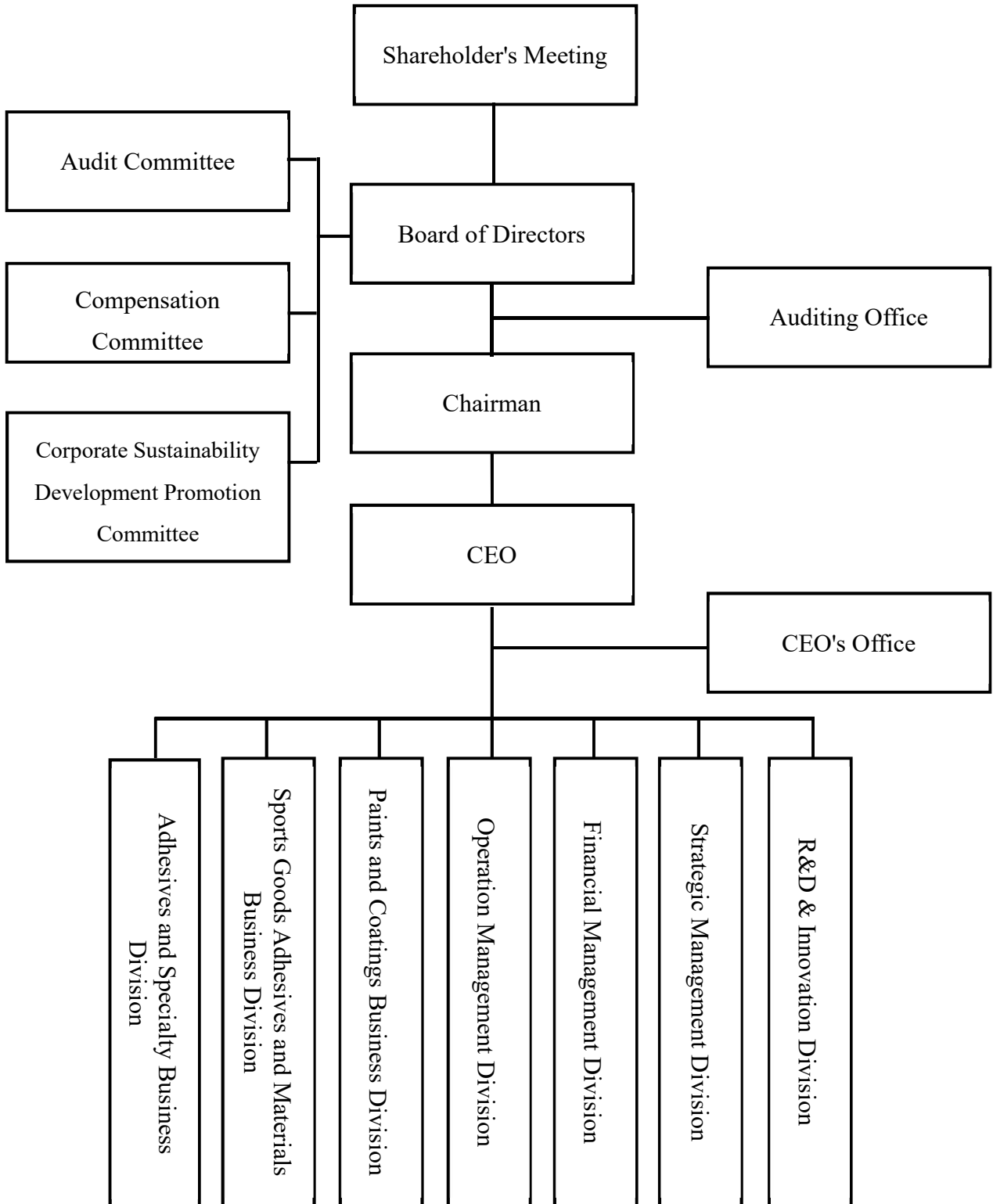
- 2003 • Received SGS Yarsley ISO 9001:2000 certification.
- Received ISO 9001:2000 certification from Bureau of Standards, Metrology and Inspection, MOEA.
- Produced transfer powder coatings and electronic solder-resistant coatings.
- Group spin-off: Nan Pao Technology Co., Ltd., Nan Pao International 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 (Foshan) 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 • 815 Friendly Home Paint received “Green Building Materials Labeling” from the Ministry of Interior.
- Established Nan Pao Resins India Pvt. Ltd.
- 2013 • 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
 - Approved IPO and registration for Listing on the Taiwan OTC Security Exchange.
 - Water-based PU was certificated with the SGS 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.
 - The Carbon Fiber Composites Division officially certificated with AS9100:D aerospace Quality Management Systems.
 - Established Nan Pao Resins (HK) Limited.
 - Established Nan Pao Philippines Export Inc.
- 2020
 - Obtained bluesign® SYSTEM PARTNER certification.
 - Established Nanpao New Materials (Huaian) Co., Ltd.
 - Established Nanpao Fine Materials Co., Ltd.
- 2021
 - Ranked 15th globally and 1st in Asia by the American ASI magazine as a major adhesive manufacturer.
 - Established Nanpao Optoelectronic Materials (Kunshan) Co., Ltd.
 - Established Nan Pao Resins Chemical (Bangladesh) Co., Ltd.
- 2022
 - The Headquarters and R&D Building officially completed and put into use.
 - Established NanPao Fine Chemical Materials (Anhui) Co., Ltd.
 - Acquired Changshu Yubo Polymer Materials Co. Ltd.

III. Corporate Governance

I. Organization

(I) Organization Chart



(II) Major Division Functions

- | | |
|--|--|
| CEO's Office | <ul style="list-style-type: none">• 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. |
| R&D & Innovation Division | <ul style="list-style-type: none">• 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. |
| Strategic Management Division | <ul style="list-style-type: none">• 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. |
| Financial Management Division | <ul style="list-style-type: none">• 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. |
| Operation Management Division | <ul style="list-style-type: none">• Coordinating the Company's production, procurement, factory affairs, sales and administrative tasks; assisting the operation of each business division to achieve relevant revenue and profitability goals and ensure effective organizational operation and future continued growth. |
| Paints and Coatings Business Division | <ul style="list-style-type: none">• 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. |
| Sports Goods Adhesives and Materials Business Division | <ul style="list-style-type: none">• 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. |
| Adhesives and Specialty Business Division | <ul style="list-style-type: none">• 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. |
| Auditing Office | <ul style="list-style-type: none">• 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. |

II. Board Members and Management Team

(I) Board Members

1. Information Regarding Board Members

April 23, 2023

| Title | Nationality | 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 | 374,465 | 0.31 | 111,742 | 0.09 | — | — | • M.S. in Applied Chemistry, National Tsing Hua University; • Adhesive Business Executive General Manager and General Manager of Nan Pao Resins Chemical Co., Ltd. | Note 2 | — | — | — |
| 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. | Yuan-Wang, Liao (Note 1) | Male 51~60 | 20221006 | 3 | 20221006 | — | — | — | — | — | — | — | — | • M.S. in Philosophy, University of Cambridge, United Kingdom; • Chief Investment Officer of Private Equity Department, Citibank Asia, Hong Kong; • Vice President of Corporate Financing Department, Citibank Taipei; • Executive Senior Manager of Global Supply Chain Management Head Office, Pou Chen Corporation | Note 3 | — | — | — |
| Director | Taiwan, R.O.C. | Guang Rong Investment Ltd. | — | 20200616 | 3 | 20140627 | 8,868,132 | 7.35 | 8,868,132 | 7.35 | — | — | — | — | — | — | — | — | — |
| | Taiwan, R.O.C. | Ming-Hsien, Hsu | Male 61~70 | 20200616 | 3 | 20140627 | 483,211 | 0.40 | 483,211 | 0.40 | 121,554 | 0.10 | — | — | • M.S. in Industrial Engineering, National Cheng Kung University; • Deputy General Manager of Nan Pao Resins Chemical Co., Ltd. ; • Chief Executive Officer of Nan Pao Resins Chemical Co., Ltd. | Note 4 | — | — | — |
| Director | Taiwan, R.O.C. | Guang Rong Investment Ltd. | — | 20200616 | 3 | 20140627 | 8,868,132 | 7.35 | 8,868,132 | 7.35 | — | — | — | — | — | — | — | — | — |
| | Taiwan, R.O.C. | Ying-Lin, Huang | Male 31~40 | 20200616 | 3 | 20200616 | 4,695,936 | 3.89 | 1,000,936 | 0.83 | — | — | 3,709,000 | 3.08 | • M.S. in Applied Chemistry, Waseda University, Japan; • Senior Specialist of Nan Pao Resins Chemical Co., Ltd. ; • Special Assistant of Nan Pao Resins Chemical Co., Ltd. | Note 5 | — | — | — |
| Independent Director | Taiwan, R.O.C. | Yun, Chen | Male 71~80 | 20200616 | 3 | 20171212 | — | — | — | — | — | — | — | — | • Ph.D. of Synthetic Chemistry, Faculty of Engineering, University of Tokyo, Japan; • Distinguished Professor and Honorary Professor of National Cheng Kung University | — | — | — | — |

| Title | Nationality | 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. | Yung-Cheng, Chiang | Male 61~70 | 20200616 | 3 | 20171212 | — | — | — | — | — | — | — | — | <ul style="list-style-type: none"> • Bachelor of Law, Soochow University; • Judge of Taiwan Kaohsiung District Court; • Judge of Taiwan High Court Kaohsiung Branch Court; • Attorney of Cheng Bang & Cheng Yang Joint Law Firm | Note 6 | — | — | — |
| Independent Director | Taiwan, R.O.C. | Yi-Hsi, Lee | Male 41~50 | 20200616 | 3 | 20171212 | — | — | — | — | — | — | — | — | <ul style="list-style-type: none"> • Ph.D. of Department of Finance, National Sun Yat-sen University; • Associate Deputy Professor at Department of Financial Engineering and Actuarial Mathematics, Soochow University; • Assistant Professor at Department of Finance, National Kaohsiung University of Science and Technology; • Adjunct Assistant Professor at Department of Finance, National Sun Yat-sen University; • Chief Deputy CEO, Digital Financial Innovation Block Chain Lab, FinTech Center at College of Commerce, National Cheng Chi University; • Deputy CEO, AI Innovation Lab, FinTech Center at College of Commerce, National Cheng Chi University; • Researcher, Risk and Insurance Research Center at College of Commerce, National Cheng Chi University; • Supervisor of Taiwan Risk and Insurance Association; • Executive Supervisor of Asia Pacific RegTech Association | — | — | — | — |

Note 1: Mr. Shih Chih-Hung was appointed as the representative person of Pou Chien Enterprise Co., Ltd. on May 20, 2022, replacing Mr. Tsai Nai-Yung who resigned on the same day. On October 6, 2022, Mr. Liao Yuan-Whang was appointed as the representative person, replacing Mr. Shih Chih-Hung who resigned on the same day.

Note 2: Corporate Director Representative and Chairman of 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.; 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.; Dongguan Jiaqin Electronics Ltd.; NP Australia Pty. Ltd.; RLA Polymers Pty. Ltd.; RLA Polymers (M) SDN. BHD.; Nanpao Advanced Investment Co., Ltd.; Nan Pao (KunShan) Electronic Commerce 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.; Nan Pao Advanced Materials Vietnam Co., Ltd.; Corporate Director Representative of Nan Pao Philippines Export Inc.; Chairman and Supervisor of PT. ITLS Indonesia.

Note 3: Director of Prime Asia Holdings Corporation; Prime Asia Leather Corporation; Prime Asia (S.E.Asia)Leather Corporation; Optima Worldwide Corporation; Prime Asia (Vietnam) Co., Ltd. ; Dongguan Yu Xiang Shoes Material Co., Ltd.; Prime Asia Leather Corporation, Taiwan Branch (British Virgin Islands); Top Units Developments Ltd. ; Prosperous Industrial (Holdings) Ltd. ; Ka Yuen Rubber Factory Ltd.; Corporate Director Representative of SAN FANG CHEMICAL INDUSTRY CO.,LTD. ; Executive Director of Pou Sheng International (Holdings) Limited.

Note 4: 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.; 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. ;NanPao Fine Chemical Materials (Anhui) Co., Ltd. ; Supervisor of Foshan Nan Pao Advanced Materials Co., Ltd.; Dongguan Jiaqin Electronics Co., Ltd. ; Nan Pao Resins (Foshan) Co., Ltd. ; Ching Lin International Development Co., Ltd.

Note 5: Corporate Director Representative and Chairman of Sheng Lin Investment Ltd. ; ITLS International Development Co., Ltd.; Chairman of Sheng Bao Investment Co., Ltd. ; Guang Lin Investment Co., Ltd. ; Ching Lin International Development 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.; NanPao Fine Chemical Materials (Anhui) Co., 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.; Nan Pao Village Industry Co., Ltd.; Nan Pao Village Development Co., Ltd.; Advant Analytics Tactics Ltd.; Corporate Director Representative of Apogee Optocom Co., Ltd.; Ferrule Precision Co., Ltd.; Opulence Optronics Co., Ltd.; Biorich Biotechnology Co., Ltd.; Prince Pharmaceutical Co., Ltd.; FlexUP Technologies Corp. Nan Pao Industry Co., Ltd. ; Chairman and Supervisor of PT. Indo Nan Pao Resins Chemical Co., Ltd.

Note 6: Independent Director of Long Da Construction & Development Corporation. ; Taiwan Secom Co., Ltd.; Top High Image Corp.

Table 1: Major Shareholders of Institutional Shareholder

April 23, 2023

| 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 23, 2023

| 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 |
|--|---|--|--|
| <p>Cheng-Hsien, Wu <input checked="" type="checkbox"/> Committee member (Note 1)</p> | <p>1. Mr. Cheng-Hsien, Wu obtained a M.S. degree in Applied Chemistry from National Tsing Hua University and 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&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.</p> <p>2. Without cases mentioned in various clauses of Article 30 of Company Law.</p> | <p>Not Applicable</p> | <p>0</p> |
| <p>Pou Chien Enterprise Co., Ltd. Representative: Yuan-Whang, Liao</p> | <p>1. Mr. Yuan-Whang, Liao obtained a M.S. degree from Cambridge University and has over 20 years of experience in banking and finance. He has served as the Chief Investment Officer of the Private Equity Department of Citibank Asia in Hong Kong and the Vice President of the Corporate Finance Department of Citibank in Taipei. He joined Pou Chen Group in 2010 as Executive Senior Manager of Global Supply Chain Management Head Office of Pou Chen Corporation. Mr. Liao currently serves as Director of San Fang Chemical Industry Co., Ltd. and Prosperous Industrial (Holdings) Ltd., and Executive Director of Pou Sheng International (Holdings) Limited. He is professionally proficient in industry knowledge, accounting, financial investment and business management.</p> <p>2. Without cases mentioned in various clauses of Article 30 of Company Law.</p> | | <p>0</p> |

| 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 1) | <ol style="list-style-type: none"> Mr. Ming-Hsien, Hsu obtained a M.S. degree in Industrial Engineering from National Cheng Kung University and has over 30 years work experience. Since joined the Nan Pao Enterprise Management Office in 1986, he has served as 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. Without cases mentioned in various clauses of Article 30 of Company Law. | Not Applicable | 0 |
| Guang Rong Investment Ltd. Representative: Ying-Lin, Huang | <ol style="list-style-type: none"> Mr. Ying-Lin, Huang obtained a M.S. degree in Applied Chemistry from Waseda University in Japan and currently serves as the Chief Executive's Office Special Assistant of Nan Pao Resins Chemical Co., Ltd. and Director of Advant Analytics Tactics Ltd., Apogee Optocom Co., Ltd., Ferrule Precision Co., Ltd., and Opulence Optronics Co., Ltd. He is professionally proficient in industry knowledge. Without cases mentioned in various clauses of Article 30 of Company Law. | | 0 |

| Criteria | Professional Qualification and Experience | Independent Directors' Independence Status | Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director |
|--|---|---|--|
| Name | | | |
| <p>Yun, Chen</p> <p><input type="checkbox"/> Convener</p> <p><input type="checkbox"/> Convener</p> <p><input type="checkbox"/> Convener</p> <p>(Note 1)</p> | <p>1. 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 and currently serves as Honorary Professor of National Cheng Kung University. He is professionally proficient in industry knowledge.</p> <p>2. Without cases mentioned in various clauses of Article 30 of Company Law.</p> | <p>All of the following situations apply to each and every of the Independent Directors:</p> <ul style="list-style-type: none"> • 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" issued by Taiwan's Securities and Futures Bureau; • I (or under other's name), my spouse and minor children do not hold any number of issued shares of the Company; | 0 |
| <p>Yung-Cheng, Chiang</p> <p><input type="checkbox"/> Committee member</p> <p><input type="checkbox"/> Committee member</p> <p><input type="checkbox"/> Committee member</p> <p>(Note 1)</p> | <p>1. Mr. Yung-Cheng, Chiang graduated from Faculty of Law of Soochow University and 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 & Cheng Yang Joint Law Firm. Mr. Chiang had more than 24 years of experience practicing in a law firm. Furthermore, he served as Independent Director of Long Da Construction & Development Corporation, Taiwan Secom Co., Ltd. and Top High Image Corp.</p> <p>2. Without cases mentioned in various clauses of Article 30 of Company Law.</p> | <ul style="list-style-type: none"> • Do not provide commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years. | 3 |

| Criteria | Professional Qualification and Experience | Independent Directors' Independence Status | Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director |
|---|---|--|--|
| Name | | | |
| Yi-Hsi, Lee <input checked="" type="checkbox"/> Committee member <input checked="" type="checkbox"/> Committee member <input checked="" type="checkbox"/> Committee member (Note 1) | 1. Mr. Yi-Hsi, Lee graduated from Operating and Management of Tung Hai University and subsequently obtained a M.S. degree and a Ph.D. 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. 2. Without cases mentioned in various clauses of Article 30 of Company Law. | All of the following situations apply to each and every of the Independent Directors: • 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" issued by Taiwan's Securities and Futures Bureau; • I (or under other's name), my spouse and minor children do not hold any number of issued shares of the Company; • Do not provide commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years. | 0 |

Note 1: 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 which includes but not restrict the following two standards:

- (1) Basic condition: gender, age, nationality, race and culture, etc.
- (2) 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 on June 16, 2020. 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 targets (Please refer to Note 1: Implement the Policy of Diversification in the Board).

Management targets :

- (1) At least 1 female director of the board members ;
- (2) More than one-third of the board seats are independent directors ;
- (3) Directors concurrently act as managerial officers shall not be more than one-third of the board seats ;
- (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.

Target achievements :

- (1) The board members do not include female directors and will be elected in 2023 ;
- (2) The proportion of independent directors is 42.86% ;
- (3) The proportion of directors concurrently act as managerial officers is 14.29% ;
- (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 |

Note 1: Implement the Policy of Diversification in the Borad

| Name | Basic Condition and Value | | | Date First Appointment | Tenure of Independent Directors | Employed by Nan Pao | Concurrently Serve as Manager | Professional Knowledge and Expertise | | | | | | | Industrial Experience | |
|--|---------------------------|-------|-------------|------------------------|---------------------------------|---------------------|-------------------------------|--------------------------------------|------------|----------------------|-----|-------------|------------|-------|-----------------------|------------------------|
| | Gender | Age | Nationality | | | | | Industry Experience | Leadership | Financial Management | ESG | Supervision | Accounting | Legal | Chemical Engineering | Finance and Accounting |
| Cheng-Hsien, Wu | Male | 71-80 | ROC | 20140627 | | | | ✓ | ✓ | | ✓ | | | | ✓ | |
| Ming-Hsien, Hsu | Male | 61-70 | ROC | 20140627 | | ✓ | ✓ | ✓ | ✓ | | ✓ | | | | ✓ | |
| Ying-Ling, Huang | Male | 31-40 | ROC | 20200616 | | ✓ | | ✓ | ✓ | | | | | | ✓ | |
| Yuan-Whang, Liao | Male | 51-60 | ROC | 20221006 | | | | ✓ | ✓ | ✓ | | | | | | ✓ |
| Yun, Chen (Independent Director) | Male | 71-80 | ROC | 20171212 | 4-6 year | | | ✓ | | | ✓ | ✓ | | | | |
| Yung-Cheng, Chiang (Independent Director) | Male | 61-70 | ROC | 20171212 | 4-6 year | | | | | | ✓ | ✓ | | ✓ | | |
| Yi-Hsi, Lee (Independent Director) | Male | 41-50 | ROC | 20171212 | 4-6 year | | | | | ✓ | ✓ | ✓ | ✓ | | | ✓ |

Independence of the Board:

- (1) 7 seats include 3 independent directors (42.86%). All independent directors meet the independence conditions of the "Measures for the Appointment of Independent Directors of Public Offering Companies and Matters to Be Followed".
- (2) The tenure of the independent directors shall not exceed acumulative term limit of three years and no independent director may concurrently serve as an independent director of more than three other public companies. All independent directors have a cumulative term of 4-6 years.
- (3) There is no spouse or second-degree relative relationship between directors (there is no circumstance specified in Item 3 and Item 4 of Article 26-3 of the Securities Exchange Act).
- (4) All directors uphold 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 30~31 The implementation of recusal of Directors on conflict of interests)

(II) Information Regarding Management Team

April 23, 2023

| 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 | | |
|--|----------------|------------------|--------|----------------|-------------|------|----------------------------------|------|----------------------------------|---|--|----------------|---|------|----------|
| | | | | | Shares | % | Shares | % | Shares | % | | | 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"> • 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. | 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"> • EMBA of National Sun Yat-sen University; • Bachelor of Chemistry, Soochow University; • Deputy General Manager of Adhesive Business Division, Nan Pao Chemical Co., Ltd. | Note 2 | — | — | — |
| Executive General Manager of Paints and Coatings Business Division | Taiwan R.O.C. | Shun-Hsing, Wu | Male | 20220810 | — | — | — | — | — | — | <ul style="list-style-type: none"> • Bachelor of Business Administration, National Taipei University of Technology; • Assistant Manager of Sales, ITLS International Development Co., Ltd.; • Assistant Manager of Chemical Building Materials Division, Nan Pao Resins Chemical Co., Ltd. | Note 3 | — | — | — |
| Executive General Manager of Adhesives and Specialty Business Division (Deputy Spokesperson) | Taiwan R.O.C. | Sen-Mao, Kuo | Male | 20170101 | 80,616 | 0.07 | — | — | — | — | <ul style="list-style-type: none"> • M.S. in Chemical Engineering, National Cheng Kung University; • Bachelor of Industrial Chemistry, National Taiwan University of Science and Technology; • Assistant Manager in Adhesives and Specialty Business Division, Nan Pao Resins Chemical Co., Ltd.; • Deputy General Manager in Adhesives and Specialty Business Division, Nan Pao Chemical Co., Ltd. | 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"> • EMBA of National Sun Yat-sen University; • Bachelor of Chemical Engineering, Southern Taiwan University of Science and Technology; • Technical Service Manager in Sports Goods Adhesives and Materials Business Division, Nan Pao Resins Chemical Co., Ltd.; • Assistant Manager in Footwear Technical Service Department of Sport Goods Adhesives and Materials Business Division, Nan Pao Resins Chemical Co., Ltd. | — | — | — | — |

| 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 | | |
|--|----------------|------------------|--------|----------------|-------------|------|----------------------------------|------|----------------------------------|---|---|----------------|---|------|----------|
| | | | | | Shares | % | Shares | % | Shares | % | | | 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"> • Ph.D. in Applied Chemistry, National Chiao Tung University; • M.S. in Chemistry, National Tsing Hua University; • Bachelor of Chemistry, National Chung Hsing University; • Deputy Researcher, Full-time Researcher, Supervisor, Deputy Head of Industrial Technology Research Institute (ITRI); • Visiting Scholar in Sheffield University | 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"> • M.S. in Chemical Engineering, Chung Yuan Christian University; • Bachelor of Chemical Engineering, Chung Yuan Christian University; • R&D Manager in Sports Goods Adhesives and Materials Business Division, Nan Pao Resins Chemical Co., Ltd.; • Footwear R&D Assistant Manager in R&D & Innovation Division, Nan Pao Resins Chemical Co., Ltd. | — | — | — | — |
| 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"> • M.S. in Chemical and Engineering, National Taiwan University Of Science and Technology; • Bachelor of Chemical and Engineering, Tamkang University; • General Manager of Vietnam factories, Nan Pao Chemical Co., Ltd.; • Technical General Manager of Southeast Asia, Nan Pao Chemical Co., Ltd. | — | — | — | — |
| Deputy General Manager of Planning Department of Strategic Management Division | Taiwan, R.O.C. | Jung-Wen, Kuo | Male | 20221109 | 30,184 | 0.03 | — | — | — | — | <ul style="list-style-type: none"> • Bachelor of Industrial Engineering, Feng Chia University; • General Manager of Nan Pao Resins (Dongguan) Co., Ltd. ; • General Manager of Dongguan Jiaqin Electronic Co., Ltd. | Note 6 | — | — | — |
| Assistant Manager of Overseas Sales Division | Taiwan, R.O.C. | Chin-Fu, Hsu | Male | 20191111 | 238,666 | 0.20 | 6,000 | 0.00 | — | — | <ul style="list-style-type: none"> • EMBA of National Sun Yat-sen University; • Manager of Adhesive Business Division, Nan Pao Chemical Co., Ltd. | Note 7 | — | — | — |
| Deputy General 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"> • Bachelor of Chemical Engineering, National Cheng Kung University; • Manager of Footwear Production Department in Operation Management Division, Nan Pao Resins Chemical Co., Ltd. | — | — | — | — |

| 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 | | |
|--|----------------|-----------------|--------|----------------|-------------|------|----------------------------------|---|----------------------------------|---|---|----------------|---|------|----------|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation |
| Polyester Polyol Technology Assistant Manager of R&D & Innovation Division | Taiwan, R.O.C | Yan-Cheng, Chen | Male | 20181108 | 5,000 | 0.00 | — | — | — | — | <ul style="list-style-type: none"> • M.S. in Chemical, Chun -Yuan University; • Bachelor of Chemical, Chun -Yuan University; • R&D Manager at Eternal Materials Co., Ltd. | — | — | — | — |
| Assistant Manager in Financial Management Division (Spokesperson / Accounting Officer / Company Secretary) | Taiwan, R.O.C. | Kun-Chin, Lin | Male | 20160503 | 20,120 | 0.02 | — | — | — | — | <ul style="list-style-type: none"> • Bachelor of Accounting, Soochow University; • Team Leader in Ernst & Young Taiwan; • Manager and Spokesperson in Administration Dept., Mildex Optical Inc.; • CFO in Tai Shih Fu Enterprise Co., Ltd.; • CFO in Mirada Hwa Tai Co. Ltd. | Note 8 | — | — | — |
| 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"> • EMBA of Preston University; • General Administration Branch ,National Taipei University of Business; • HR Manager at Flextronics International (Taiwan) Ltd.; • Recruitment Manager at Vishay General Semiconductor Taiwan Ltd. | Note 9 | — | — | — |
| 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"> • M.S. in Graduate Institute of Automation and Control, National Taiwan University of Science and Technology; • Bachelor of Control Engineering, National Chiao Tung University; • IT Manager, Nan Pao Resins Chemical Co., Ltd. | — | — | — | — |
| Junior Manager of Auditing Office (Audit Officer) | Taiwan, R.O.C. | Li-Jung, Huang | Female | 20220211 | — | — | — | — | — | — | <ul style="list-style-type: none"> • Bachelor of Accounting, National Changhua University of Education; • Supervisor in Ernst & Young Taiwan; • Section Manager of Financial Management Division, Nan Pao Resins Chemical Co., Ltd. • Supervisor of Prince Pharmaceutical Co., Ltd. | — | — | — | — |

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.; 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. ;NanPao Fine Chemical Materials (Anhui) Co., Ltd. ; Supervisor of Foshan Nan Pao Advanced Materials Co., Ltd.; Dongguan Jiaqin Electronics Co., Ltd. ; Nan Pao Resins (Foshan) Co., Ltd. ; Ching Lin International Development Co., Ltd.

- Note 2: Corporate Director Representative and Chairman of Nan Pao Chemical 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: Director of Noroo-NanPao Paints & Coatings (Vietnam) Co., Ltd.; Nan Pao Application Material Co., Ltd. ; Nan Pao Philippines Export Inc. ; Taibai International Co., Ltd. ; Director and General Manager of ITLS Vietnam Co., Ltd. ; Corporate Director Representative of ITLS International Development Co., Ltd. ; Corporate Director Representative and Chairman of Biorich Biotechnology Co., Ltd. ; Supervisor of Nan Pao Advanced Investment 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 and Chairman of Nan Pao Advanced Materials 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 Nan Pao Resins (Vietnam) Enterprise Ltd.; Profit Land Ltd.
- Note 6: Corporate Director Representative of Perfect & Outstanding Technology Inc.
- Note 7: Director of Nan Pao Resins India Pvt Ltd.; Chairman of Nan Pao Resins Chemical (Bangladesh) Co., Ltd.
- Note 8: Corporate Director Representative of Phymed Bio-Tec Co., Ltd.; Nanpao Fine Materials Co., Ltd.; Nan Pao Resins Chemical (Bangladesh) Co., Ltd.; Director of NanPao Fine Chemical Materials (Anhui) Co., Ltd.; Corporate Supervisor Representative of Opulence Optronics Co., Ltd.; Supervisor of Nanpao New Materials (Huaian) Co., Ltd.; FlexUP Technologies Corp.
- Note 9: Corporate Director Representative of Nan Pao Chemical Co., Ltd.

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

(I) Remuneration Paid to Directors and Independent Directors in 2022

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 | The Company | | Companies in the Consolidated Financial Statements | | | The Company | Companies in the Consolidated Financial Statements |
| | | | | | | | | | | | | | | | | Cash | Stock | Cash | Stock | | | |
| Chairman | Cheng-Hsien, Wu | | | | | | | | | | | | | | | | | | | | | |
| Director | Pao Chien Enterprise Co., Ltd. | | | | | | | | | | | | | | | | | | | | | |
| | Representative: (Note 1) Nai-Yung, Tsai (Resignation) | | | | | | | | | | | | | | | | | | | | | |
| | Chih-Hung, Shih (Resignation) | - | - | - | - | 20,950 | 20,950 | - | - | 20,950 (1.20%) | 20,950 (1.20%) | 11,234 | 11,234 | 409 | 409 | 3,678 | - | 3,678 | - | 36,271 (2.08%) | 36,271 (2.08%) | - |
| | Yuan-Whang, Liao | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Guang Rong Investment Ltd. | | | | | | | | | | | | | | | | | | | | | |
| | Representative: Ming-Hsien, Hsu | | | | | | | | | | | | | | | | | | | | | |
| | Representative: Ying-Lin, Huang | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Yun, Chen | | | | | | | | | | | | | | | | | | | | | |
| | Yung-Cheng, Chiang | 540 | 540 | - | - | 1,050 | 1,050 | - | - | 1,590 (0.09%) | 1,590 (0.09%) | - | - | - | - | - | - | - | - | 1,590 (0.09%) | 1,590 (0.09%) | - |
| | Yi-Hsi, Lee | | | | | | | | | | | | | | | | | | | | | |
| <p>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.</p> <p>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.</p> | | | | | | | | | | | | | | | | | | | | | | |

Note 1: Pao Chien Enterprise Co., Ltd., as a corporate director, appointed Mr. Shih, Chih-Hung as the representative person on May 20, 2022 (former representative person: Nai-Yung, Tsai). Subsequently, on October 6, 2022, Mr. Shih, Chih-Hung stepped down as the representative person, and Mr. Yuan-Whang, Liao was appointed as the new representative person.

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. | Pao Chien Enterprise Co., Ltd. |
| NT\$ 3,500,000 ~Under NT\$ 5,000,000 | - | - | Cheng-Hsien, Wu/ Ying-Lin, Huang | Cheng-Hsien, Wu/ Ying-Lin, Huang |
| 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 | Guang Rong Investment Ltd. | Guang Rong Investment Ltd. | Guang Rong Investment Ltd. | Guang Rong Investment Ltd. |
| NT\$ 30,000,000 ~Under NT\$ 50,000,000 | - | - | - | - |
| NT\$ 50,000,000 ~Under NT\$ 100,000,000 | - | - | - | - |
| NT\$ 100,000,000 and Over | - | - | - | - |
| Total | 6 | 6 | 8 | 8 |

(II) Compensation Paid to General Managers and Deputy General Managers in 2022

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 | 12,563 | 12,563 | 6,929 | 6,929 | 8,748 | 8,748 | 4,092 | - | 4,092 | - | 32,332 (1.86%) | 32,332 (1.86%) | - |
| 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 (Note) | | | | | | | | | | | | | |
| Executive General Manager of Paints and Coatings Business Division | Shun-Hsing, Wu (Note) | | | | | | | | | | | | | |
| Executive General Manager in Adhesives and Specialty Business Division | Sen-Mao, Kuo | | | | | | | | | | | | | |
| General Manager of Operation Management Division | Yi-Jen, Fang | | | | | | | | | | | | | |
| Deputy General Manager of Footwear Production Dept. in Operation Management Division | Ming-Ding, Tsai | | | | | | | | | | | | | |
| 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 | | | | | | | | | | | | | |

| 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 | | | |
| Deputy General Manager of Planning Department of Strategic Management Division | Ping-Feng, Lai | | | | | | | | | | | | | |
| Deputy General Manager of Planning Department of Strategic Management Division | Wen-Cheng, Liu (Note) | | | | | | | | | | | | | |
| Deputy General Manager of Planning Department of Strategic Management Division | Jung-Wen, Kuo (Note) | | | | | | | | | | | | | |

Note : Wen-Cheng, Liu resumed on Aug. 10, 2022 and resigned on Jan. 31, 2023; Shun-Hsing, Wu assumed on Aug. 10, 2022; Yi-Fa, Tsai resigned on Sep. 28, 2022; Jung-Wen, Kuo resumed on Nov. 9, 2022.

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 | Shun-Hsing, Wu / Jung-Wen, Kuo / Wen-Cheng, Liu / Ming-Ding, Tsai | Shun-Hsing, Wu / Jung-Wen, Kuo / Wen-Cheng, Liu / Ming-Ding, Tsai |
| NT\$ 1,000,000 ~Under NT\$ 2,000,000 | - | - |
| NT\$ 2,000,000 ~Under NT\$ 3,500,000 | Ping-Feng, Lai / Yi-Jen, Fang / Yong-Ching, Shen/ Sen-Pei, Hung | Ping-Feng, Lai / Yi-Jen, Fang / Yong-Ching, Shen/ Sen-Pei, Hung |
| NT\$ 3,500,000 ~Under NT\$ 5,000,000 | Chao-Chian, Tsai / Sen-Mao, Kuo | Chao-Chian, Tsai / Sen-Mao, Kuo |
| NT\$ 5,000,000 ~Under NT\$ 10,000,000 | Ming-Hsien, Hsu / Yi-Fa, Tsai | Ming-Hsien, Hsu / Yi-Fa, Tsai |
| 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 | - | - |
| NT\$ 100,000,000 and Over | - | - |
| Total | 12 | 12 |

(III) Employees' Profit Sharing Paid to Management Team in 2022

December 31, 2022 / 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 | Shun-Hsing, Wu | | | | |
| Executive General Manager of Adhesives and Specialty Business Division | Sen-Mao, Kuo | | | | |
| General Manager of Operation Management Division | Yi-Jen, Fang | | | | |
| Deputy General Manager of Footwear Production Dept. in Operation Management Division | Ming-Ding, Tsai | | | | |
| 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 | - | 7,888 | 7,888 | 0.45% |
| Deputy General Manager of Planning Department of Strategic Management Division | Ping-Feng, Lai | | | | |
| Deputy General Manager of Planning Department of Strategic Management Division | Jung-Wen, Kuo | | | | |
| Assistant Manager of Overseas Sales Division | Chin-Fu, Hsu | | | | |
| 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 IT Dept. of Strategic Management Division | Pei-Yi, Kuo | | | | |

Note: As of the date of publication of this Annual Report, the 2022 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 | 2021 | | 2022 | |
|-------------------------------------|---|--|---|--|
| | Ratio of Total Remuneration to Net Income (%) | | Ratio of Total Remuneration to Net Income (%) | |
| | The Company | Companies in the Consolidated Financial Statements | The Company | Companies in the Consolidated Financial Statements |
| Directors | 3.33 | 3.33 | 2.17 | 2.17 |
| General and Deputy General Managers | 2.61 | 2.61 | 1.86 | 1.86 |

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 shall allocate 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 shall allocate 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 2022. The attendance status is as follows.

| Title | Name | Attendance in Person | By proxy | Attendance Rate (%) | Remarks |
|----------------------|--|----------------------|----------|---------------------|-----------------------|
| Chairman | Cheng-Hsien, Wu | 6 | 0 | 100 | Should attend 6 times |
| Director | Pou Chien Enterprise Co., Ltd. Representative: Nai-Yung, Tsai | 3 | 0 | 100 | Should attend 6 times |
| | Representative: Chih-Hung, Shih (Note 1) | 1 | 0 | | |
| | Representative: Yuan-Whang, Liao (Note 2) | 2 | 0 | | |
| Director | Guang Rong Investment Ltd. Representative: Ming-Hsien, Hsu | 6 | 0 | 100 | Should attend 6 times |
| Director | Guang Rong Investment Ltd. Representative: Ying-Lin, Huang | 6 | 0 | 100 | Should attend 6 times |
| Independent Director | Yun, Chen | 6 | 0 | 100 | Should attend 6 times |
| Independent Director | Yung-Cheng, Chiang | 6 | 0 | 100 | Should attend 6 times |
| Independent Director | Yi-Hsi, Lee | 6 | 0 | 100 | Should attend 6 times |

Note 1: On May 20, 2022, Chih-Hung, Shih was appointed as the legal representative of Pou Chien Enterprise Co., Ltd. and Nai-Yung, Tsai was removed from the position of director and legal representative.

Note 2: On October 6, 2022, Yuan-Whang, Liao was appointed as the legal representative of Pou Chien Enterprise Co., Ltd. and Chih-Hung, Shih was removed from the position of director and legal representative.

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 page 34. 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 |
|----------|--|-----------------------------------|--|
| 20220120 | The Company's proposal of 2021 performance-based bonuses for managers. | Cheng-Hsien, Wu / Ming-Hsien, Hsu | Abstained from voting as the above directors also serve as managers concurrently |
| 20220324 | The Company's proposal of salary adjustment for managers. | Cheng-Hsien, Wu / Ming-Hsien, Hsu | Abstained from voting as the above directors also serve as managers concurrently |

| Date | Contents of Resolutions | Name of Director | Reason for Recusal |
|----------|---|-----------------------------------|--|
| 20220810 | 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 also serve as managers concurrently |
| 20221109 | 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 |

| III. Board of Directors' Performance Evaluation Implementation Status | | | | |
|---|-------------------|---|--|--|
| Evaluation Cycle | Evaluation Period | Evaluation Scope | Evaluation Method | Content of Evaluation |
| Annual | 20220101~20221231 | Board of Directors | Internal self-evaluation of the board of directors "Self-evaluation Questionnaire for Board Performance" | A total of 50 evaluation indicators are included in the five aspects of participation in the Company's operations, improving the quality of board decision-making, composition and structure of the board of directors, election and continuing education of directors, and internal control. |
| Annual | 20220101~20221231 | Individual director | Internal self-evaluation of director member "Self-evaluation Questionnaire for Director Member Performance" | A total of 27 evaluation indicators are included in the four aspects of understanding of the Company's goals and mission, participation in the Company's operations, director's professionalism and continuing knowledge development, and internal control. |
| Annual | 20220101~20221231 | Functional Committee <ul style="list-style-type: none"> ● Audit Committee ● Compensation Committee ● Corporate Sustainability Development Promotion Committee | Internal self-evaluation of the functional committee "Self-evaluation Questionnaire for Functional Committee Performance" | Five aspects of involvement in the Company's operation, awareness of the functional committees' duties, enhancement of the quality of the functional committees' decision-making, composition and election of the functional committees, and internal control. |
| Every three years by an external professional independent institution | 20210801~20220731 | <ul style="list-style-type: none"> ● 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 ● Others (such as board meetings, support systems, etc.) | The China Corporate Governance Association is entrusted to carry out the external evaluation by "data review", "online self-evaluation questionnaire", "on-site interview", etc. | <ol style="list-style-type: none"> 1. The board of directors should 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. 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. 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. 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. |

| Evaluation Cycle | Evaluation Period | Evaluation Scope | Evaluation Method | Content of Evaluation |
|------------------|-------------------|------------------|-------------------|--|
| | | | | 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. 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. 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. 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. |

The evaluation items of the board of directors and the functional committees in 2022 are all in effective operation, and the evaluation results has been report to the board meeting on March 27, 2023. 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. 9, 2022 reporting as a basis for improvement.

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 2022, 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) The information related to the Audit Quality Indicator (AQI) in 2023 has been obtained to assess the suitability of the auditors and consider their appointment or reappointment. Additionally, the assessment of the independence and suitability of the auditors in 2023 has been completed and the report has been submitted to the Board of Directors on March 27, 2023.
- (3) Supervising the risk management mechanism: The scope of risk management, organizational structure and 2022 risk management operation situation have been disclosed on the official website and submitted to the Board of Directors on December 21, 2022.
- (4) The revised "Regulations Governing Prevention of Insider Trading and Handling Material Inside Information" has been approved by the Board of Directors on December 21, 2022, specifying the applicable objects of this operation procedure, increasing the scope of insider transaction prevention management; adding the application certificate for confidential firewall operators Relevant provisions of Article 157-1 of the Securities and Exchange Act; specify the retention period (5 years) of information disclosure-related materials.

2. Strengthen investor communication

Since 2019, the Company has been holding investor conference at least six times per year. Starting from 2021, the Company increased the frequency to quarterly investor conference. These investor conference serve as a platform for regular updates on the Company's financial and business information, providing an opportunity for direct interaction between the investment community and the management 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 2022:

1. Review financial reports

The Company's board of directors submitted the 2021 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 Taiwan, entrusted by the Board of Directors. Together with annual business report and earning distribution plan, they are reviewed and approved by the 11st meeting of the 2nd Audit Committee (2022.3.24), were submitted to the Resolution of the Board of Directors meeting (2022.3.24), and were acknowledged by general shareholders meeting in 2022 (2022.6.23).

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 2021 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 11st meeting of the 2nd Audit Committee (2022.3.24), and submitted to the Resolution of the Board of Directors meeting (2022.3.24), the "Internal Control System Statement" for 2021 was issued.

The Chairman of Audit Committee convened 6 meetings in 2022. The attendance status is as follows.

| Title | Name | Attendance in Person | By proxy | Attendance Rate (%) | Remarks |
|---------------------|--------------------|----------------------|----------|---------------------|-----------------------|
| Convener & Chairman | Yun, Chen | 6 | 0 | 100 | 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:

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

| Audit Committee | Contents of Resolutions | Article 14-5 of Securities and Exchange Act | Other Items Not Approved by the Audit Committee but Approved by Two Thirds of All Directors |
|-----------------|--|---|---|
| 20220120 | The Company intends to invest in the purchase of land use rights in Anhui Province, Mainland China. | V | |
| | The change of Chief Internal Auditor of the Company. | V | |
| | The Company's proposal to provide letter of support for subsidiaries. | V | |
| | Audit Committee Resolution Results (2022.01.20) : Approved by all present members of the Audit Committee. | | |
| | The Company's handling of the opinion of the Audit Committee: The above proposal was approved by all members of the directors in attendance. | | |
| 20220324 | The Company's proposal of 2021 business report and financial statements. | V | |
| | The Company's proposal of 2021 earnings distribution plan. | V | |
| | The Company's proposal of 2021 "Statement on Internal Control System". | V | |
| | The Company's proposal to provide endorsements or guarantees for subsidiaries. | V | |

| Audit Committee | Contents of Resolutions | Article 14-5 of Securities and Exchange Act | Other Items Not Approved by the Audit Committee but Approved by Two Thirds of All Directors | |
|--|--|---|---|--|
| 20220324 | The Company's proposal to provide letter of support for subsidiaries. | V | | |
| | The Company's proposal to amend "Procedures for Performance Evaluation of the Board of Directors and Managers " and formulated the internal control plan "Procedures for Performance Evaluation of Managers ". | V | | |
| | The Company's proposal to amend internal control system of "Articles of Incorporation". | V | | |
| | The Company's proposal to amend internal control system of "Rules of Procedure for Shareholders Meetings". | V | | |
| | The Company's proposal to amend internal control system of "Regulations Governing the Acquisition and Disposal Assets". | V | | |
| | The Company's proposal to amend internal control system of "Property, Plant and Equipment Cycle". | V | | |
| | The Company's proposal to amend internal control system of "Investment Cycle". | V | | |
| | The Company's proposal to amend internal control system of "General Principles of Internal Control" and "Internal Audit Implementation Rules". | V | | |
| | The Company's proposal to amend "Approval Authority Table". | V | | |
| | Audit Committee Resolution Results (2022.03.24) : Approved by all present members of the Audit Committee. | | | |
| The Company's handling of the opinion of the Audit Committee: The above proposal was approved by all members of the directors in attendance. | | | | |
| 20220511 | The Company's proposal of consolidated financial statements for the first quarter of 2022. | V | | |
| | The Company's proposal of earnings distribution for the first quarter of 2022. | V | | |
| | The Company's proposal to amend internal control system of "Corporate Social Responsibility Best Practice Principle" and "Procedures for Performance Evaluation of Managers ". | V | | |
| | The Company's proposal to provide endorsements or guarantees for subsidiaries. | V | | |
| | Audit Committee Resolution Results (2022.05.11) : Approved by all present members of the Audit Committee. | | | |
| | The Company's handling of the opinion of the Audit Committee: The above proposal was approved by all members of the directors in attendance. | | | |
| 20220810 | The Company's proposal of consolidated financial statements for the second quarter of 2022. | V | | |
| | The Company's proposal of earnings distribution for the second quarter of 2022. | V | | |

| Audit Committee | Contents of Resolutions | Article 14-5 of Securities and Exchange Act | Other Items Not Approved by the Audit Committee but Approved by Two Thirds of All Directors | |
|--|--|---|---|--|
| 20220810 | The Company's proposal to amend internal control system of "Regulations Governing Prevention of Insider Trading". | V | | |
| | The Company's proposal to amend internal control system of "Administrative Measures for the Preparation Process of Financial Statements". | V | | |
| | The Company's proposal to amend internal control system of "Code of Ethical Conduct". | V | | |
| | The Company's proposal to amend internal control system of "Payroll Cycle". | V | | |
| | The Company's proposal to provide endorsements or guarantees for subsidiaries. | V | | |
| | The Company's proposal to provide letter of support for subsidiaries. | V | | |
| | Audit Committee Resolution Results (2022.08.10) : Approved by all present members of the Audit Committee. | | | |
| The Company's handling of the opinion of the Audit Committee: The above proposal was approved by all members of the directors in attendance. | | | | |
| 20221109 | The Company's proposal of consolidated financial statements for the third quarter of 2022. | V | | |
| | The Company's proposal of earnings distribution for the third quarter of 2022. | V | | |
| | The Company's proposal of short-form merger with its subsidiary Progroups Technology Co., Ltd. | V | | |
| | The Company's proposal of short-form merger with its subsidiary Nan Pao Electronic Material Co., Ltd. | V | | |
| | The Company's proposal to provide letter of support for subsidiaries. | V | | |
| | Audit Committee Resolution Results (2022.11.09) : Approved by all present members of the Audit Committee. | | | |
| | The Company's handling of the opinion of the Audit Committee: The above proposal was approved by all members of the directors in attendance. | | | |
| 20221221 | The Company's proposal of 2023 Business Plan. | V | | |
| | The Company's proposal of 2023 internal audit plan. | V | | |
| | The Company's proposal to amend internal control system of "Regulations Governing Prevention of Insider Trading and Handling Material Inside Information". | V | | |
| | The Company's proposal to provide endorsements or guarantees for subsidiaries. | V | | |
| | Audit Committee Resolution Results (2022.12.21) : Approved by all present members of the Audit Committee. | | | |
| | The Company's handling of the opinion of the Audit Committee: The above proposal was approved by all members of the directors in attendance. | | | |

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.(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. Communication issues in 2022 are showed as follows.

| Date and Communication Channel | Communication Items | Communication Result |
|---|--|--|
| 20220324 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. |
| 20220511 Board of Director | 1. Audit result and improvement tracking. 2. Audit information declaration. | Independent directors have no other suggestions. |
| 20220810 Board of Director | Audit result and improvement tracking. | Independent directors have no other suggestions. |
| 20221109 Board of Director | Audit result and improvement tracking. | Independent directors have no other suggestions. |
| 20221221 Board of Director | Annual audit plan of 2023. | Independent directors have no other suggestions. |
| 20221221 Audit Items Communication Meeting | 1. Overview of the implementation of the 2022 annual audit plan. 2. Risk Assessment of 2023. 3. Annual audit plan of 2023. | Independent directors have no other suggestions. |

3. The independent directors and certified public accountants have good communication. Communication issues in 2022 are showed as follows.

| Date and Communication Channel | Communication Items | Communication Result |
|---|--|--|
| 20220324 Audit Summary Stage Communication Meeting | Summary of 2021 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. |

| Date and Communication Channel | Communication Items | Communication Result |
|---|---|--|
| 20220324 Audit Committee/ Board of Director | Audit summary of 2021 statutory and consolidated financial statements. | Independent directors have no other suggestions. |
| 20220511 Audit Committee/ Board of Director | Review summary of 2022Q1 consolidated financial statements. | Independent directors have no other suggestions. |
| 20220810 Audit Committee/ Board of Director | Review summary of 2022Q2 consolidated financial statements. | Independent directors have no other suggestions. |
| 20221109 Audit Committee/ Board of Director | Review summary of 2022Q3 consolidated financial statements. | Independent directors have no other suggestions. |
| 20221109 Audit Planning Stage Communication Meeting | Planning 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 | | Explanation | Discrepancy and The Reasons |
|---|-----------------------|----|---|-----------------------------|
| | Yes | No | | |
| 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 2022 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. | None |
| 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 inquiries. Shareholder disputes and litigation matters are handled by the legal department. All related matters are processed in accordance with internal operating procedures. | None |
| (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 has got hold of the list of major shareholders and their ultimate controllers. | None |
| (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. | None |
| (4) Does the Company establish internal rules against insiders trading securities with undisclosed information? | ✓ | | (4) The Company has followed the “Regulations Governing Prevention of Insider Trading and Handling Material Inside Information” 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. | None |
| 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)A. 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: a. Basic condition: gender, age, nationality, race and culture, etc. b. Professional knowledge and skill: professional background (such as law, accounting, industry, finance, marketing or technology), professional skill and industrial experience. B. Management target: a. At least 1 female director of the board members ; | None |

| Assessment Item | Implementation Status | | | Discrepancy and The Reasons |
|---|-----------------------|----|---|-----------------------------|
| | Yes | No | Explanation | |
| | | | <p>b. More than one-third of the board seats are independent directors ;</p> <p>c. Directors concurrently act as managerial officers shall not be more than one-third of the board seats ;</p> <p>d. 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.</p> <p>C.Execution:</p> <p>a. 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 100.00% in 2022. Three independent directors have a tenure of 4~6 years, none of any director have a relationship within the scope of second degree kinship. The goal of diversified board members has been met.</p> <p>b. 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 26, 2020 meeting, and further resolved to change the name to "Corporate Sustainability Development Promotion Committee" on May 11, 2022 (please refer to Note 1: Information Regarding Corporate Sustainability Development Promotion Committee). | None |
| (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 nomination and renewal? | ✓ | | <p>(3) A. 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 24, 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.</p> <p>B. 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 Performance Evaluation Committee"(convener: Wen-Lung, Chang, executive member: Chun-Cheng, Lin (executive member), Yi-Ching, Sung (evaluation specialist), Yi-En, Chen(evaluation specialist)) from Taiwan Corporation Governance Association was invited to evaluate the performance of board of directors in 2021 through "data review", "online self-assessment questionnaire", "on-site interview". The evaluation results are as follows:</p> | None |

| Assessment Item | Implementation Status | | Discrepancy and The Reasons |
|-----------------|-----------------------|----|---|
| | Yes | No | |
| | | | <p>a. The Chairman and CEO of the Company are both professional executives, focusing on their respective roles. The Chairman leads the Board of Directors in formulating the Company's medium and long-term development strategies and making appropriate decisions on various board resolutions. The CEO formulates operational plans and budget targets based on the resolutions of the Board of Directors and regularly reports to the Board. The CEO is responsible for implementing the strategies and achieving the set goals.</p> <p>b. The Chairman respects the diverse expertise of the directors, and all board agenda items are thoroughly discussed prior to the meetings. The management team actively seeks the input of independent directors regarding important strategies for the Company's development. This approach enhances the effectiveness of decision-making on board resolutions and fosters a positive board meeting culture.</p> <p>c. The Company values corporate governance and the implementation of ESG practices. Proactively recognizing the operational needs, the Company established the Corporate Social Responsibility Management Committee (renamed as the Sustainable Development Promotion Committee in May 2022) ahead of regulatory requirements. The committee is chaired by an independent director. The Company has also initiated carbon footprint assessments in various facilities worldwide, following Scope 3 guidelines. The goal is to achieve reasonable assurance level verification through SGS carbon footprint verification statements for each factory by 2026. Furthermore, the progress will be reported to the Board of Directors quarterly, ensuring continuous monitoring of greenhouse gas inventory, verification, and disclosure timelines. This transparent approach demonstrates the Company's commitment to sustainable business practices and fulfilling the ESG goals of creating shared value.</p> <p>Recommendations for improvement:</p> <p>a. The Company should consider the disclosure framework and template for Audit Quality Indicator (AQI) published by the regulatory authority. The Company conduct regular assessments of the suitability of auditors, taking into consideration factors such as timeliness of audit reports, the time invested by the engagement team, and their professional advisory and communication capabilities. These assessments serve as reference for the Audit Committee and the Board of Directors in making decisions regarding auditor appointments and reviewing audit fees. It strengthens the oversight relationship between the Board of Directors, the Audit Committee, and the auditors.</p> <p>b. The Company should have established a clear reporting system for the timely communication of material ad hoc information. The system includes the types of information to be reported, deadlines for reporting, communication methods, and reporting levels. This ensures that all members of the Board of Directors are promptly and fully informed about significant developments within the Company.</p> |

| Assessment Item | Implementation Status | | Explanation | Discrepancy and The Reasons |
|-----------------|-----------------------|----|--|-----------------------------|
| | Yes | No | | |
| | | | <p>The above performance evaluation report of the board of directors of 2021 has been submitted to the board of directors on November 9, 2022.</p> <p>C. The “Board Performance Evaluation” and “Functional Committee Performance Evaluation” in 2022 was carried out by the stock affairs unit.</p> <p>a. "Self-evaluation Questionnaire for Board Performance" Content of Evaluation: A total of 50 evaluation indicators are included in the five aspects of participation in the Company's operations, improving the quality of board decision-making, composition and structure of the board of directors, election and continuing education of directors, and internal control. The evaluation results and comments : 【96 points】 The board of directors operates effectively with diverse and complementary members possessing the necessary expertise for decision-making. However, the goal of achieving diversity in management has yet to be realized and should be actively pursued. Improvement plan: It is planned to enclude one female director during the next board of directors' election.</p> <p>b. "Self-evaluation Questionnaire for Director Member Performance" Content of Evaluation: A total of 27 evaluation indicators are included in the four aspects of understanding of the Company’s goals and mission, participation in the Company's operations, director’s professionalism and continuing knowledge development, and internal control. The evaluation results and comments : 【93 points】 The directors self-assess their competence to fulfill their directorial responsibilities and maintain good communication with the executive team and other board members.</p> <p>c. "Self-evaluation Questionnaire for Audit Committee Performance" Content of Evaluation: A total of 24 evaluation indicators are included in the five aspects of involvement in the Company’s operation, awareness of the functional committees’ duties, enhancement of the quality of the functional committees’ decision-making, composition and election of the functional committees, and internal control. The evaluation results and comments : 【96 points】 All committee members are able to timely and professionally provide objective recommendations for discussion on various agenda items.</p> <p>d. "Self-evaluation Questionnaire for Compensation Committee Performance" Content of Evaluation: A total of 21 evaluation indicators are included in the four aspects of involvement in the Company’s operation, awareness of the functional committees’ duties, enhancement of the quality of the functional committees’ decision-making, and composition and election of the functional committees.</p> | |

| Assessment Item | Implementation Status | | Discrepancy and The Reasons |
|--|-----------------------|----|--|
| | Yes | No | |
| | | | <p>The evaluation results and comments : 【92 points】 All committee members uphold their professionalism and independence in providing effective and objective recommendations to the board of directors on issues related to compensation systems and other related matters. It is advised to develop specific succession plans and establish a predetermined timeline for board members and senior executives.</p> <p>Improvement plan: The Company has already formulated succession development plans for the Chairman of the Board and senior executives. It is planned to disclose these plans on the Company's website in 2023.</p> <p>e. "Self-evaluation Questionnaire for Corporate Sustainability Development Promotion Committee Performance"</p> <p>Content of Evaluation: A total of 18 evaluation indicators are included in the four aspects of involvement in the Company's operation, awareness of the functional committees' duties, enhancement of the quality of the functional committees' decision-making, and composition and election of the functional committees.</p> <p>The evaluation results and comments : 【94 points】 The Company has shown year-on-year improvements in various international sustainability rankings. The corporate governance evaluation results also consistently rank within the top 6-20% among industry peers. This indicates that the Corporate Sustainability Development Promotion Committee has effectively fulfilled its functions.</p> <p>All assessment items in 2022 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 27, 2023.</p> <p>D.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? | ✓ | | <p>(4) A. The Company conducts an annual assessment of the independence and qualifications of the external auditors. The initial assessment of the independence and qualifications of the external auditors is conducted by the Company's stock affairs unit, and after approval by the Audit Committee, it is submitted to the Board of Directors for final approval.</p> <p>B. The Company requires Deloitte & Touche Taiwan, to provide an "Independence Statement" for the external auditors, and follow the disclosure framework and template provided by the Financial Supervisory Commission (FSC) in the "Audit Quality Indicators (AQI) Disclosure Framework and Template" to provide assessment reports on "Firm-Level Audit Quality Indicators" and "Engagement-Level Audit Quality Indicators." The firm and the external auditors excel in key indicators such as training hours, turnover rate, and professional support, surpassing industry averages. They have also implemented audit innovation tools and cloud-based audit platforms in the audit process.</p> |

| Assessment Item | Implementation Status | | | Discrepancy and The Reasons |
|--|-----------------------|----|--|-----------------------------|
| | Yes | No | Explanation | |
| | | | <p>Furthermore, there are plans to expand the audit support center to enhance audit efficiency and ensure audit quality.</p> <p>C. The Company refers to the aforementioned Audit Quality Indicators (AQI) assessment reports and reviews the independence requirements, independence operations, and qualifications based on the "Assessment Form for Auditor Independence and Competence". CPAs Hung-Ju, Liao and Chi-Chen, Lee of Deloitte & Touche Taiwan, according to the CPA evaluation scale(Note 2), 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, finding which was approved by the audit committee and the the Board of Directors on March 27 ,2023.</p> | |
| 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 "Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors" and 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, which had approved by the Board of Directors on January 17, 2020, 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</p> <p>(1)Handling in a legal manner affairs related to the meetings of the board of directors and shareholders' meeting.</p> <p>(2)Production of minutes of the meetings of the board of directors and shareholders' meeting.</p> <p>(3)Assistance for directors in assuming their offices and continual training.</p> <p>(4)Undertaking continuing provision of data needed by directors in the execution of their duties.</p> <p>(5)Assistance for directors in legal compliance.</p> <p>(6)Report to the board of directors on the examination results regarding the qualification of independent directors during the nomination, election, and tenure periods, ensuring compliance with relevant laws and regulations.</p> <p>(7) Handling matters related to changes in directors.</p> <p>II. According to article 36-3 of "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets," Mr. Lin has completed below training.</p> <ul style="list-style-type: none"> ● On March 10, 2022, Taiwan Stock Exchange, Independent Directors from an International Perspective and the 2022 Shareholders' Meeting(1 hour) ● On May 12, 2022, Taiwan Financial Research Institute , International Dual Summit Online Forum (2 hours) ● On June 10, 2022, Securities and Futures Market Development Foundation, Insider Trading Prevention Advocacy Conference in 2022 (3 hours) ● On July 13, 2022, Taiwan Stock Exchange, Sustainable Development Roadmap Industry Advocacy Conference (2 hours) | None |

| Assessment Item | Implementation Status | | | Discrepancy and The Reasons |
|---|-----------------------|----|--|-----------------------------|
| | Yes | No | Explanation | |
| | | | <ul style="list-style-type: none"> On October 5, 2022, Securities and Futures Market Development Foundation, Internal Trading Compliance Advocacy Seminar in 2022 (3 hours) | |
| 5. Has the Company set up channels of communication for stakeholders (including but not limited to shareholders, 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? | ✓ | | <p>I. The Company attaches great importance to stakeholders' communication topics and channels. It has smooth communication channels with stakeholders in various fields such as employees, customers, suppliers/contractors, shareholders/investors, society and government. Regular/irregularly publish information or communicate directly with stakeholders, respect and maintain their legitimate rights and interests, and implement corporate governance integrity and transparency. (Please refer to Note 3: Stakeholder Communication Topics and Channels) The communication status with stakeholders in 2022 will be reported to the board of directors on May 10, 2023.</p> <p>II. A ESG section has also been established on the Company's website to appropriately address material topics of concern for the stakeholders, and a dedicated person was appointed to respond the important corporate social responsibility issues that stakeholders are concerned about.</p> | None |
| 6. Has the Company commissioned a professional stock affair agency to manage shareholders' meetings relevant affairs? | ✓ | | The Company has appointed a professional share registrar agency to handle shareholder meeting affairs. 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). | None |
| 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 (http://www.nanpao.com.tw) for disclosing the status of financial operations and corporate governance. | None |
| (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 (http://www.nanpao.com) 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. The spokesperson 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. | None |
| (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 90days), the first, second, and third quarter financial reports (within 45 days) and monthly operating conditions (before 10th of each month) within the time limit specified in Article 36 of the Securities Exchange Law. Due to the large number of entities involved in the group merger, temporarily not been able to announce and declare the annual financial report within two months after the end of the fiscal year. 2022 Annual financial statements have been announced and declared on March 27, 2023. | None |

| Assessment Item | Implementation Status | | Explanation | Discrepancy and The Reasons |
|--|-----------------------|----|--|-----------------------------|
| | Yes | No | | |
| 8. Has the Company disclosed other information to facilitate a better 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>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.</p> <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 for employees' families, so as helping employees build a harmonious familial relationship, improve their health, and enhance their performance accordingly.</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. To achieve the goal of sustainable development in the supply chain, starting from 2021, the company has integrated the "Supplier Code of Ethical Conduct" and "Environmental Protection Requirements Commitment" into the "Nan pao Resins Supplier Code of Conduct." the Company requires all group partner suppliers to sign this code, ensuring their compliance with social and ethical standards, adherence to laws, and proactive response to environmental conservation issues. In 2022, more than 91% of suppliers complete the signing of the above commitments. The procurement department evaluates the impact of suppliers on environmental, labor, human rights, and social aspects. Through effective communication channels and regular meetings, they monitor and supervise supplier behavior and work conditions.</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 2022, all the directors of the Company engaged in advanced education with hours meeting the requirements of "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies," with total study time reaching 63 hours, on top of total study time of 47 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 2022.</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 business information,</p> | None |

| Assessment Item | Implementation Status | | | Discrepancy and The Reasons |
|---|-----------------------|----|---|-----------------------------|
| | Yes | No | Explanation | |
| | | | <p>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 Personal Data Protection Act. No records of any customer complaints regarding information security or privacy violations were received in 2022.</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 (2022) was delivered at the meeting of the board of directors on November 9, 2022.</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) There were no resolutions passed through extemporary motions during the 2022 annual general meeting, and there were no changes made to the agenda within 7 days prior to the meeting.</p> <p>(II) In 2022, Ernst & Young was entrusted to provide assurance on the sustainability report.</p> <p>(III) The Company has established a dedicated unit to promote business integrity and compliance. On August 10, 2022, the unit reported its operations and execution to the board of directors and disclosed the information 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) In 2023, it is planned to upload the information on the shareholding changes of insiders for the previous month to the MOPs by the 10th of each month.</p> <p>(III) Starting from 2023, it is planned to annually obtain the AQIs information provided by the appointed auditors. This information will be used for assessing the auditors' suitability and for considering their appointment or reappointment. A report on the assessment will be submitted to the board of directors on an annual basis, and the assessment process will be fully disclosed in the annual report.</p> <p>(IV) In 2023, there are plans to amend the organizational regulations of the Audit Committee to include additional responsibilities related to overseeing risk management. A report on the operation of risk management will be submitted to both the Audit Committee and the Board of Directors on an annual basis. Detailed disclosure of the risk management will be made on the Company's website.</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 26, 2020 to set up "Corporate Society Responsibility Management Committee" and change the name to "Corporate Sustainable Development Promotion Committee" on May 11, 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: Please refer to Page 13~16 Directors' Professional Qualifications and Independent Directors' Independence Status for details.

Other matters to be specified:

- 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 | Contents of Resolutions | Result |
|--|--|--|
| 2-4 (2022.05.11) | 1. TCFD Climate Risk Identification Workflow. 2. The Company's proposal to amend internal control system of "Corporate Social Responsibility Best Practice Principle" and "Procedures for Performance Evaluation of Managers". 3. Greenhouse Gas Inventory and Verification Schedule and Program Report. | The following motions were approved by the chairman after consultation with all present members without objection. |
| 2-5 (2022.12.21) | 1. 2022 ESG year results report. 2. 2023 ESG plan and target 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

| Item | | Result | Comply with the standard |
|---|--|--------|--------------------------|
| 1. Benefit of Financial | | | |
| i | Is there any direct or significant indirect financial interest between the members of the audit service team of the accounting firm and their family members and the Company? | None | V |
| ii | Other practicing accountants of the accounting firm and their family members, do they have any direct financial interests or significant indirect financial interests with the Company? | None | V |
| iii | Do the accounting firm and its affiliated enterprises have any direct financial interests or significant indirect financial interests with the Company? | None | V |
| 2. Financing and Guarantees | | | |
| i | Has there been any mutual financing or guarantee arrangements between the Company, the accounting firm, affiliated entities, and the audit service team members? | None | V |
| 3. Business Relationship | | | |
| i | Does the accounting firm, its related entities, and members of the audit service team have any close business relationships with the Company, its directors, or executives? Examples of such relationships include: <ul style="list-style-type: none"> ■ Significant strategic alliances with the Company, its controlling shareholders, directors, or executives that involve substantial benefits. ■ The firm or its affiliated entities forming alliances by aligning their service offerings or products with those provided by the Company, and jointly marketing them to external parties. ■ The firm or its affiliated entities promoting or marketing their products or services on behalf of the Company, and benefiting from such activities. | None | V |
| ii | Is the Company engaged in normal commercial transactions involving the sale of goods or provision of services to the firm, its affiliated entities, or members of the audit service team? | Yes | V |
| 4. Family and Personal Relationships | | | |
| i | Are the family members of the audit engagement team members not serving as directors, executives, or holding positions with direct and significant influence on the audit work of the Company, or having previously held such positions during the audit period? | Yes | V |
| ii | Are the close relatives of the audit engagement team members not serving as directors, executives, or holding positions with direct and significant influence on the audit work of the Company, or having previously held such positions during the audit period? | Yes | V |

| Item | | Result | Comply with the standard |
|--|---|------------------------------|--------------------------|
| 5. Employment Relationship | | | |
| i | Are the accounting firm or members of the audit service team not holding any positions as directors, supervisors, or managers of the Company, nor having direct and significant influence on the audit work? | Yes | V |
| ii | When a member of the audit service team, accountant, or accounting firm resigns as the auditor and is subsequently employed by the Company, please consider the following circumstances to assess the impact on the independence of the auditor: <ul style="list-style-type: none"> ■ Positions held within the Company. ■ Duration of time between leaving the accounting firm and being hired by the Company. ■ Significance of past positions held within the accounting firm. | No such circumstances exist. | V |
| iii | Are there no known instances of audit team members being hired by the Company in the future period? | Yes | V |
| iv | Have the accountants or employees of the accounting firm or affiliated companies not provided services to the directors, supervisors, executives, or equivalent positions of the Company? | Yes | V |
| 6. Gifts and Special Favors | | | |
| i | Is the Company's provision of gifts or special favors to members of the audit service team considered a normal social or business practice, with values that are not significant and without any motive or intention to influence professional decisions or obtain confidential information? | Yes | V |
| 7. Rotation of the Signing Accountant | | | |
| i | The lead accountant serving in the Company shall not exceed seven years, and after rotation, a minimum two-year interval is required before reappointment. | Yes | V |
| 8. Non-audit Business | | | |
| i | Inquire about the details of non-audit services provided by the auditor to the Company and their impact on independence. | Yes (Note) | V |
| 9. Auditor's Independence and Statement Reference to AQIs | | | |
| i | Obtain the auditor's independence statement from the Audit Committee (or equivalent governance body, if no Audit Committee). | Yes | V |
| ii | Obtain the evaluation report from the registered public accounting firm in accordance with the AQIs, confirming that the accounting firm has demonstrated independence and professional competence. | Yes | V |

Note: The confirmed list of pre-approved services for the year 2023 and the independence assessment checklist for non-audit services have been reviewed, and it is determined that they will not have a significant impact on independence.

Note 3 : Stakeholder Communication Topics and Channels in 2022

| Stakeholder | Topics of Communication | Channels and Frequency | Communication Efficiency/Achievement |
|-------------|--|--|--|
| Employee | <ul style="list-style-type: none"> • Employee Compensation and Benefits • Employee Performance Evaluation Mechanism • Talent Cultivation and Development • Physical and Mental Health and Workplace Safety • Labor Relations • Operational Performance | <ul style="list-style-type: none"> • Employee suggestion box (real-time) • Whistleblower reporting procedure (real-time) • Company internal electronic bulletin board (periodic) • Email announcements and internal poster promotion (periodic) • Employee education and training (periodic) • Internal communication meetings (weekly/monthly) • Labor-management meetings (quarterly) • Employee performance evaluation process (biannually) | <ul style="list-style-type: none"> • Annual distribution of year-end bonuses and employee remuneration, with salary adjustments. The average employee salary expense in 2022 increased by 11% compared to the previous year. • Regular annual review of employee performance and submission of promotion recommendations for outstanding performers. • In 2022, a total of 5,859 participants attended training courses in various academies of the Company's learning and development platform, accumulating a total training time of 10,606 hours. On average, each person received 15.78 hours of training. • Quarterly safety and health committee meetings and bi-weekly internal safety meetings to discuss and improve audit deficiencies. • Annual general health check-ups for employees and special hazardous operations health examinations. • The Company held five labor-management meetings in 2022. • Managers at all levels share the Company's operational status and technological developments with employees during communication meetings. |
| Customer | <ul style="list-style-type: none"> • Service/Product Quality • Innovation and Circular Economy • Information Security • Customer Protection and Communication • Regulatory Compliance | <ul style="list-style-type: none"> • Customer service hotline and email (real-time) • Business contact point (real-time) • Official website, social media platforms (periodic) • Customer meetings (periodic) • Customer satisfaction surveys (annually) • Technical innovation exhibitions (annually) | <ul style="list-style-type: none"> • The technical service team provides professional support and solutions for customer product and technical issues. • Quarterly technical seminars are held, and annual customer satisfaction visits are conducted. • Participation in INNO FAIR, an important technical event for customers, is held annually. • Announcements and promotional information are periodically updated on the official website and Facebook community. • No records of customer complaints regarding information security or privacy infringement were received in 2022. • Participation in the 2022 Taipei Textile Exhibition. |

| Stakeholder | Topics of Communication | Channels and Frequency | Communication Efficiency/Achievement |
|-------------------------|--|--|---|
| Suppliers /Contractors | <ul style="list-style-type: none"> • Supplier Management • Professional Ethics • Product Quality • Regulatory Compliance | <ul style="list-style-type: none"> • Supplier contact point (real-time) • Supplier questionnaires and declarations (periodic) • Supplier meetings (periodic) • Supplier evaluation (annually) | <ul style="list-style-type: none"> • Enter into contracts with suppliers, stipulating relevant terms and regulations to ensure supplier compliance. • Establish a supplier evaluation mechanism and conduct annual supplier assessments. • In 2022, 91% of group suppliers completed the signing of the Supplier Code of Conduct. • In 2022, the proportion of locally sourced materials for production was 76.5%. |
| Shareholders /Investors | <ul style="list-style-type: none"> • Operational Performance and Financial Information • Shareholders' Equity • Corporate Governance • Sustainable Development Strategy • Risk Management • Regulatory Compliance • Corporate Image | <ul style="list-style-type: none"> • Investor relations contact point (real-time) • Spokesperson and deputy spokesperson (real-time) • Announcement and material information (regular/irregular) • Disclosure of information on official website (regular/irregular) • Shareholders' meeting and annual report (annually) • Investor conference (quarterly) • Domestic and international investor forums (periodic) • Financial reports (quarterly/annually) • Sustainability report (annually) | <ul style="list-style-type: none"> • Regular issuance of financial information press releases: Monthly revenue press releases (monthly), financial report press releases (quarterly). • Regular disclosure of financial and business-related information on the MOPs and official website. • Periodically release significant announcements on the MOPs. • Participated in 6 investor conference in 2022. • Participated in the 2022 Asia-Pacific Sustainable Action Expo. |

| Stakeholder | Topics of Communication | Channels and Frequency | Communication Efficiency/Achievement | | | | | | | | | | | | | | | | | | | | | |
|-------------|---|--|--|-------------------|----------------------|-----------------|------------------|-------------------|--------|-------|--------|-----------|---------|-----------|---------|-----------|-----------|------------|-----|-----|-----|----|-----|------|
| Society | <ul style="list-style-type: none"> • Corporate Image • Community Engagement and Care • Social Welfare | <ul style="list-style-type: none"> • Nan Pao Social Welfare Foundation (real-time) • ESG contact email (real-time) • Volunteer service activities (periodic) • Project donations and sports sponsorships (periodic) • Sustainability report (annually) | <ul style="list-style-type: none"> • From its establishment at the end of 2007 until 2022, Nan Pao Social Welfare Foundation has accumulated a total donation amount of NT\$72.75 million. • In 2022, the Nan Pao Social Welfare Foundation allocated its expenses as follows: Unit: NT\$ <table border="1" data-bbox="1095 379 2076 507"> <thead> <tr> <th></th> <th>Children's Education</th> <th>Elderly Welfare</th> <th>Vulnerable Care.</th> <th>Volunteer Service</th> <th>Others</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Amount</td> <td>2,429,600</td> <td>730,000</td> <td>1,583,113</td> <td>109,400</td> <td>1,245,030</td> <td>6,097,143</td> </tr> <tr> <td>Percentage</td> <td>40%</td> <td>12%</td> <td>26%</td> <td>2%</td> <td>20%</td> <td>100%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • Continuously organizing "Community Visits to the Factory" events, inviting community residents to visit the factory and promote community safety communication. • Awarded the "2022 Happiness Enterprise Gold Award" in the 1111 Human Resources Bank poll. | | Children's Education | Elderly Welfare | Vulnerable Care. | Volunteer Service | Others | Total | Amount | 2,429,600 | 730,000 | 1,583,113 | 109,400 | 1,245,030 | 6,097,143 | Percentage | 40% | 12% | 26% | 2% | 20% | 100% |
| | Children's Education | Elderly Welfare | Vulnerable Care. | Volunteer Service | Others | Total | | | | | | | | | | | | | | | | | | |
| Amount | 2,429,600 | 730,000 | 1,583,113 | 109,400 | 1,245,030 | 6,097,143 | | | | | | | | | | | | | | | | | | |
| Percentage | 40% | 12% | 26% | 2% | 20% | 100% | | | | | | | | | | | | | | | | | | |
| Government | <ul style="list-style-type: none"> • Regulatory Compliance • Corporate Governance • Risk Management • Communication with Regulatory Authorities | <ul style="list-style-type: none"> • Regulatory authority contact point (real-time) • Correspondence and visits with government agencies (periodic) • Communication platform with industry associations (periodic) • Special meetings - such as briefings, symposiums, seminars (periodic) | <ul style="list-style-type: none"> • Periodic participation in regulatory seminars or forums organized by supervisory authorities. • In 2022, collaborated with the Stock Exchange to complete the assessment of financial reporting capabilities and on-site review of Q2 financial data. • Timely response to questionnaires from the Stock Exchange, with a total of 24 questionnaires completed in 2022. • In 2022, scored 99.57 points in the 9th Corporate Governance Evaluation by the Stock Exchange, ranking in the 6-20% range among listed companies. • In the 2022 S&P Corporate Sustainability Assessment, scored 49 points, ranking 10th among 497 chemical companies worldwide. • In the 2022 Substainalytics ranking, scored 26.7 points, ranking 146th in risk among 549 chemical companies worldwide. | | | | | | | | | | | | | | | | | | | | | |

(IV) Compensation Committee

1. Information Regarding Compensation Committee Members

| Criteria | | Professional Qualifications and Experience | Independence Status | Number of Other Public Companies Concurrently Serving as a Compensation Committee Member |
|----------------------|--------------------|---|---|--|
| Roles | Name | | | |
| Independent Director | Yun, Chen | Please refer to Page 13~16 disclosed information about director qualification and independence. | All members of the Compensation Committee meet the following criteria: <ul style="list-style-type: none">• They comply with the relevant provisions of Article 14-6 of the Securities and Exchange Act as issued by the Financial Supervisory Commission and Article 6 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees for Companies Listed on the Stock Exchange or Engaging in Securities Business.";• I (or under other's name), my spouse and minor children do not hold any number of issued shares of the Company;• Do not provide commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years. | 0 |
| Independent Director | Yung-Cheng, Chiang | | | 0 |
| Independent Director | Yi-Hsi, Lee | | | 0 |

2. Responsibilities of the Compensation Committee

- (1) Regularly review the organizational regulations of the Compensation Committee and propose amendments if necessary.
- (2) Establish and periodically review the policies, systems, standards, and structures for the annual and long-term performance-based compensation of the directors and executives of the Company.
- (3) Regularly assess the achievement of performance targets by the directors and executives of the Company and determine the content and amount of their individual compensation packages.

3. 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 4 meetings in 2022. The attendance status is as follows.

| Title | Name | Attendance in person | By proxy | Attendance Rate (%) | Remarks |
|---------------------|--------------------|----------------------|----------|---------------------|-----------------------|
| Convener & Chairman | Yun, Chen | 4 | 0 | 100 | Should attend 4 times |
| Member | Yung-Cheng, Chiang | 4 | 0 | 100 | Should attend 4 times |
| Member | Yi-Hsi, Lee | 4 | 0 | 100 | Should attend 4 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 2022:

| Compensation Committee | Contents of Resolutions | Result |
|------------------------|--|--|
| 3-6 (2022.01.20) | The Company's proposal of 2021 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. |
| 3-7 (2022.03.24) | <ol style="list-style-type: none"> 1. The Company's 2021 employee remuneration and directors' remuneration distribution proposal. 2. The Company's proposal of appointment of managers and salary adjustment. 3. The Company's proposal to amend "Procedures for Performance Evaluation of the Board of Directors and Managers " and formulated the internal control plan "Procedures for Performance Evaluation of Managers ". | The Compensation Committee stated no objection; the above proposals have been passed and submitted to the Board of Directors for resolution. |
| 3-8 (2022.08.10) | <ol style="list-style-type: none"> 1. The Company's 2021 annual employee remuneration for managers distribution plan. 2. The Company's 2022 manager performance bonus distribution plan. 3. The manager of the Company applies for retirement and pension payment. 4. The Company's appointment of managers and adjustment of salary and remuneration proposal. | The Compensation Committee stated no objection; the above proposals have been passed and submitted to the Board of Directors for resolution. |
| 3-9 (2022.11.09) | The Company's appointment and promotion of managers and adjustment of salary and remuneration proposal. | 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 26, 2020 meeting, and further resolved to change the name to "Corporate Sustainability Development Promotion Committee" on May 11, 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 2022 annual work plan and achievement report have been submitted to the 2-3rd Corporate Social Responsibility Management Committee on December 22, 2021 and the 2-5th Corporate Social Responsibility Management Committee on December 21, 2022. The relevant implementation report is expected to be presented to the board of directors on August 9, 2023.</p> | None |
| 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 17, 2020. The strategy, scope, organizational structure and implementation status of the risk management of 2022 have been reported to the board of directors on December 21, 2022 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; in addition, through the risk management team directly under the board of directors, it is responsible for monitoring and audit the entire risk management mechanism, ensure the effectiveness of the Company's risk control through internal audit operations, and properly manage potential risks.</p> <p>3. The scope of significant risk assessment in 2022 covers Taiwan Nan Pao Resins and its subsidiary companies (Dongguan Plant, Foshan Plant, Fuqing Plant, Kunshan Plant, Indonesia Plant, Vietnam Plant, Thailand Plant, Foshan Nan Pao Advanced Materials, Nan Pao Materials Vietnam Plant, and Nan Pao Advanced Materials Vietnam Plant). The disclosure entity for environmental and social information is the parent company, Taiwan Nan Pao Resins, which is consistent with the boundary of the sustainability report.</p> <p>4. In 2022, the Sustainable Development Task Force took the lead in identifying significant issues. In addition to referencing the "GRI Guidelines" published by the Global Reporting Initiative and the topics of concern to benchmarking peers in the Taiwan Stock Exchange, the Task Force also incorporated important issues identified by the Sustainability Accounting Standards Board (SASB) that are relevant to the chemical industry and</p> | None |

| Assessment Item | Implementation Status | | Discrepancy and The Reasons | | | | | | | | | | | | | |
|-----------------|----------------------------|--|--|-------------|------------|---------------------|--|-----------------------|------------|----------------|----------------------------|---|--|------------------|--|---|
| | Yes | No | | | | | | | | | | | | | | |
| | | | <p>conducted stakeholder surveys to communicate and assess the impact of ESG topics through various channels with different stakeholders. Furthermore, based on the principle of significance, risk assessments were conducted on environmental, social, and corporate governance issues related to the Company's operations. The following risk management strategies were formulated:</p> <table border="1"> <thead> <tr> <th rowspan="2">ESG Aspects</th> <th rowspan="2">Key Issues</th> <th colspan="2">Management Policies</th> </tr> <tr> <th>Importance of Nan Pao</th> <th>Strategies</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Environm-ental</td> <td>Chemical Safety Management</td> <td> <ul style="list-style-type: none"> • Chemical management is one of the core foundations of Nan Pao's development. Starting from the design and development stage, a product lifecycle approach is adopted to assist customers in developing alternatives. In the product design phase, efforts are made to avoid the use of chemicals that pose potential risks to human health and well-being, and to minimize employee exposure to chemical hazards. • In order to effectively manage quality, all footwear products at Nan Pao undergo testing based on international RSL standards before they are allowed to be shipped. </td> <td> <ul style="list-style-type: none"> • Hazard and risk assessment of chemicals • Communication of chemical safety information • Development of alternatives </td> </tr> <tr> <td>Circular Economy</td> <td> <ul style="list-style-type: none"> • By implementing resource minimization (Reduce) and prioritizing in-house recycling and reuse (Recycle & Reuse), Nan Pao actively delays materials from becoming waste and strives to reduce environmental impact. • Collaborating with suppliers to develop waste recycling and reuse technologies, promoting a circular economy and expanding the efficiency of resource utilization. • Actively developing applications for recycled materials and bio-based materials to reduce the extraction and synthesis of chemical raw materials at the source and minimize resource consumption. </td> <td> <ul style="list-style-type: none"> • Continuously increase the proportion of biomass and recycled materials usage • Enhance the quantity of waste recycling and reuse • Strengthen industry-academia collaboration </td> </tr> </tbody> </table> | ESG Aspects | Key Issues | Management Policies | | Importance of Nan Pao | Strategies | Environm-ental | Chemical Safety Management | <ul style="list-style-type: none"> • Chemical management is one of the core foundations of Nan Pao's development. Starting from the design and development stage, a product lifecycle approach is adopted to assist customers in developing alternatives. In the product design phase, efforts are made to avoid the use of chemicals that pose potential risks to human health and well-being, and to minimize employee exposure to chemical hazards. • In order to effectively manage quality, all footwear products at Nan Pao undergo testing based on international RSL standards before they are allowed to be shipped. | <ul style="list-style-type: none"> • Hazard and risk assessment of chemicals • Communication of chemical safety information • Development of alternatives | Circular Economy | <ul style="list-style-type: none"> • By implementing resource minimization (Reduce) and prioritizing in-house recycling and reuse (Recycle & Reuse), Nan Pao actively delays materials from becoming waste and strives to reduce environmental impact. • Collaborating with suppliers to develop waste recycling and reuse technologies, promoting a circular economy and expanding the efficiency of resource utilization. • Actively developing applications for recycled materials and bio-based materials to reduce the extraction and synthesis of chemical raw materials at the source and minimize resource consumption. | <ul style="list-style-type: none"> • Continuously increase the proportion of biomass and recycled materials usage • Enhance the quantity of waste recycling and reuse • Strengthen industry-academia collaboration |
| ESG Aspects | Key Issues | Management Policies | | | | | | | | | | | | | | |
| | | Importance of Nan Pao | Strategies | | | | | | | | | | | | | |
| Environm-ental | Chemical Safety Management | <ul style="list-style-type: none"> • Chemical management is one of the core foundations of Nan Pao's development. Starting from the design and development stage, a product lifecycle approach is adopted to assist customers in developing alternatives. In the product design phase, efforts are made to avoid the use of chemicals that pose potential risks to human health and well-being, and to minimize employee exposure to chemical hazards. • In order to effectively manage quality, all footwear products at Nan Pao undergo testing based on international RSL standards before they are allowed to be shipped. | <ul style="list-style-type: none"> • Hazard and risk assessment of chemicals • Communication of chemical safety information • Development of alternatives | | | | | | | | | | | | | |
| | Circular Economy | <ul style="list-style-type: none"> • By implementing resource minimization (Reduce) and prioritizing in-house recycling and reuse (Recycle & Reuse), Nan Pao actively delays materials from becoming waste and strives to reduce environmental impact. • Collaborating with suppliers to develop waste recycling and reuse technologies, promoting a circular economy and expanding the efficiency of resource utilization. • Actively developing applications for recycled materials and bio-based materials to reduce the extraction and synthesis of chemical raw materials at the source and minimize resource consumption. | <ul style="list-style-type: none"> • Continuously increase the proportion of biomass and recycled materials usage • Enhance the quantity of waste recycling and reuse • Strengthen industry-academia collaboration | | | | | | | | | | | | | |

| Assessment Item | Implementation Status | | Summary | | | | Discrepancy and The Reasons |
|-----------------|-----------------------|----|-------------------------|---|--|---|-----------------------------|
| | Yes | No | ESG Aspects | Key Issues | Management Policies | | |
| | | | | | Importance of Nan Pao | Strategies | |
| | | | Environmental | Emissions | Extreme weather conditions pose potential significant impacts on production and operations. Nan Pao is committed to mitigating and adapting to these impacts through process improvements, expanding the use of renewable energy, and gradually transitioning towards carbon neutrality. | <ul style="list-style-type: none"> Promoting low-carbon manufacturing Utilizing renewable energy Enhancing energy efficiency | |
| | | | Society & Environmental | Supplier Sustainability Management | A sustainable supply chain helps to reduce the risk of operational disruptions. Nan Pao adheres to a supplier code of conduct and encourages suppliers to promote labor rights, occupational health and safety, environmental protection, business ethics, and management system performance, while enhancing core management capabilities. | <ul style="list-style-type: none"> Promoting a green and low-carbon supply chain Risk management to ensure uninterrupted operations | |
| | | | Society | Occupational Safety and Health & Emergency Response | Talents are valuable assets for business development, and Nan Pao is committed to creating a safe and healthy working environment for employees and contractors, instilling a culture of safety from top to bottom. | <ul style="list-style-type: none"> Promoting a safety culture Comprehensive health management Human factors engineering assessment and improvement | |
| | | | | Employee Welfare and Rights | <ul style="list-style-type: none"> Cultivating talent and actively attracting and retaining talent are the cornerstone of enhancing the Company's research, manufacturing, and service capabilities. Providing employees with quality job opportunities, including competitive overall compensation, stable workplace benefits, and a safe and healthy working environment, in order to enhance employee dedication and sense of belonging to the Company, ensuring abundant talent resources. | <ul style="list-style-type: none"> Building future talent capabilities through talent reserves Unleashing the learning potential of employees | |

| Assessment Item | Implementation Status | | | | | Discrepancy and The Reasons | | | | | | | | | | | | | | | | | | |
|--|-----------------------|-------------------|---|-----------------------|---|---|-------------------|----------------|--|----------|-------------------|---|----------|-------------------|---|----------|-------------------|-----------------------------------|----------|-------------------|---|----------|-------------------|------|
| | Yes | No | Summary | | | | | | | | | | | | | | | | | | | | | |
| | | | ESG Aspects | Key Issues | Management Policies | | | | | | | | | | | | | | | | | | | |
| Importance of Nan Pao | | Strategies | | | | | | | | | | | | | | | | | | | | | | |
| | | | Corporate Governance | Financial Performance | Nan Pao actively invests in "creating greater economic scale with fewer energy resources" and channels its operational performance towards chemicals with lower environmental and human impact. | <ul style="list-style-type: none"> • Sustainable operational risk management • Enhancing a culture of quality • Quality management | | | | | | | | | | | | | | | | | | |
| 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>Effective Date</th> </tr> </thead> <tbody> <tr> <td>ISO14001 Environment Management System</td> <td>20201214</td> <td>20201214~20231214</td> </tr> <tr> <td>ISO45001 Occupational Health and Safety Management System</td> <td>20201209</td> <td>20201209~20231209</td> </tr> <tr> <td>ISO46001 Water Efficiency Management System</td> <td>20230112</td> <td>20230112~20260112</td> </tr> <tr> <td>ISO50001 Energy Management System</td> <td>20221130</td> <td>20221130~20251116</td> </tr> <tr> <td>ISO27001 Information Security Management System</td> <td>20220722</td> <td>20220722~20250722</td> </tr> </tbody> </table> | | | Certification | Certificated Date | Effective Date | ISO14001 Environment Management System | 20201214 | 20201214~20231214 | ISO45001 Occupational Health and Safety Management System | 20201209 | 20201209~20231209 | ISO46001 Water Efficiency Management System | 20230112 | 20230112~20260112 | ISO50001 Energy Management System | 20221130 | 20221130~20251116 | ISO27001 Information Security Management System | 20220722 | 20220722~20250722 | None |
| Certification | Certificated Date | Effective Date | | | | | | | | | | | | | | | | | | | | | | |
| ISO14001 Environment Management System | 20201214 | 20201214~20231214 | | | | | | | | | | | | | | | | | | | | | | |
| ISO45001 Occupational Health and Safety Management System | 20201209 | 20201209~20231209 | | | | | | | | | | | | | | | | | | | | | | |
| ISO46001 Water Efficiency Management System | 20230112 | 20230112~20260112 | | | | | | | | | | | | | | | | | | | | | | |
| ISO50001 Energy Management System | 20221130 | 20221130~20251116 | | | | | | | | | | | | | | | | | | | | | | |
| ISO27001 Information Security Management System | 20220722 | 20220722~20250722 | | | | | | | | | | | | | | | | | | | | | | |
| (2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact? | ✓ | | <p>(2)1. The Company is committed to the core principles of Replace (substituting petroleum-based materials), Recycle (promoting recycling and circularity), and Reduce (reducing energy and resource consumption) in the development of products aimed at mitigating climate change. This includes replacing existing petrochemical materials with bio-based materials for the synthesis of water-based acrylic resins, which not only maintain their basic properties but also align with the concepts of ecological friendliness and sustainable development. Various eco-friendly products, such as water-based, solvent-free, and benzene-free products, or products that minimize process pollutant emissions also to be developed, thereby reducing the negative impact on the environment. Additionally, the Company utilizes recycled PET bottles, which have been cleaned and shredded, to produce polyester polyols as raw materials for water-based PU products. This approach not only reduces our reliance on petroleum-based polyester but also decreases resource consumption and promotes resource circularity.</p> <p>2. The Company continues to promote energy-saving and carbon reduction measures, improving energy efficiency. Solar power generation systems are installed in multiple plant sites, with a target of achieving a renewable energy capacity of 1,200 kW through facility installations by 2023 and a renewable energy capacity of 4,800 kW by 2025."</p> | | | None | | | | | | | | | | | | | | | | | | |

| Assessment Item | Implementation Status | | | Discrepancy and The Reasons | | | | | | | | | | | | | | | | | | | | | | | | |
|---|-----------------------|---------------|--|---|------|------|---|---|-------|-------|-------|----------------------------------|-------|-------|-------|--|---------------|---------------|--------------|-------------------------------------|---|-----|--------|--|--------------|--------------|-------------|--|
| | Yes | No | Summary | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <p>3. The Company has conducted an environmental footprint analysis of water-based PU dispersions (including packaging) using LCA (Life Cycle Assessment) technology, and obtained an ISO 14067 verification statement. In the future, the Company will continue to expand the coverage of product LCAs. Additionally, in the water-based PU process, the Company recycles and reuses the recovered solvents (acetone) through distillation, while other chemicals (butanone) generated from solvent distillation can be sold to customers. This not only enhances resource utilization efficiency but also improves operational performance, promoting a circular economy for waste management. In 2022, Taiwan Nan Pao Resins recycled a total of 5,620 metric tons of solvents, an increase of 495 metric tons (9.66%) compared to 2021. By recycling solvents and reducing chemical raw material procurement costs, the Company also decreased CO2 emissions by 12,529 kilograms.</p> <p style="text-align: right;">Recycle Unit: metric tons</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Major Environmental Impact RM of water-based PU</th> <th style="text-align: center;">2021</th> <th style="text-align: center;">2022</th> <th style="text-align: center;">%</th> </tr> </thead> <tbody> <tr> <td>Methyl Ethyl Ketone (MEK)</td> <td style="text-align: center;">3,995</td> <td style="text-align: center;">3,783</td> <td style="text-align: center;">-5.31</td> </tr> <tr> <td>Acetone</td> <td style="text-align: center;">1,100</td> <td style="text-align: center;">1,362</td> <td style="text-align: center;">23.82</td> </tr> <tr> <td>Ethyl Acetate(EAC)</td> <td style="text-align: center;">30</td> <td style="text-align: center;">39</td> <td style="text-align: center;">30.00</td> </tr> <tr> <td>2339RE (70% Butanone + 30% Acetone)</td> <td style="text-align: center;">-</td> <td style="text-align: center;">436</td> <td style="text-align: center;">100.00</td> </tr> <tr> <td>Total amount of recycled solvents</td> <td style="text-align: center;">5,125</td> <td style="text-align: center;">5,620</td> <td style="text-align: center;">9.66</td> </tr> </tbody> </table> | Major Environmental Impact RM of water-based PU | 2021 | 2022 | % | Methyl Ethyl Ketone (MEK) | 3,995 | 3,783 | -5.31 | Acetone | 1,100 | 1,362 | 23.82 | Ethyl Acetate(EAC) | 30 | 39 | 30.00 | 2339RE (70% Butanone + 30% Acetone) | - | 436 | 100.00 | Total amount of recycled solvents | 5,125 | 5,620 | 9.66 | |
| Major Environmental Impact RM of water-based PU | 2021 | 2022 | % | | | | | | | | | | | | | | | | | | | | | | | | | |
| Methyl Ethyl Ketone (MEK) | 3,995 | 3,783 | -5.31 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Acetone | 1,100 | 1,362 | 23.82 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ethyl Acetate(EAC) | 30 | 39 | 30.00 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2339RE (70% Butanone + 30% Acetone) | - | 436 | 100.00 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total amount of recycled solvents | 5,125 | 5,620 | 9.66 | | | | | | | | | | | | | | | | | | | | | | | | | |
| (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 has assessed the potential risks and opportunities of climate change on its present and future operations, and has taken measures to address climate-related issues (please refer to (VI) Implementation Status of Climate-related Information / Note 1: 2022 TCFD Climate-related Risk and Opportunity Identification Table). | None | | | | | | | | | | | | | | | | | | | | | | | | |
| (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. <u>Greenhouse gas emissions:</u></p> <p>(1) In 2022, Taiwan Nan Pao Resin's total direct greenhouse gas (Scope 1) and indirect greenhouse gas (Scope 2) emissions amounted to 15,333 metric tons, an increase of 2,719 metric tons (21.56%) compared to 2021.</p> <p style="text-align: right;">Emission Unit: metric tons</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Scope of inventory audit</th> <th style="text-align: center;">2021</th> <th style="text-align: center;">2022</th> <th style="text-align: center;">%</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;">3,793</td> <td style="text-align: center;">5,532</td> <td style="text-align: center;">45.85</td> </tr> <tr> <td>Scope 2 (CO2e): (Electric Power)</td> <td style="text-align: center;">8,821</td> <td style="text-align: center;">9,801</td> <td style="text-align: center;">11.11</td> </tr> <tr> <td>Total emissions = Scope 1 + Scope 2</td> <td style="text-align: center;">12,614</td> <td style="text-align: center;">15,333</td> <td style="text-align: center;">21.56</td> </tr> </tbody> </table> <p>(2) To gradually achieve the group's net-zero carbon emissions target, the Company established a greenhouse gas inventory platform in 2022. In 2023, there are plans to complete the inventory operations for Scope</p> | Scope of inventory audit | 2021 | 2022 | % | Scope 1 (CO2e): (Gasoline + Diesel + Liquefied Natural Gas (LNG) + Liquefied Petroleum Gas (LPG) + Heavy Oil) | 3,793 | 5,532 | 45.85 | Scope 2 (CO2e): (Electric Power) | 8,821 | 9,801 | 11.11 | Total emissions = Scope 1 + Scope 2 | 12,614 | 15,333 | 21.56 | None | | | | | | | | |
| Scope of inventory audit | 2021 | 2022 | % | | | | | | | | | | | | | | | | | | | | | | | | | |
| Scope 1 (CO2e): (Gasoline + Diesel + Liquefied Natural Gas (LNG) + Liquefied Petroleum Gas (LPG) + Heavy Oil) | 3,793 | 5,532 | 45.85 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Scope 2 (CO2e): (Electric Power) | 8,821 | 9,801 | 11.11 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total emissions = Scope 1 + Scope 2 | 12,614 | 15,333 | 21.56 | | | | | | | | | | | | | | | | | | | | | | | | | |

| Assessment Item | Implementation Status | | | Discrepancy and The Reasons | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|-----------------------|--------|---|-----------------------------|------|------|---|-----------|--------|--------|--------|----------------|-------|-------|--------|----------|-----|-----|-------|-------|--------|--------|--------|--------|------|------|---|-------------------------|-----|-----|-------|---|-----|-----|--------|-------------------------|----|----|--------|--|---|----|--------|--------------------|-------|-------|--------|-----------|------|------|---|------|-------|-------|-------|-----------------|------|------|-------|------|-------|-------|------|--|
| | Yes | No | Summary | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <p>1 and Scope 2 greenhouse gas emissions across the group's various facilities and obtain ISO 14064-1 certification. Starting from 2025, the group's facilities will undergo inventory operations for Scope 3 emissions and obtain verification certificates. The goal is to complete the inventory and verification for all group facilities by 2027.</p> <p>2. <u>Water Consumption:</u></p> <p>(1) In 2022, Taiwan Nan Pao Resin had a total water intake of 76,702 m³, a decrease of 13,004 m³ (14.50%) compared to 2021. The water intensity per unit of revenue was lower than the previous year by 29%.</p> <p style="text-align: right;">Emission Unit: metric tons</p> <table border="1"> <thead> <tr> <th>Water resources</th> <th>2021</th> <th>2022</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Tap water</td> <td>82,492</td> <td>73,002</td> <td>-11.50</td> </tr> <tr> <td>Recycled water</td> <td>6,361</td> <td>2,875</td> <td>-54.80</td> </tr> <tr> <td>Rainfall</td> <td>853</td> <td>825</td> <td>-3.28</td> </tr> <tr> <td>Total</td> <td>89,706</td> <td>76,702</td> <td>-14.50</td> </tr> </tbody> </table> <p>(2) In 2022, the water consumption of Taiwan Nan Pao Resin was 57,182 m³, a decrease of 13,584 m³ (19.20%) compared to 2021.</p> <p>3. <u>Total waste weight:</u></p> <p>In 2022, the total waste generated during the production process of Taiwan Nan Pao Resin was 1,641 metric tons, a reduction of 226 metric tons (12.10%) compared to 2021. The waste hauling intensity per unit of revenue was lower than the previous year by 26%</p> <p style="text-align: right;">Unit: metric tons</p> <table border="1"> <thead> <tr> <th>Wastes</th> <th>2021</th> <th>2022</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>General business wastes</td> <td>950</td> <td>902</td> <td>-5.05</td> </tr> <tr> <td>Hazardous business wastes (outsourcing)</td> <td>858</td> <td>676</td> <td>-21.21</td> </tr> <tr> <td>Reuse and Recycle Waste</td> <td>59</td> <td>51</td> <td>-13.56</td> </tr> <tr> <td>Reusing and recycling hazardous industrial waste</td> <td>-</td> <td>12</td> <td>100.00</td> </tr> <tr> <td>Total waste amount</td> <td>1,867</td> <td>1,641</td> <td>-12.10</td> </tr> </tbody> </table> <p>4. <u>Air pollutant emissions:</u></p> <p>(1) In 2022, Taiwan Nan Pao Resin had a total volatile organic compound (VOC) emissions of 66.06 metric tons during the production process, a decrease of 6.2 metric tons (8.58%) compared to 2021. The VOC emissions intensity per unit of revenue was lower than the previous year by 15%.</p> <p style="text-align: right;">Emission Unit: metric tons</p> <table border="1"> <thead> <tr> <th>Pollution</th> <th>2021</th> <th>2022</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>VOCs</td> <td>72.26</td> <td>66.06</td> <td>-8.58</td> </tr> <tr> <td>NO_x</td> <td>3.59</td> <td>3.97</td> <td>10.58</td> </tr> <tr> <td>HAPs</td> <td>21.11</td> <td>21.49</td> <td>1.80</td> </tr> </tbody> </table> | Water resources | 2021 | 2022 | % | Tap water | 82,492 | 73,002 | -11.50 | Recycled water | 6,361 | 2,875 | -54.80 | Rainfall | 853 | 825 | -3.28 | Total | 89,706 | 76,702 | -14.50 | Wastes | 2021 | 2022 | % | General business wastes | 950 | 902 | -5.05 | Hazardous business wastes (outsourcing) | 858 | 676 | -21.21 | Reuse and Recycle Waste | 59 | 51 | -13.56 | Reusing and recycling hazardous industrial waste | - | 12 | 100.00 | Total waste amount | 1,867 | 1,641 | -12.10 | Pollution | 2021 | 2022 | % | VOCs | 72.26 | 66.06 | -8.58 | NO _x | 3.59 | 3.97 | 10.58 | HAPs | 21.11 | 21.49 | 1.80 | |
| Water resources | 2021 | 2022 | % | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tap water | 82,492 | 73,002 | -11.50 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Recycled water | 6,361 | 2,875 | -54.80 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Rainfall | 853 | 825 | -3.28 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 89,706 | 76,702 | -14.50 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Wastes | 2021 | 2022 | % | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| General business wastes | 950 | 902 | -5.05 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Hazardous business wastes (outsourcing) | 858 | 676 | -21.21 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Reuse and Recycle Waste | 59 | 51 | -13.56 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Reusing and recycling hazardous industrial waste | - | 12 | 100.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total waste amount | 1,867 | 1,641 | -12.10 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Pollution | 2021 | 2022 | % | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| VOCs | 72.26 | 66.06 | -8.58 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| NO _x | 3.59 | 3.97 | 10.58 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| HAPs | 21.11 | 21.49 | 1.80 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Assessment Item | Implementation Status | | Discrepancy and The Reasons |
|---|-----------------------|----|--|
| | Yes | No | |
| | | | <p>(2) To effectively reduce air pollution and control emissions, and to minimize the generation of volatile and other harmful pollutants, the Company invested in gravity bed exhaust gas treatment facilities and an RCO (Regenerative Catalyst Thermal Oxidizer) in 2022. These state-of-the-art technologies are employed to treat harmful pollutants generated during the production process, reducing environmental impact and achieving sustainability goals.</p> <p>5. <u>Energy Intensity:</u></p> <p>(1) During the implementation of the greenhouse gas inventory, the Company identified that the main emission source, due to the nature of the industry, is category 2 electricity consumption. Therefore, the Company actively engages in energy management. Currently, the Taiwan headquarters, the Foshan Nan Pao and Foshan Nan Pao Advanced Materials plants have all obtained ISO 50001 Energy Management System certification.</p> <p>(2) In 2022, the total energy consumption of non-renewable sources in Taiwan Nan Pao Resins amounted to 43,093,813 kWh, representing an increase of 2,691,124 kWh (6.66%) compared to 2021. This increase was primarily due to the prosperous business performance during that year, resulting in a synchronous rise in natural gas consumption to meet the increased production volume. However, the energy intensity decreased by 7.96%, indicating an improvement in energy efficiency. In recent years, the Company has been actively implementing energy-saving measures. Despite the increase in total energy consumption and production volume, the overall electricity consumption in 2022 decreased by 0.23% against the trend.</p> <p>6. The data mentioned above is based on the 2022 Sustainability Report.</p> |
| 4. Social Topic | | | |
| (1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles? | ✓ | | <p>(1)1. The Company adheres to labor-related regulations in all operating locations worldwide and supports and complies with the "Universal Declaration of Human Rights," "United Nations Global Compact," and "International Labor Organization conventions" regarding labor standards, basing on internationally recognized fundamental human rights to treat and respect all colleagues.</p> <p>2. The Company has established the "Nan Pao Resins Human Rights Policy," which addresses issues of providing a safe and healthy working environment, prohibiting forced labor, child labor, eliminating discrimination, ensuring freedom of association, and collective bargaining rights. The Company conducts risk assessments and establish relevant mitigation measures to ensure that all personnel are treated fairly and with dignity, and provide a high-quality working environment, promoting workplace safety and physical and mental well-being.</p> <p>3. All new employees and contracted security personnel receive 100% human rights education training upon onboarding, and human rights-related measures are periodically communicated during employee meetings.</p> |
| (2) Has the Company established appropriately managed employee welfare measures (include salary and | ✓ | | <p>(2)1. The Company implements a performance management system to align employee rewards with company performance, thereby motivating employees and instilling a sense of purpose in their work. According to the Company's bylaws, a percentage of the annual profits, ranging from 2-6%, is allocated as employee</p> |

| Assessment Item | Implementation Status | | | Discrepancy and The Reasons |
|--|-----------------------|----|--|-----------------------------|
| | Yes | No | Summary | |
| compensation, leave and others), and link operational performance or achievements with employee salary and compensation? | | | <p>compensation. In accordance with the "Year-End Bonus Disbursement Policy," a certain proportion of the annual profits is allocated for distributing year-end bonuses.</p> <p>2. Employees at the managerial level and above receive special bonuses based on their individual performance assessments, which are linked to the Key Performance Indicators (KPIs) from the previous year's evaluation. The KPIs are set for each unit and individual, including those involved in sustainability projects, with sustainability indicators integrated into the KPIs. The Company will continue to optimize our long-term incentive programs and increase the proportion of employees whose performance evaluations include sustainability indicators.</p> <p>3. The Company has established an employee stock ownership association to encourage colleagues to allocate 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. This allows employees to acquire company shares through a stock trust mechanism, facilitating their personal financial flexibility and financial planning.</p> <p>4. In order to achieve a work-life balance for employees, the Company not only provides leave entitlements in accordance with relevant regulations but also evaluates the utilization rate of special leaves across departments. This evaluation is taken into consideration during annual performance reviews for supervisors, ensuring effective management of employee leaves.</p> | |
| (3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training? | ✓ | | <p>(3)1. The Company has established an environmental and occupational health and safety management system in accordance with ISO 14001 and ISO 45001 (Taiwan Occupational Safety and Health Management System). Furthermore, 11 affiliated companies have completed the implementation of ISO 14001, and 7 affiliated companies have completed the implementation of ISO 45001 and passed the verification process.</p> <p>2. To ensure comprehensive occupational health and safety management, the Company has established a "Safety and Health Committee" as the highest-level organizational body for safety and health management. The committee holds quarterly meetings and conducts bi-weekly safety meetings within the factory to discuss and address audit findings and prevent workplace accidents. Each factory also has established emergency response procedures and conducts annual on-site drills with an emergency response team to ensure timely activation of response measures, immediate prevention or mitigation of the impact of emergencies, and control of damage and post-incident recovery.</p> <p>3. The Company places emphasis on the work environment and employee safety. It has established an accident reporting and investigation mechanism, where workplace nurses provide immediate treatment and assistance to injured employees. Follow-up care and monitoring are provided during the recovery period, and occupational health physicians are consulted to assess whether adjustments or changes to job tasks are necessary. Occupational accident cases are investigated, improvement plans are implemented, and progress is tracked.</p> <p>4. The Company conducts regular general health check-ups for employees every year. The health examination reports, analyzed by occupational health service nurses, are imported into the "Health Management System" for individual case tracking. Additionally, based on environmental monitoring results from specialized</p> | None |

| Assessment Item | Implementation Status | | Discrepancy and The Reasons |
|--|-----------------------|----|--|
| | Yes | No | |
| | | | workplaces, special hazard health examinations are arranged annually. Occupational medicine physicians conduct comprehensive grading management based on the results. For employees in the second grading level or above, personalized health guidance, physician consultations, and occupational disease prevention education and training are provided. 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. |
| (4) Has the Company established effective career development training plans? | ✓ | | (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, and job rotation. 2. To assist the Company and employees in rapidly enhancing their skills to adapt to the fast-changing demands of the environment, the Company has been actively promoting digital learning in recent years. Through online learning platforms such as "Nan Pao E-Learning Academy" and online English learning platforms, the Company creates an innovative and diverse learning environment, allowing colleagues to engage in learning activities without limitations of time and space. The acquired knowledge is then applied to the work environment, continuously improving work efficiency. 3. In order to further enhance quality and management efficiency, establish a culture of continuous improvement, and implement group transformation strategies, the company established the Continuous Improvement Team in 2022. This team follows steps such as identifying improvement targets, assessing the current situation, developing improvement plans, implementing those plans, and evaluating the effectiveness of the improvements. The objective is to enhance productivity and efficiency, optimize product and service quality, strengthen teamwork and innovation capabilities, reduce risks and enhance safety, as well as enhance the Company's image and reputation. Throughout this process, the Company also cultivates internal trainers, ensuring the continuous enhancement of the Company's competitiveness and sustainability. |
| (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? | ✓ | | (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; 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 been certified as bluesign@SYSTEM PARTNER and ZDHC contributor. 2. The Company fully complies with risk assessment regulations for regulated chemicals, managing them at different stages of their life cycle, and classifies hazards according to the United Nations GHS system and regularly inspect and control restricted substances. In 2022, 100% of products at Taiwan headquarters |

| Assessment Item | Implementation Status | | | Discrepancy and The Reasons |
|--|-----------------------|----|--|-----------------------------|
| | Yes | No | Summary | |
| | | | <p>underwent hazard risk assessments. The revenue generated by products classified as GHS hazard level 1 and level 2 accounted for 55% of Nan Pao's revenue in Taiwan. All subsidiaries within the group will continue to adhere to these standards.</p> <p>3. The Company handles customer business information, transaction data, and any data related to customer privacy by assigning dedicated personnel to organize and archive them, ensuring compliance with relevant provisions of the Personal Data Protection Act. In 2022, no any complaints received about destroying customer privacy or losing customer information, nor did any counterfeiting, infringement or other incidents occur.</p> <p>4. Every year, the Company conducts on-site visits to understand customer perceptions and evaluations of the products and services. The customer satisfaction surveys specifically targeting key customer segments in the business areas also be conducted. In 2022, Taiwan headquarters conducted on-site visits to 30 companies and provided a direct and immediate complaint channel for customers to safeguard their basic rights.</p> | |
| (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? | ✓ | | (6)The Company has integrated the standards related to economic, social, and environmental aspects into the sustainable supply chain management policy. To ensure that suppliers fulfill their corporate social responsibilities, the Company not only utilizes assessment mechanisms to require competitive quality, delivery, and technical capabilities from suppliers but also enforces the "Nan Pao Resins Supplier Code of Conduct" and implement strategies to increase localization in procurement. In 2022, 91% of the group's suppliers completed the signing of the code of conduct. | None |
| 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? | ✓ | | The Company compiles its sustainability report in accordance with the core options of the Global Reporting Initiative (GRI) guidelines and the Sustainability Accounting Standards Board (SASB) Chemicals Industry Standards. The structure and content of the report related to environmental aspects, including greenhouse gas inventory, are disclosed following the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD). In 2022, the sustainability report will undergo an independent Limited Assurance engagement conducted by Ernst & Young Certified Public Accountants, in accordance with the "Bulletin on Assurance Engagements Other Than Historical Financial Information - First Issue" issued by the Chinese Institute of Certified Public Accountants. | None |
| 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: | | | | |
| <p>(1) In 2022, the Company established a Net Zero Carbon Roadmap and committed to achieving carbon neutrality by 2050.</p> <p>(2) In 2022, the Company established an ESG Sustainability Management Platform, Greenhouse Gas Platform, and Environmental Data Management Platform to monitor and manage the sustainability progress and performance of each department in real time.</p> <p>(3) The Community participation of education and charity please refers to the sustainability report on chapter six.</p> <p>(4) The Company’s corporate sustainable development promotion related operational information is disclosed in the corporate sustainability section of the Company’s website on https://www.nanpao.com/csr.aspx</p> | | | | |

(VI) Implementation Status of Climate-related Information

| Items | Implementation Status |
|--|--|
| <p>1. Describe Supervision and governance of climate-related risks and opportunities by the Board of Directors and management.</p> | <p>(1) The Board of Directors serves as the highest governing body for climate-related oversight. The Board regularly supervises the overall corporate sustainability strategy and the achievements of goals, including the execution performance of climate change action plans, and provides appropriate recommendations.</p> <p>(2) The Board of Directors has established the Corporate Sustainability Promotion Committee, responsible for formulating the Company's sustainability issues and climate-related governance strategies. The CEO serves as a member of the Corporate Sustainability Promotion Committee under the Board of Directors and the convener of the Risk Management Team. Apart from periodically reviewing the Company's internal sustainability promotion strategies and policies, the CEO also monitors external environmental changes to integrate sustainability risks and opportunities into the overall risk management of the Company. The CEO reports on the strategy and execution progress to the Board of Directors and the Risk Management Team on a regular basis, effectively integrating the risk management outcomes of the group and its subsidiaries.</p> <p>(3) Under the Corporate Sustainability Promotion Committee, an ESG Sustainability Execution Task Force is established, led by the CEO as the Chief Sustainability Strategist, with heads of each subsidiary from the Operations Management Department. Based on the "Nan Pao Resins Net Zero Emission Management Plan," the task force conducts monthly meetings to review the carbon reduction plans and performance of each unit. The Planning Department consolidates the daily management activities of climate change and energy-related issues across the Company's plants and verifies the quality and effectiveness of their execution. Regular reports are submitted to the Chairman of the Board.</p> |
| <p>2. Describe how the identified climate risks and opportunities affect the Company's business, strategy, and financials in the short-term, medium-term, and long-term.</p> | <p>Please refer to Note 1: 2022 TCFD Climate-Related Risk and Opportunity Identification Table.</p> |
| <p>3. Describe the financial impacts of extreme weather events and transition actions.</p> | <p>Please refer to Note 1: 2022 TCFD Climate-Related Risk and Opportunity Identification Table.</p> |
| <p>4. Describe how the identification, assessment, and management process of climate risks are integrated into the overall risk management system.</p> | <p>(1) Adopting the TCFD framework, analyze policies and regulations, technology, market, corporate reputation, and acute and chronic climate risks individually. Through questionnaires and communication with senior executives, determine the significant climate-related risks faced by the Company.</p> <p>(2) Nan Pao Resins has established a Risk Management Policy and Procedures and conducts regular risk assessments each year. Climate-related risks have been included in the Company's major risk register, and corresponding monitoring measures and mechanisms are implemented to control these risks.</p> |

| Items | Implementation Status |
|--|---|
| | <p>(3) Transition Risk Management:</p> <p>A. To respond to market changes, develop high-performance and low-carbon chemicals based on the core principles of Replace (substituting petroleum-based raw materials), Recycle (recycling and regeneration), and Reduce (reducing resource consumption). Developing products that mitigate climate change and are eco-friendly (non-toxic).</p> <p>B. An Energy Management Committee is established, which holds regular energy-saving meetings and learns from best practices in the industry to develop energy-saving measures suitable for each plant.</p> <p>(4) Physical Risk Management:</p> <p>A. Utilize the Water Aqueduct tool developed by the World Resources Institute (WRI) in conjunction with on-site management conditions to develop contingency plans for water resource risks in major plants in Taiwan. Focus on controlling two primary hazards: heavy rainfall and water scarcity.</p> <p>B. Analyze supply chain disruption risks, assess the extent of increased raw material costs and transportation impacts, and develop plans such as in-house raw material production, remote production, and flexible transportation scheduling to enhance operational resilience.</p> |
| <p>5. If conducting a resilience analysis to assess the resilience to climate change risks in a given scenario, the following should be outlined: the context, parameters, assumptions, analysis factors, and key financial impacts.</p> | <p>(1) Nan Pao Resins has established a climate-related key risk and opportunity issue list based on the TCFD framework. The assessment of potential operational impacts resulting from climate change is conducted across short, medium, and long-term timeframes, involving the participation of department managers from various plant sites in functions such as the supply chain, research and development, and operations.</p> <p>(2) Following the TCFD framework, physical risks are evaluated based on discussions within the Intergovernmental Panel on Climate Change (IPCC) regarding the AR6 SSP5-8.5 scenario. Transition risks are assessed using the International Energy Agency's (IEA) 2050 Net-Zero Emissions (NZE) scenario, which represents the most challenging conditions. This approach allows for the evaluation of the Company's risks and opportunities under different climate scenarios.</p> |
| <p>6. If there is a transition plan in place to manage climate-related risks, please describe the contents of the plan and the indicators and goals used to identify and manage physical risks and transition risks.</p> | <p>In managing significant climate-related risks and opportunities, Nan Pao Resins establishes climate-related indicators and tracks the effectiveness of short-term, medium-term, and long-term goals based on the measures developed by relevant departments. The following are the translation of the specific measures and goals related to greenhouse gas reduction and renewable energy installation:</p> <p>(1) Greenhouse Gas Reduction</p> <p>A. Conduct annual greenhouse gas inventories in accordance with ISO 14064-1. The aim is to complete Scope 1, Scope 2, and Scope 3 carbon inventories for all facilities by 2027.</p> <p>B. Achieve a 10% reduction in carbon intensity by 2025.</p> <p>C. Attain carbon neutrality by 2050.</p> |

| Items | Implementation Status |
|---|---|
| | (2) Renewable Energy Installation A. Complete the installation of renewable energy facilities with a capacity of 1,200 kW at the plant by 2023. B. Complete the installation of renewable energy facilities with a capacity of 4,800 kW at the plant by 2025. |
| 7. If internal carbon pricing is used as a planning tool, it is essential to clarify the basis for price determination. | None. |
| 8. If climate-related targets are set, it is important to explain the covered activities, scope of greenhouse gas emissions, planning timeline, and annual progress towards achieving the targets. If carbon offsets or Renewable Energy Certificates (RECs) are used to meet the targets, it is necessary to specify the source and quantity of carbon offsets or the number of RECs used for emissions reduction. | None. |
| 9. Greenhouse gas inventory and verification status. | The Company is scheduled to undergo external auditing of carbon emissions for its various facilities in Taiwan for 2022 in August, 2023. The ISO 14064-1 certificate is expected to be obtained in November of the same year. |

Note 1: 2022 TCFD Climate-Related Risk and Opportunity Identification Table

| Type | Key Factors/Risk Issues | Impact Severity | Timing of Impact | Risks to Nan Pao | Derived Opportunities | Financial Impacts | Strategic Responses |
|---------------------|---|-----------------|------------------|---|--|--|--|
| Transformation Risk | Policy and Regulation: Greenhouse Gas Regulations | High | Short-term | <ul style="list-style-type: none"> Investment in low-carbon technologies, equipment, and management costs Total carbon emissions and carbon trading, fees, and carbon tax systems | <ul style="list-style-type: none"> Smart low-carbon production Participation in carbon trading Differentiation for enhanced competitiveness | <ul style="list-style-type: none"> Capital expenditure Operating costs | <ul style="list-style-type: none"> Establishing a decarbonization roadmap towards long-term carbon neutrality Promoting energy-saving and carbon reduction initiatives Upgrading equipment to use low-energy resources Promoting waste recycling and reuse Managing carbon intensity within Scope 3 emissions |
| Transformation Risk | Market: Low-Carbon Technologies 1、Renewable Energy 2、Carbon Capture, Utilization, and Storage (CCUS) | High | Medium-term | <ul style="list-style-type: none"> Regulations and procurement of renewable energy | <ul style="list-style-type: none"> Expansion of new energy business Development and application of carbon capture technology | <ul style="list-style-type: none"> Capital expenditure Operating costs | <ul style="list-style-type: none"> Investing in energy-efficient equipment to improve energy efficiency Investing in solar power generation Actively seeking new sources of energy such as wind power, biomass energy, geothermal energy, and organic solvent decomposition power generation |
| Transformation Risk | Market: 1、Environmental and Sustainable Products 2、Green Supplier Verification (Bluesign, ZDHC, Higg Index) | High | Short-term | <ul style="list-style-type: none"> Research and development of technology and cost investment | <ul style="list-style-type: none"> Enhancing product competitiveness | <ul style="list-style-type: none"> Capital expenditure Operating costs | <ul style="list-style-type: none"> Increasing the percentage of environmentally friendly product sales Continuously investing in research and development funds to enhance R&D capabilities Actively improving product inspection pass rates |

| Type | Key Factors/Risk Issues | Impact Severity | Timing of Impact | Risks to Nan Pao | Derived Opportunities | Financial Impacts | Strategic Responses |
|---------------|-------------------------|-----------------|------------------|---|--|---|---|
| Physical Risk | Typhoons and Floods | High | Short-term | <ul style="list-style-type: none"> Increased transportation and equipment maintenance costs due to heavy rainfall/typhoon-induced flooding | <ul style="list-style-type: none"> Strengthening operational resilience | <ul style="list-style-type: none"> Operating costs | <ul style="list-style-type: none"> Using the WRI scientific model to assess the physical risks of each production site Implementing real-time monitoring of rainfall, water levels, and water conditions to establish emergency response coordination mechanisms for production and distribution Utilizing real-time information from the Water Resources Agency to monitor water conditions and develop water shortage strategies Operational management: Implementing optimized inventory management and flexible transportation scheduling Implementing water-saving processes and projects |

(VII) 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) "Leading, Integrity, Unity, Efficiency" is the business philosophy of Nan Pao. The Company has formulated "Procedures for Ethical Management and Guidelines for Conduct" and "Code of Ethical Conduct" on April 5, 2017 board meeting. And the latest revision was approved by the resolution of the board of directors on December 17, 2020 and August 10, 2022 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. | None |
| (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. | None |
| (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- | None |

| Assessment Item | Implementation Status | | | Discrepancy and The Reason |
|---|-----------------------|----|--|----------------------------|
| | Yes | No | Summary | |
| | | | 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. | |
| 2. Ethic Management Practice | | | | |
| (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. In 2022, the Company encourages suppliers to sign the "Supplier Code of Ethics and Conduct". The priority is given to those enterprises that sign the integrity commitment. | None |
| (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 10, 2022. | None |
| (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. | None |
| (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 ensure the implementation of integrity in operations, the Company has established an Audit Committee to oversee the accuracy of accounting and financial processes and the effectiveness of internal controls. The Financial Management Department is responsible for dynamic management of financial risks under the supervision of the Audit Committee. Additionally, the Internal Audit Office evaluates compliance with laws and regulations, adherence to the five elements of COSO internal control, and assesses risks at all levels of the Company based on the strategic objectives and past audit experiences. The annual audit plan for the following year is formulated within the existing organizational framework and is presented for approval to the Audit Committee and the Board of Directors in the fourth quarter of each year. The compliance with periodic audit procedures is reported to the Audit Committee and the Board of Directors. The 2023 audit plan was approved by the Audit Committee and the Board of Directors on December 21, 2022. In addition, each year in the fourth quarter, internal units and | None |

| Assessment Item | Implementation Status | | Discrepancy and The Reason |
|---|-----------------------|----|---|
| | Yes | No | |
| | | | subsidiaries conduct self-assessments of their internal control systems. The results of the self-assessments are compiled in the first quarter of the following year and reported to the Audit Committee and the Board of Directors. This process is to evaluate the overall control of internal and external environments, operational risks, and the effectiveness of the design and implementation of internal control systems within the Company. The self-assessment results for 2021 were reported to the Audit Committee and the Board of Directors on March 24, 2022. |
| (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 Company also arranges education course at least once a year for the current directors, managers and employees about relevant laws and regulations. From December 5, 2022 to December 26, 2022, the Company conducted an online training course on the principles of ethical business on Nan Pao E-Learning, with a total of 650 participants and 325 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 24, 2022, a total of 22 participants of directors, managers and employees were given a total of 33 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. |
| 3. Implementation of Complaint Procedures | | | |
| (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. |

| Assessment Item | Implementation Status | | Discrepancy and The Reason | |
|--|-----------------------|----|--|---------|
| | Yes | No | | Summary |
| (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. | None |
| 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 integrity-related regulations and promotional information on the internal website for employees to access at any time. The external website (https://www.nanpao.com.tw) under the "Investor Relations" section contains the Company's annual report (also available on the MOPS), important internal regulations, and detailed disclosure of integrity-related policy requirements, code of conduct, and information under the "Corporate Sustainability" section in the sustainability report. | None |
| 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 August 10, 2022. The Company's board of directors approved the amendment of the "Procedures for Ethical Management and Guidelines for Conduct" on December 17, 2020. The Company's board of directors approved the amendment of the "Regulations Governing Whistle-blowing from Internal and External Parties" on December 22, 2021.</p> | | | | |

(VIII) 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.

(IX) 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%. The score in 2022 was up to 99.57, and the ranking interval of listed companies was remained at 6-20%. Measures related to corporate governance will be continuously improved and strengthened.
2. The Company website features a dedicated "Corporate Sustainability" section where an updated sustainability report is produced annually, revealing the progress and effectiveness of corporate governance initiatives.
3. The important information of the Company is announced on the MOPS in accordance with the regulations of the competent authority.

4. Advanced education for directors:

| Title | Name | Date | Organizer | Training Course | Time |
|----------------------|--|---------------|---|---|-------|
| Chairman | Cheng-Hsien, Wu | Feb. 25, 2022 | Tainan Yizai Association | Director and Supervisor Continuing Education Seminar - Corporate Governance | 6 hrs |
| Director | Pou Chien Enterprise Co., Ltd. Representative: Nai-Yung, Tsai | Feb. 25, 2022 | Tainan Yizai Association | Director and Supervisor Continuing Education Seminar - Corporate Governance | 6 hrs |
| | Pou Chien Enterprise Co., Ltd. Representative: Chih-Hung, Shih (Note 1) | May 12, 2022 | Taiwan Corporate Governance and Sustainable Development Association | The Evolution and Impact of Global Tax Reform, including the Global Minimum Tax Regime | 3 hrs |
| | | Aug. 12, 2022 | Taiwan Corporate Governance Association | Practical Sharing on Anti-Corruption and Bribery Risk Management Mechanisms | 3 hrs |
| | Pou Chien Enterprise Co., Ltd. Representative: Yuan-Whang, Liao (Note 1) | Oct. 25, 2022 | UBS | Sustainable Business Operations and Domestic/International Tax Trends | 3 hrs |
| | | Dec. 7, 2022 | Accounting Research and Development Foundation | Sales Tax Regulations and Practices | 3 hrs |
| | | Dec. 8, 2022 | Accounting Research and Development Foundation | Trends in Internet Technology Development and New Perspectives for Internal Audit Personnel | 6 hrs |
| Director | Guang Rong Investment Ltd. Representative: Ming-Hsien, Hsu | Feb. 25, 2022 | Tainan Yizai Association | Director and Supervisor Continuing Education Seminar - Corporate Governance | 6 hrs |
| | | Mar. 10, 2022 | TWSE | On Independent Directors and the 2022 Shareholders' Meeting from an International Perspective | 1 hr |
| Director | Guang Rong Investment Ltd. Representative: Ying-Lin, Huang | Feb. 25, 2022 | Tainan Yizai Association | Director and Supervisor Continuing Education Seminar - Corporate Governance | 6 hrs |
| | | Mar. 10, 2022 | TWSE | On Independent Directors and the 2022 Shareholders' Meeting from an International Perspective | 1 hr |
| Independent Director | Yun, Chen | Feb. 25, 2022 | Tainan Yizai Association | Director and Supervisor Continuing Education Seminar - Corporate Governance | 6 hrs |
| Independent Director | Yung-Cheng, Chiang | Feb. 25, 2022 | Tainan Yizai Association | Director and Supervisor Continuing Education Seminar - Corporate Governance | 6 hrs |
| Independent Director | Yi-Hsi, Lee | May 12, 2022 | TWSE | Twin-Summit Forum | 2 hrs |
| | | June 10, 2022 | Securities and Futures Institute | Insider Trading Prevention Seminar of 2022 | 3 hrs |
| | | July 13, 2022 | TWSE | Sustainable Development Roadmap Industry Theme Promotion Seminar | 2 hrs |

Note 1: Mr. Chih-Hung, Shih was appointed as the representative person of Pou Chien Enterprise Co., Ltd. on May 20, 2022, replacing Mr. Nai-Yung, Tsai who resigned on the same day. On October 6, 2022, Mr. Yuan-Whang, Liao was appointed as the representative person, replacing Mr. Chih-Hung, Shih who resigned on the same day.

(X) Internal Control System Execution Status

1. Statement of Internal Control System

Nan Pao Resins Chemical Co., Ltd.

Statement of Internal Control System

March 27, 2023

This Statement of Internal Control System is issued based on the self-assessment of the Company for the year 2022:

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, 2022 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 27, 2023, 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.

(XI) 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.

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

1. Implementation of Resolutions made in Annual Shareholders' Meeting on June 23, 2022:

| Number | Resolution | Implementation |
|--------|---|---|
| 1. | Acknowledgment of the 2021 business report and financial statements(Proposed by the Board of Directors) | ※The proposal was approved by the participating Shareholders with 96.08% approved percentage. |
| 2. | Acknowledgment of the 2021 earnings distribution(Proposed by the Board of Directors) | (1)The proposal was approved by the participating Shareholders with 96.08% approved percentage. (2)The ex-dividend date was set on August 10, 2022. Cash dividends totaled NT\$723,424,680 (NT\$6 per share) has been distributed on August 31, 2022. |
| 3. | Amendments to the Company's "Articles of Incorporation" (Proposed by the Board of Directors) | (1)The proposal was approved by the participating Shareholders with 91.20% approved percentage. (2)Approved by the Ministry of Economic Affairs (Jingshangzi No. 11101168180) on 2022/09/15 to change the registration record and announced it on the Company website. |
| 4. | Amendments to the Company's "Rules of Procedure for Shareholders Meeting" (Proposed by the Board of Directors) | (1)The proposal was approved by the participating Shareholders with 96.08% approved percentage. (2)It has been announced on the Company's website and will comply with the revised regulations. |
| 5. | Amendments to the Company's "Regulations Governing the Acquisition and Disposal Assets"(Proposed by the Board of Directors) | (1)The proposal was approved by the participating Shareholders with 96.08% 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 |
|----------|---|
| 20220120 | 1. Approved the Company's proposal of 2021 performance-based bonuses for managers. 2. Approved the Company intends to invest in the purchase of land use rights in Anhui Province, Mainland China. 3. Approved the change of Chief Internal Auditor of the Company. 4. Approved the Company's proposal to provide letter of support for subsidiaries. 5. Approved the Company's proposal to apply for loan facilities from banks. |

| Date | Major Resolutions |
|----------|--|
| 20220324 | <ol style="list-style-type: none"> 1. Approved the Company's proposal of salary adjustment for managers. 2. Approved the Company's proposal of 2021 business report and financial statements. 3. Approved the Company's proposal of 2021 earnings distribution plan. 4. Approved the Company's proposal of 2021 employee and director's bonus distribution plan. 5. Approved the Company's proposal of 2021 "Statement on Internal Control System". 6. Approved the Company's proposal to provide endorsements or guarantees for subsidiaries. 7. Approved the Company's proposal to provide letter of support for subsidiaries. 8. Approved the Company's proposal to apply for loan facilities from banks. 9. Approved the Company's proposal to amend "Procedures for Performance Evaluation of the Board of Directors and Managers" and formulated the internal control plan "Procedures for Performance Evaluation of Managers". 10. Approved the Company's proposal to amend internal control system of "Articles of Incorporation". 11. Approved the Company's proposal to amend internal control system of "Rules of Procedure for Shareholders Meeting". 12. Approved the Company's proposal to amend internal control system of "Regulations Governing the Acquisition and Disposal Assets". 13. Approved the Company's proposal to amend internal control system of "Property, Plant and Equipment Cycle". 14. Approved the Company's proposal to amend internal control system of "Investment Cycle". 15. Approved the Company's proposal to amend internal control system of "General Principles of Internal Control" and "Internal Audit Implementation Rules". 16. Approved the Company's proposal to amend "Approval Authority Table". 17. Approved the Company's proposal of the matters related to convene 2022 Annual General Meeting and shareholders' proposals. |
| 20220511 | <ol style="list-style-type: none"> 1. Approved the Company's proposal of consolidated financial statements for the first quarter of 2022. 2. Approved the Company's proposal of earnings distribution for the first quarter of 2022. 3. Approved the Company's proposal to amend internal control system of "Corporate Social Responsibility Best Practice Principle" and "Procedures for Performance Evaluation of Managers". 4. Approved the Company's proposal to provide endorsements or guarantees for subsidiaries. 5. Approved the Company's proposal to apply for loan facilities from banks. |
| 20220810 | <ol style="list-style-type: none"> 1. Approved the Company's appointment of managers and adjustment of salary and remuneration proposal. 2. Approved the Company's proposal of change of business address. 3. Approved the Company's proposal of consolidated financial statements for the second quarter of 2022. 4. Approved the Company's proposal of earnings distribution for the second quarter of 2022. 5. Approved the Company's proposal of greenhouse gas inventory and verification schedule. 6. Approved the Company's proposal to amend internal control system of "Regulations Governing Prevention of Insider Trading". 7. Approved the Company's proposal to amend internal control system of "Administrative Measures for the Preparation Process of Financial Statements". |

| Date | Major Resolutions |
|----------|--|
| 20220810 | 8. Approved the Company's proposal to amend internal control system of "Code of Ethical Conduct". 9. Approved the Company's proposal to amend internal control system of "Payroll Cycle". 10. Approved the Company's proposal to provide endorsements or guarantees for subsidiaries. 11. Approved the Company's proposal to provide letter of support for subsidiaries. 12. Approved the Company's proposal to apply for loan facilities from banks. |
| 20221109 | 1. Approved the Company's appointment and promotion of managers and adjustment of salary and remuneration proposal. 2. Approved the Company's proposal of consolidated financial statements for the third quarter of 2022. 3. Approved the Company's proposal of earnings distribution for the third quarter of 2022. 4. Approved the Company's proposal of short-form merger with its subsidiary Progroups Technology Co., Ltd. 5. Approved the Company's proposal of short-form merger with its subsidiary Nan Pao Electronic Material Co., Ltd. 6. Approved the Company's proposal to provide letter of support for subsidiaries. 7. Approved the Company's proposal to apply for loan facilities from banks. |
| 20221221 | 1. Approved the Company's proposal of 2023 Business Plan. 2. Approved the Company's proposal of 2023 internal audit plan. 3. Approved the Company's proposal of donation to the affiliate "Nan Pao Social Welfare Foundation". 4. Approved the Company's proposal to amend internal control system of "Regulations Governing Prevention of Insider Trading and Handling Material Inside Information". 5. Approved the Company's proposal to provide endorsements or guarantees for subsidiaries. 6. Approved the Company's proposal to apply for loan facilities from banks. |

(XIII) Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors in 2022 and as of the Date of this Annual Report: None.

(XIV) Resignation or Dismissal of Chairman, President, and Heads of Accounting, Finance, Internal Audit, Corporate Governance Officer and R&D in 2022 and as of the Date of this Annual Report: None.

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 | 20220101~ | 6,550 | 3,550 | 10,100 | Note |
| | Chi-Chen, Lee | 20221231 | | | | |

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

VI. Replacement of the CPA:

(I) Regarding the former accountants

| | | | |
|---|--|-----|-----------------------------------|
| Date of CPA replacement | After being approved by the board of directors on March 27, 2023, the accountant be replaced since Q1 2023 | | |
| Reasons and description of replacement | The replacement of the the Company's CPAs was due to internal adjustment. | | |
| The commissioner or CPA terminates or declines the commission | Participants | CPA | Commissioner |
| | Status | N/A | N/A |
| | Commission was terminated on his/her initiative (Extension of) Commission was declined | N/A | N/A |
| Opinions and reasons for audit reports issued during the most recent two years, excluding those issued without reservations | N/A | | |
| Any different opinion with the issuer? | Y | | Accounting principles or practice |
| | | | Disclosure of financial reports |
| | | | Scope or steps of audits |
| | | | Others |
| | N | V | |
| | Explanation | | |
| Other disclosures (matters to be disclosed pursuant to Sub-paragraph 1.4 to 1.7 Paragraph 6, Section 10 of the Guidelines) | N/A | | |

(II) Regarding the new accountant

| | |
|--|--|
| Name of the firm | Deloitte & Touche Taiwan |
| Accountant name | Chao-Chin, Yang and Chi-Chen, Lee |
| Appointment date | After being approved by the board of directors on March 27, 2023, the accountant be replaced since Q1 2023 |
| Pre-appointment consultations regarding the accounting treatment or accounting principles for specific transactions and opinions on the possible issuance of financial reports and the results thereof | N/A |
| Written opinions of new accountant stating different opinions to that of the previous accountants | N/A |

(III) Former accountant's reply to the matters stated in Sub-paragraph 1 and 2.3, Paragraph 6, Session 10 of the Guidelines: N/A

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 | 2022 | | As of April 23, 2023 | |
|--|--|------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| | | Increase (decrease) of Shares Held | Increase (decrease) of Shares Pledged | Increase (decrease) of Shares Held | Increase (decrease) of Shares Pledged |
| Chairman | Cheng-Hsien, Wu | (18,600) | 0 | 0 | 0 |
| Director | Guang Rong Investment Ltd. | 0 | 0 | 0 | 0 |
| | Representative: Ming-Hsien, Hsu | 0 | 0 | 0 | 0 |
| | Representative: Ying-Lin, Huang | (3,709,000) | 0 | 0 | 0 |
| Director | Pou Chien Enterprise Co., Ltd. | 0 | 0 | 0 | 0 |
| | Representative: Yuan-Whang, Liao(Note 1) | 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 | (23,000) | 0 | 0 | 0 |
| Executive General Manager of Paints and Coatings Business Division | Yi-Fa, Tsai Date of dissolution: 20220928 (Note 2) | 0 | 0 | 0 | 0 |
| Executive General Manager of Paints and Coatings Business Division | Shun-Hsing, Wu On board date: 20220810 (Note 2) | 0 | 0 | 0 | 0 |
| Executive General Manager of Adhesives and Specialty Business Division | Sen-Mao, Kuo | 3,000 | 0 | 0 | 0 |
| General Manager of Operation Management Division | Yi-Jen, Fang | 0 | 0 | 0 | 0 |
| Deputy General Manager of Footwear Production Dept. in Operation Management Division | Ming-Ding, Tsai | 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 |

| Job Title | Name | 2022 | | As of April 23, 2023 | |
|---|--|------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| | | Increase (decrease) of Shares Held | Increase (decrease) of Shares Pledged | Increase (decrease) of Shares Held | Increase (decrease) of Shares Pledged |
| Deputy General Manager of Planning Department of Strategic Management Division | Ping-Feng, Lai | 0 | 0 | 0 | 0 |
| Deputy General Manager of Planning Department of Strategic Management Division | Wen-Cheng, Liu On board date: 20220810 Date of dissolution: 20230131 (Note 2) | 0 | 0 | 0 | 0 |
| Deputy General Manager of Planning Department of Strategic Management Division | Jung-Wen, Kuo On board date: 20221109 (Note 2) | 0 | 0 | 0 | 0 |
| Assistant Manager of Overseas Sales Division | Chin-Fu, Hsu | 0 | 0 | 0 | 0 |
| Polyester Polyol Technology Assistant Manager of R&D & Innovation Division | Yan-Cheng, Chen | 0 | 0 | 0 | 0 |
| Assistant Manager of Financial Management Division | Kun-Chin, Lin | 5,000 | 0 | 0 | 0 |
| Assistant Manager of HR Dept. in Strategic Development Division | Hui-Fen, Lee | 0 | 0 | 0 | 0 |
| Assistant Manager of Business Development Dept. in Strategic Development Division | Yuan-Yang, Luo Date of dissolution: 20220531 (Note 2) | 4,000 | 0 | 0 | 0 |
| Assistant Manager of IT Dept. in Strategic Development Division | Pei-Yi, Kuo | 0 | 0 | 0 | 0 |

Note 1: The representative of Pou Chien Enterprise Co., Ltd. was originally Mr. Tsai Nai-Yung. On May 20, 2022, Mr. Shih Chih-Hung was reassigned as the representative, and on October 6, 2022, Mr. Liao Yuan-Whang was reassigned as the representative. None of the three representatives hold any shares.

Note 2: Only information during terms of office were disclosed.

(II) Shares Transfer with Related Parties

Unit: shares; NT\$

| Name | Reason of Transfer | Date of Transaction | Transferee | Relationship with the Transferee | Shares | Transaction Price |
|-----------------|--------------------|---------------------|--------------|----------------------------------|--------|-------------------|
| Cheng-Hsien, Wu | Gifting | 20220930 | Dai-Ying, Wu | Father and son | 18,600 | 131 |

(III) Shares Pledged with Related Parties: None.

IX. Relationship Among the Top Ten Shareholders

April 23, 2023 / 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. | 11,118,947 | 9.22 | - | - | - | - | None | None | |
| Representative: Guan-Jie, Fang | 8,260 | 0.01 | 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 | 7.35 | - | - | - | - | 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. | 7,828,068 | 6.49 | - | - | - | - | 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 | |
| Ching Lin International Development Co., Ltd. | 3,709,000 | 3.08 | - | - | - | - | None | None | |
| Representative: Ying-Lin, Huang | 1,000,936 | 0.83 | - | - | 3,709,000 | 3.08 | None | None | |
| Lan-shi-ta Investment Co., Ltd. | 2,235,773 | 1.85 | - | - | - | - | None | None | |
| Representative: Yu-Ting, Xiao | - | - | - | - | - | - | None | None | |

X. Long-term Investment Ownership

December 31, 2021 / Units: Share; %

| Investee | Ownership by the Company | | Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries | | Total Investment | |
|--|--------------------------|--------|---|-------|------------------|--------|
| | Shares | % | Shares | % | Shares | % |
| Nan Pao Chemical Co., Ltd. | 15,000,000 | 100.00 | - | - | 15,000,000 | 100.00 |
| Nan Pao Application Material Co., Ltd. | 200,000 | 100.00 | - | - | 200,000 | 100.00 |
| ITLS International Development Co., Ltd. | 24,600,000 | 100.00 | - | - | 24,600,000 | 100.00 |
| Prince Pharmaceutical Co., Ltd. | 16,767,305 | 50.51 | - | - | 16,767,305 | 50.51 |
| Phymed Bio-Tec Co., Ltd. | 2,400,000 | 100.00 | - | - | 2,400,000 | 100.00 |
| Biorich Biotechnology Co., Ltd. | 391,462 | 57.10 | - | - | 391,462 | 57.10 |
| Nan Pao Advanced Materials Co., Ltd. | 350,000 | 70.00 | - | - | 350,000 | 70.00 |
| Nanpao Fine Materials Co., Ltd. | 1,375,000 | 55.00 | - | - | 1,375,000 | 55.00 |
| FlexUP Technologies Corp. | 16,352,173 | 96.87 | - | - | 16,352,173 | 96.87 |
| 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 |
| Nan Pao Resins India Pvt. Ltd. | 3,000,000 | 100.00 | - | - | 3,000,000 | 100.00 |
| Nan Pao Materials Vietnam Co., Ltd. | Note | 100.00 | Note | - | Note | 100.00 |
| Nanpao Advanced Materials Vietnam Co., Ltd. | Note | 100.00 | Note | - | Note | 100.00 |
| Nan Pao Overseas Holdings Ltd. | 78,056,502 | 100.00 | - | - | 78,056,502 | 100.00 |
| Profit Land Ltd. | 983,333 | 73.75 | 350,000 | 26.25 | 1,333,333 | 100.00 |
| All Saints Enterprises Ltd. | 5,452,549 | 54.53 | 4,547,451 | 45.47 | 10,000,000 | 100.00 |
| Ongoing Profits Ltd. | 1,560,000 | 32.18 | 3,287,546 | 67.82 | 4,847,546 | 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 |
| Nan Pao Philippines Export Inc. | 25,750,000 | 100.00 | - | - | 25,750,000 | 100.00 |
| Nan Pao Resins Chemical (Bangladesh) Co., Ltd. | 125,000 | 100.00 | - | - | 125,000 | 100.00 |
| Earnest Wealth Co., Ltd. | 920,000 | 51.11 | - | - | 920,000 | 51.11 |

Note: Not applicable for limited companies.

IV. Capital Overview

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 | Amount | Number of Shares | Amount | Source of Capital | Equity Contribution Other Than Cash | Others |
| Aug. 2015 | 10 | 200,000,000 | 2,000,000,000 | 92,848,500 | 928,485,000 | Capital Surplus Transferred to Capital NT\$ 44,213,590 | - | Sep. 21, 2015 authorized by Letter No. 10401197620 |
| Aug. 2016 | 10 | 200,000,000 | 2,000,000,000 | 97,490,961 | 974,909,610 | Capital Surplus Transferred to Capital NT\$ 46,424,270 | - | Sep. 22, 2016 authorized by Letter No. 10501228350 |
| Dec. 2016 | 70 | 200,000,000 | 2,000,000,000 | 103,490,961 | 1,034,909,610 | Stock Option Conversion NT\$ 60,000,000 | - | Jan. 20, 2017 authorized by Letter No. 10601007990 |
| Jun. 2017 | 180 | 200,000,000 | 2,000,000,000 | 106,490,961 | 1,064,909,610 | Capital Cash Increase NT\$ 30,000,000 | - | Jun. 27, 2017 authorized by Letter No. 10601083750 |
| Aug. 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 | - | Aug. 18, 2017 authorized by Letter No. 10601115930 |
| Dec. 2018 | 76.8 | 200,000,000 | 2,000,000,000 | 120,570,780 | 1,205,707,800 | Capital Cash Increase NT\$119,500,000 | - | Dec. 18, 2018 authorized by Letter No. 10701156590 |

2. Types of Stock

April 30, 2022/ Unit: Shares

| Share Type | Authorized Capital | | | Remarks |
|--------------|--------------------|------------------|--------------|---------|
| | Issued Shares | Un-issued Shares | Total Shares | |
| Common Share | 120,570,780 | 79,429,220 | 200,000,000 | - |

3. Reporting system: Not applicable.

(II) Status of Shareholders

April 23, 2023/ Unit: Person ; Shares

| Shareholder Structure \ Quantity | Government Agencies | Financial Institutions | Other Juridical Persons | Domestic Natural Persons | Foreign Institutions and Natural Persons | Total |
|----------------------------------|---------------------|------------------------|-------------------------|--------------------------|--|-------------|
| Number of Shareholders | 0 | 8 | 65 | 3,098 | 109 | 3,280 |
| Shareholding | 0 | 9,016,594 | 72,594,489 | 20,980,137 | 17,979,560 | 120,570,780 |
| Percentage | 0.00% | 7.48% | 60.21% | 17.40% | 14.91% | 100.00% |

(III) Shareholding Distribution Status

April 23, 2023 / Unit: Person; Shares

| Shareholding Range | Number of shareholders | Shareholding | Shareholding Percentage |
|--------------------|------------------------|--------------|-------------------------|
| 1-999 | 887 | 97,588 | 0.08% |
| 1,000-5,000 | 1,808 | 3,270,105 | 2.71% |
| 5,001-10,000 | 210 | 1,643,410 | 1.36% |
| 10,001-15,000 | 81 | 1,006,575 | 0.83% |
| 15,001-20,000 | 71 | 1,278,588 | 1.06% |
| 20,001-30,000 | 41 | 1,003,539 | 0.83% |
| 30,001-40,000 | 41 | 1,474,879 | 1.22% |
| 40,001-50,000 | 13 | 610,801 | 0.51% |
| 50,001-100,000 | 41 | 3,027,772 | 2.51% |
| 100,001-200,000 | 41 | 6,031,094 | 5.01% |
| 200,001-400,000 | 17 | 5,338,608 | 4.43% |
| 400,001-600,000 | 5 | 2,560,304 | 2.12% |
| 600,001-800,000 | 6 | 4,272,810 | 3.54% |
| 800,001-1,000,000 | 3 | 2,769,800 | 2.30% |
| 1,000,001 or over | 15 | 86,184,907 | 71.49% |
| Total | 3,280 | 120,570,780 | 100.00% |

(IV) List of Major Shareholders

April 23, 2023 / Unit: Shares

| Shareholders' Name | Shares | Percentage |
|---|------------|------------|
| Ding-Feng Investment Co., Ltd. | 11,118,947 | 9.22% |
| 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 | 7.35% |
| CTBC Entrusted Custodian Investment Account of Growth Machine Development Co., Ltd. | 7,850,523 | 6.51% |
| Pao-Wang Investment Co., Ltd. | 7,828,068 | 6.49% |
| Fubon Life Assurance Co., Ltd. | 6,023,000 | 5.00% |
| Ching Lin International Development Co., Ltd. | 3,709,000 | 3.08% |
| Lan-shi-ta Investment Co., Ltd. | 2,235,773 | 1.85% |

(V)Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

| Item | Year | | 2022 | 2023 | As of April 30, 2023 (Note5) |
|-------------------------|--|----------------------------------|---------|---------|------------------------------------|
| | Market Price per Share (Note 1) | Highest Market Price | | 165.50 | 151.50 |
| Lowest Market Price | | 132.00 | 119.00 | 131.50 | |
| Average Market Price | | 148.46 | 133.40 | 140.96 | |
| Net Worth per Share | Before Distribution | | 126.71 | 120.69 | - |
| | After Distribution | | 120.71 | 110.69 | - |
| Earnings per Share | Weighted Average Shares (thousand shares) | | 120,890 | 121,027 | - |
| | Earnings Per Share | | 7.26 | 14.44 | - |
| Dividend per Share | Cash Dividends | | 6 | 10 | - |
| | Stock Dividends | Dividends from Retained Earnings | - | - | - |
| | | Dividends from Capital Surplus | - | - | - |
| | Accumulated Undistributed Dividends | | - | - | - |
| Return on Investment | Price / Earnings Ratio (Note2) | | 20.45 | 9.24 | - |
| | Price / Dividend Ratio (Note3) | | 24.74 | 13.34 | - |
| | Cash Dividend Yield Rate (Note4) | | 4.04% | 7.50% | - |

Note 1: List the highest and lowest market price in each year and calculate average market price by total trading volume/total trading shares

Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

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

Note 5: No audited numbers available till the print date of the annual report.

(VI) Dividend Policy and Implementation Status

1. Dividend policy as stipulated in the Company's articles of incorporation

When distributing profits, the Company shall follow the following procedures:

- (1) Payment of taxes.
- (2) Offset of losses.
- (3) Allocation of 10% of the net income to the legal reserve until the accumulated legal reserve reaches the company's paid-in capital, after which it is not required.
- (4) Provision or reversal of special surplus reserves in accordance with laws or regulations of regulatory authorities.
- (5) If there are remaining profits, they shall be allocated along with the accumulated undistributed profits according to a proposed profit distribution plan.

The Company is currently in a stable growth phase, and in order to accommodate future business expansion plans, the dividend distribution amount shall not be lower than 10% of the remaining profits for the year. Dividends may be distributed in the form of cash dividends or stock dividends, with cash dividends given priority. Stock dividends may also be distributed, but the proportion of stock dividends shall not exceed 80% of the total dividend amount.

However, in order to maintain the Company's earnings per share, and considering the impact of stock dividends on the Company's operating performance, if the earnings per share for the year in which the dividend is distributed declines by more than 20% compared to the previous year, the Board of Directors shall propose a profit distribution plan and adjust the dividend amount and ratio accordingly. The plan shall be implemented after approval by the shareholders' meeting.

2. On March 27, 2023, the Board of Directors of the Company had approved the resolution to distribute a cash dividend of NT\$10 per share. The ex-dividend date will be determined and the distribution will be carried out according to operational procedures."

(VII) Impact of Proposed Stock Dividends on Company's Operating Performance and Earnings per Share: Not applicable.

(VIII) Employee Compensation and Director Compensation

1. Percentage or range of employee and director compensation as stated in the Company's articles of incorporation:

Before distributing profits, the Company shall allocate 2% to 6% of the profits for the period as employee compensation, and not exceeding 3% as director compensation.

2. Estimated amounts of employee and director compensation for the current period:

- (1) Basis of estimation for employee and director compensation:

The estimated amounts of employee and director compensation are based on the current period's net profit up to the reporting date, within the range specified in the articles of incorporation, and taking into account the past distribution ratios as a reference for estimation.

- (2) Calculation basis for stock-based compensation: Not applicable.

- (3) Difference between actual distribution amounts and estimated amounts shall be accounted for in the following year's income statement.

3. Board of Directors' approved distribution of compensation:

- (1) Employee and director compensation distributed in cash or stock:

A: Cash compensation for employees: NT\$52,000,000

B: Stock compensation for employees: NT\$0

C: Director compensation: NT\$22,000,000

D: No difference from the estimated amounts.

- (2) Ratio of employee compensation distributed in stock to the net income after tax and the total amount of employee compensation in the individual or separate financial statements for the current period: Not applicable.

4. Actual distribution of employee and director compensation for the previous year:

Unit: NT\$1,000

| | Amount Distributed as per Board of Directors' Resolutio |
|------------------------------|--|
| Employee Compensation - Cash | 36,960 |
| Director Compensation - Cash | 16,000 |
| Total | 52,960 |

The actual distribution amount was reduced by NT\$1,600 thousands compared to the recognized amount on the books and will be recorded as a loss in 2022.

(IX) Share Repurchase by the Company: None.

II. Status of Corporate Bonds: None.

III. Status of Preferred Shares: None.

IV. Status of Global Depositary Receipts: None.

V. Status of Employee Stock Options: None.

VI. Status of Restricted Stock Issuance with Limitations on Employee Rights: None.

VII. Status of Issuing New Shares for Mergers or Acquisitions of Other Companies' Shares: None.

VIII. Execution Status of Capital Utilization Plan: None.

V. Operational Highlights

I. Business Activities

(I) Business Scope

1. Main Content of Business

- (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. Sales Ratio of Main Products

Unit: NT\$1,000

| Item | 2021 | | 2022 | |
|--------------|-------------------|---------------|-------------------|---------------|
| | Salea Amounts | Sales % | Salea Amounts | Sales % |
| Adhesives | 12,673,295 | 70.49 | 16,067,488 | 73.02 |
| Coatings | 1,753,614 | 9.75 | 1,654,275 | 7.52 |
| Others | 3,553,098 | 19.76 | 4,282,550 | 19.46 |
| Total | 17,980,007 | 100.00 | 22,004,313 | 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 Products Development

| Items | No. | New R&D technology or improvement project |
|-----------|-----|--|
| Adhesives | 1 | Bio-based waterborne curing agent |
| | 2 | Chlorine-free powder rubber processing agent |
| | 3 | PU foam with high bio-based content for shoe insoles |
| | 4 | Automotive high-temperature resistant butyl waterproof sealant |
| | 5 | High-durability, eco-friendly waterborne polyurethane coating for automotive leather |
| | 6 | High-solid content pressure-sensitive adhesive for polarizer film |
| | 7 | Solvent-free UV OCA for optoelectronic products |
| | 8 | Low Dk/Df MPI material for high-frequency electronics |
| | 9 | Development of water-based resin for bag coating |
| | 10 | Development of waterproof and breathable PUD for functional fabrics |
| | 11 | Bio-based waterborne acrylic adhesive for textile footwear materials |
| | 12 | Waterborne resin for plastic-free paper coating |
| | 13 | Benzene-free and formaldehyde-free high-temperature spray adhesive |
| | 14 | High-weather resistance/flame retardant solvent-based curtain adhesive |
| | 15 | Fast-setting moisture-curing adhesive for woodworking |
| Coatings | 1 | Waterborne corrosion-resistant paint for direct-to-metal (DTM) application |
| | 2 | SIAA antibacterial coating |
| | 3 | High-performance long-lasting thermal insulation coating |
| | 4 | Environmentally friendly bio-based epoxy resin |
| | 5 | Matte UV coating for PS panels |
| | 6 | Solvent-free scratch-resistant UV coating for plastic applications |
| | 7 | Waterborne antimicrobial baking paint |

| Items | No. | New R&D technology or improvement project |
|----------|-----|---|
| Coatings | 8 | Waterborne paint for curtains |
| | 9 | Chrome-free corrosion protection system |
| | 10 | Fishery and aquaculture industry - Net paint/pond paint |

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

Source: IEK, Industrial Technology Research Institute (May 2022)

As shown in the table above, bulk chemicals are characterized by simple composition, large production volume, and relatively low profitability. Examples include commodity plastics. Due to their simple composition, users of bulk chemicals can easily switch suppliers without affecting the performance. On the other hand, specialty chemicals are high-value chemicals with specific properties. They are often complex mixtures or formulations, and the functionality of the products depends on their composition. Due to the relatively low volume of specialty chemicals used by end-users, batch production is commonly employed. The cost of specialty chemicals in the end-user's products is usually not significant, which leads to less willingness to take risks and switch suppliers. Specialty chemical users tend to be more loyal compared to users of bulk chemicals.

Synthetic resins are one of the important categories of specialty chemicals in our country. They are widely used in products such as coatings, paints, inks, adhesives, plastics, textiles, aerospace, medical, electronics, and information technology. The synthetic resin and plastic manufacturing industry is a midstream to downstream industry of petrochemical raw materials. The five most widely used and versatile products in this industry are polyethylene (PE), polypropylene (PP), polystyrene (PS), polyvinyl chloride (PVC), and ABS resin.

The Company's main source of revenue comes from adhesives and coatings. Therefore, we will now provide an overview of the adhesive industry and the coating industry as follows:

1. Industry Status and Development

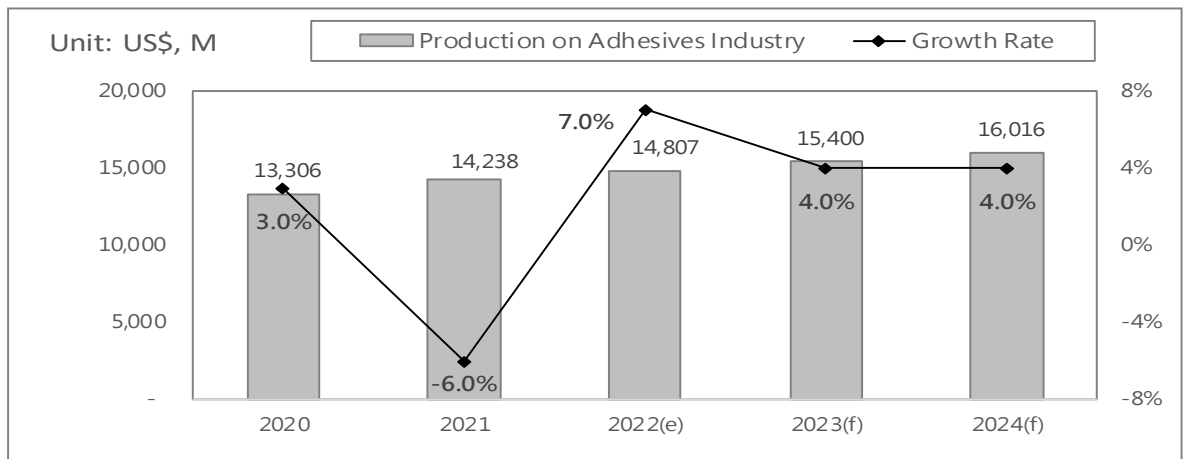
(1) Overview of the Adhesive Market

Adhesives have many characteristics, such as wide-ranging applications, ease of use, high economic benefits, and rapid development. They can be widely used in industries such as textiles, packaging, footwear manufacturing, construction, papermaking, woodworking, aerospace, automotive, electronics, metallurgy, machining, and healthcare, becoming a crucial supporting industry.

According to statistics from the Industrial Technology Research Institute (ITRI) in 2022, the global adhesive market size grew significantly to US\$14,238 million in 2021. This growth was driven by the gradual control of the COVID-19 pandemic with the emergence of vaccines and the economic reopening, which stimulated consumer demand. Additionally, the oil prices showed growth. Looking ahead to 2022, global consumer demand is expected to show stable growth. Furthermore, due to the tensions between Ukraine and Russia and the sanctions on

Russian oil exports, global oil supply will tighten, leading to an increase in average oil prices throughout the year. This will maintain adhesive products at higher price levels, and as a result, the global adhesive market is projected to continue growing in 2022.

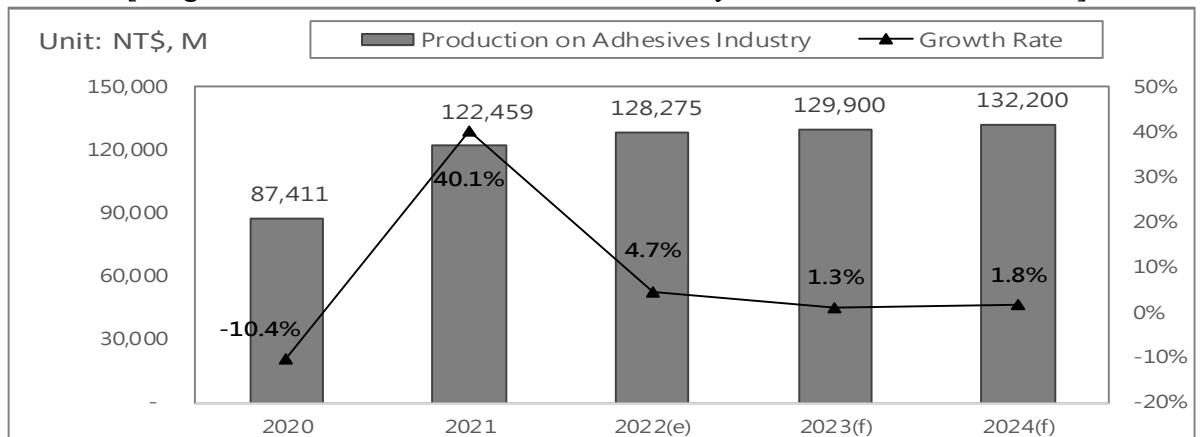
[Diagram: 2020~2024 Global Adhesives Market Scale Trend Analysis]



Source: IEK, Industrial Technology Research Institute (May 2022)

According to the statistical data from the Industrial Technology Research Institute (ITRI) in 2022, the adhesive industry in Taiwan was impacted by the COVID-19 pandemic and the decline in international oil prices, leading to a decrease in the selling prices of adhesive products. In 2020, the production value of the adhesive industry in Taiwan was NT\$87,411 million, representing a 10.4% decline compared to 2019. The production value experienced a significant decline for two consecutive years. In 2021, with the introduction of COVID-19 vaccines and the reopening of economies worldwide, there was a gradual recovery in normal activities and an improvement in overall economic demand. This recovery contributed to a resurgence in adhesive demand. Additionally, with the upward trend in international oil prices, the selling prices of adhesives also increased. As a result, the production value of the adhesive industry in Taiwan is expected to grow significantly to NT\$122,459 million in 2021, representing a 40.1% growth compared to 2020. Looking ahead to 2022, with the global economic reopening, adhesive demand is expected to maintain stable growth. The impact of the Ukraine-Russia conflict on global crude oil supply is projected to lead to an increase in global crude oil prices, driving up the prices of adhesive products. Therefore, it is anticipated that the production value of the adhesive industry in Taiwan will continue to grow in 2022.

[Diagram: 2020~2024 Production Trend Analysis of Adhesives in Taiwan]



Source: IEK, Industrial Technology Research Institute (May 2022)

The Company is a leading manufacturer of PVAc adhesives in Taiwan and is renowned in the industry for our 815 waterproof acrylic resin. In the past, our focus has been on independent research and development, primarily involving PU resins, water-based PVAc, EVA acrylic resins, powder coatings, liquid coatings, yellow glue, adhesive pastes, EPOXY, phenolic resins, as well as other footwear materials and shoe treatment agents. To achieve further breakthroughs, we have begun to enhance our technical capabilities through external technology collaborations, partnerships with industry, government, and academia, and the recruitment of external consultants. Our main areas of research and development investment include high-performance adhesives for footwear, functional textile adhesives, adhesives for medical products, low-VOC adhesives and hot melt adhesives for automotive applications, adhesives for flexible packaging materials, pressure-sensitive adhesives for optical use, construction chemicals, and functional coatings. Globally, adhesive products are trending towards functional products with features such as weather resistance, temperature resistance, and light curing, as well as environmentally friendly products with low VOC emissions, solvent-free formulations, and recyclability. Our adhesive products are also moving towards green and sustainable development, with a particular focus on reversible adhesives as a key area for future technological advancements.

(2) Overview of the Coatings Market

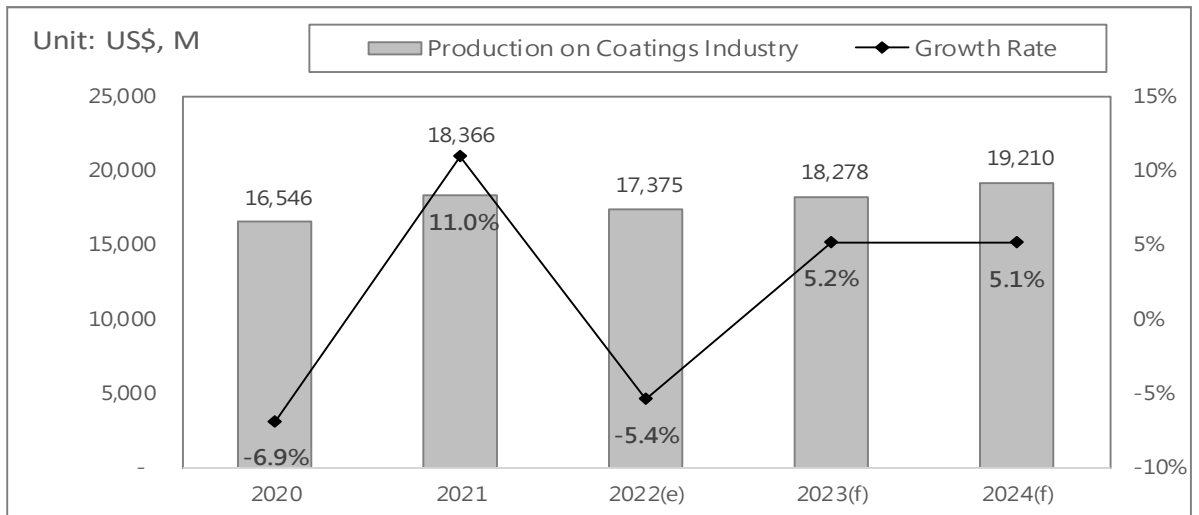
The paint industry is primarily applied in three major sectors: construction, industrial, and specialty applications. Construction paints are heavily reliant on the construction and manufacturing industries, industrial paints are closely linked to automotive, household appliances, and industrial equipment, and specialty applications encompass a wide range of diverse coatings.

The global trend in paint development revolves around energy and environmental issues, with sustainability remaining a key focus. Sustainability is defined as creating a healthier and safer environment for both humans and ecosystems, reducing the use of petrochemical raw materials, avoiding greenhouse gas emissions, and mitigating climate anomalies, all of which are crucial goals for the paint industry. In terms of product development trends, three directions can be identified. Firstly, reducing environmental impacts, such as minimizing VOC/toxic emissions, reducing greenhouse gas emissions, and providing a healthy environment. Secondly, improving energy efficiency by utilizing paints to conserve energy. Thirdly, enhancing resource efficiency, for example, by avoiding the use of petrochemical resources and instead utilizing renewable materials in paint formulations.

According to the statistical data from the Industrial Technology Research Institute's Industrial Economics and Knowledge Center in 2022, the global paint market was significantly affected by the COVID-19 pandemic in 2020. Lockdown measures implemented worldwide led to a substantial decline in the paint market. However, with the introduction of vaccines and an increase in the number of people vaccinated globally, the situation stabilized, and the paint market grew by 11.0% in 2021 compared to 2020. The global paint market reached a size of US\$18,366 million in 2021. The market growth of solvent-based products was restrained due to increasingly strict government and environmental regulations.

Water-based products dominated the market in 2021, accounting for the largest share of over 39%. The expected growth in the construction industry and consumers' preference for eco-friendly products will further support the growth of water-based products. Urbanization and the continuous growth of the construction industry, especially in the Asia-Pacific region, have driven the consumption of paints and coatings. The urbanization rate in the Asia-Pacific region is estimated to grow by around 1.5% annually, the highest in the world. By 2030, more than half of the population in the Asia-Pacific region is projected to live in urban areas. According to the United Nations, as of 2021, 33 mega-cities globally require residential planning for their rapidly growing urban populations. The global construction industry value is estimated to grow by 85% by 2030, reaching US\$15.5 trillion, with the decorative paint market accounting for approximately 45% of the global market.

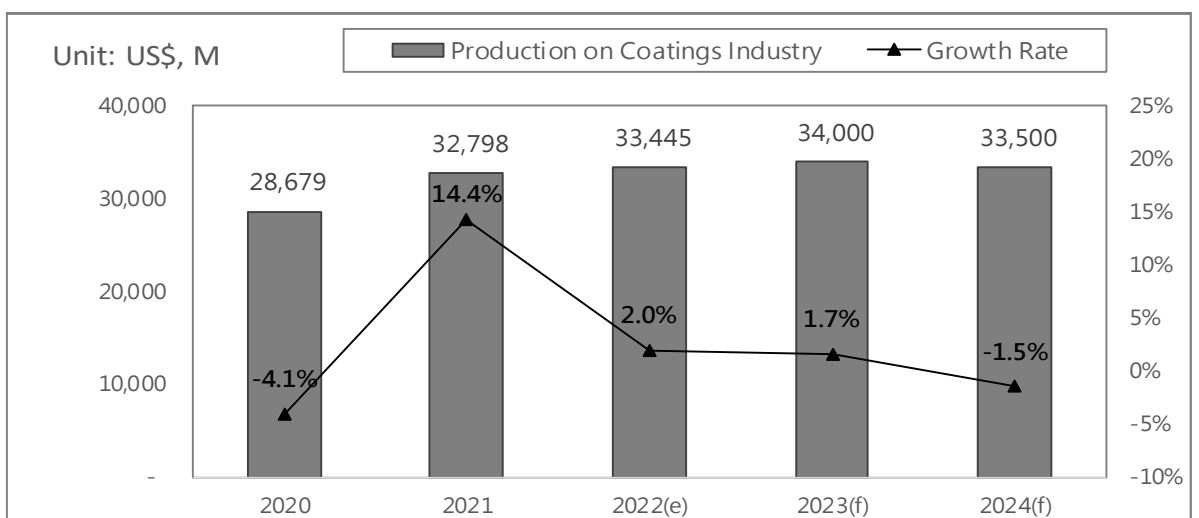
[Diagram: 2020~2024 Global Coatings Market Scale Trend Analysis]



Source: IEK, Industrial Technology Research Institute (May 2022)

According to the statistical data from the Industrial Technology Research Institute's Industrial Economics and Knowledge Center in 2022, the domestic paint market in Taiwan has been experiencing a continuous decline since 2016. In the export market, Mainland China remains the largest export destination for Taiwanese paints. With the improvement in production technology and quality of Chinese paint factories in recent years, Taiwanese manufacturers have also enhanced their own quality and technology. With the emergence of COVID-19 vaccines and the recovery of international oil prices, the paint industry's production value in 2021 saw significant growth of 14.4%. However, in 2022, due to the continuous emergence of new variants of the coronavirus, the pandemic has been fluctuating, leading to an increase in domestic infections. This has resulted in a decline in people's willingness to engage in housing decoration and repairs. However, the expansion of domestic public construction projects and the return of Taiwanese businesses to establish factories have driven the expansion of industrial facilities and created a positive demand for related products such as waterproof and corrosion-resistant coatings. As a result, the industry is experiencing positive growth in terms of business activity.

[Diagram: 2020~2024 Production Trend Analysis of Coatings in Taiwan]



Source: IEK, Industrial Technology Research Institute (May 2022)

The coatings industry is subject to environmental regulations in various countries. Environmentally friendly water-based paints and solvent-free coatings, which possess functionalities such as energy saving, fire resistance, and self-cleaning, will continue to drive the growth of the global paint market. The Company's product strategy focuses on environmentally friendly paint products that minimize environmental impact and enhance energy and resource efficiency. The research and development of the products emphasize non-toxic corrosion-resistant pigments, multifunctionality, integrated coating solutions, and water-based industrial coatings. Additionally, the Comapnt also focus on energy-saving paints, bio-based coatings, high-performance coatings, and smart coatings.

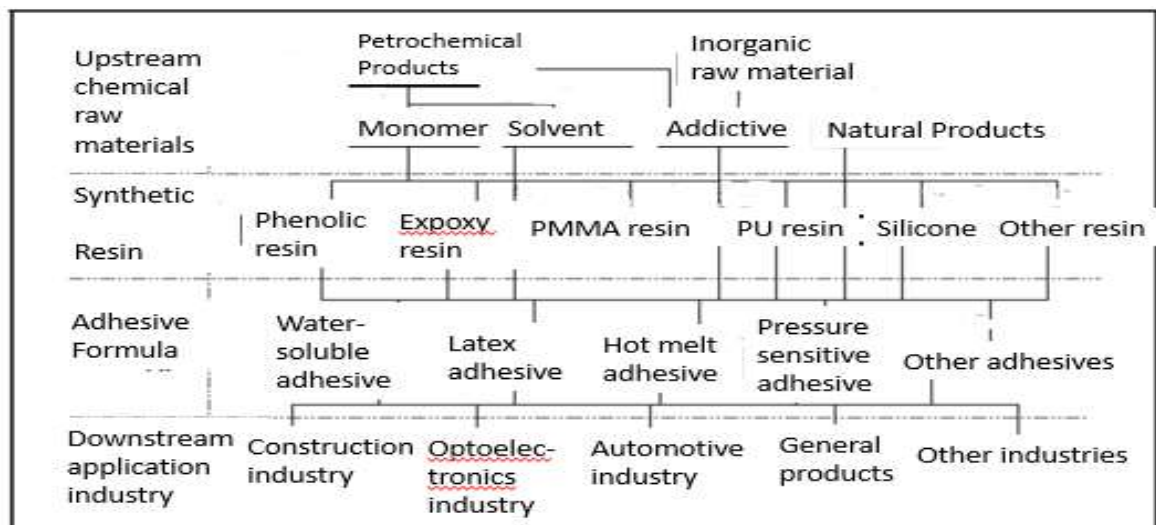
2. Industrial Interrelationships

(1) Adhesives Industry

Taiwan's adhesive industry exhibits characteristics of reverse integration in its development. Therefore, the industry's vertical integration with the upstream synthetic resin industry is crucial for further advancement. The development of synthetic resins and adhesives can be seen as mutually supportive. However, due to the slowdown in the Taiwanese market and the rise of the Chinese market, adhesive manufacturers have started to relocate their operations, leading to industry consolidation. It is important to note that the Chinese market does not guarantee success for foreign players, and their performance in Mainland China will have a decisive impact on overall competition.

Adhesives are synthesized from upstream petroleum-based raw materials such as polymers, additives, solvents, or natural substances. They find wide-ranging applications in industries such as footwear, plywood, electronics, automotive, construction, fiber processing, tapes, furniture, papermaking, and aerospace.

[Diagram: Vertical Structure of the Adhesive Industry]



Source: IEK, Industrial Technology Research Institute (May 2022)

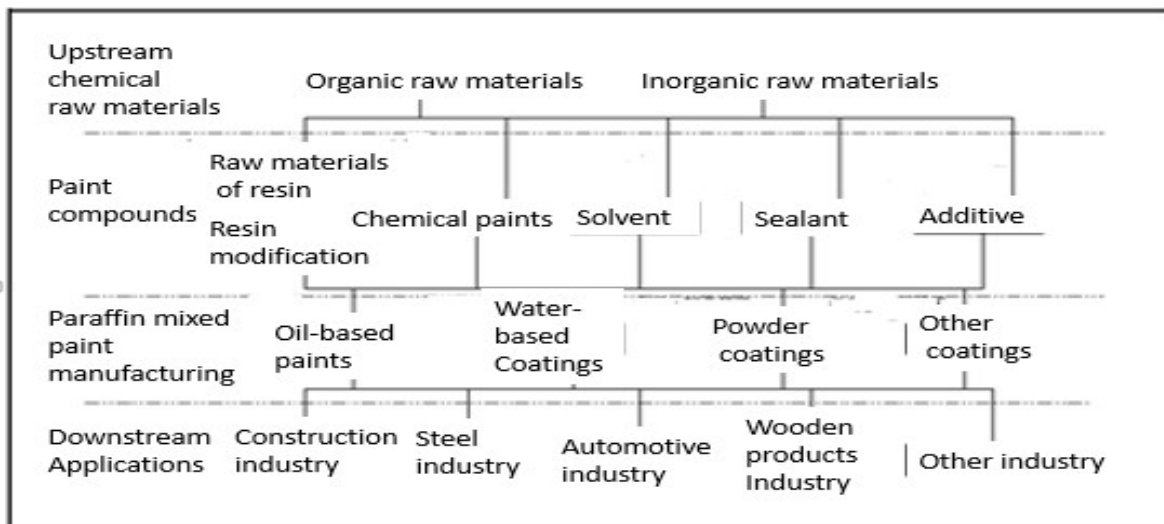
(2) Coatings Industry

Coatings is a formulated product created by mixing various ingredients. It is generally composed of resin, pigment, solvent, filler, and additives. Although these five components are part of the paint formulation, they do not fall under the definition of the paint industry as they belong to the upstream industries.

In terms of downstream applications, paints are widely used in industries such as construction, ships, bridges, machinery, toys, and woodworking. With advancements in technology, new applications for paint are continuously being developed, allowing paint to be extensively utilized in industries such as engineering, transportation, machinery, and steel production. Therefore, the paint industry is an evolving sector that changes alongside the overall industrial development.

In recent years, coatings manufacturers have responded to government policies by improving the quality of bio-based products, aiming to achieve the important goals of upgrading and transforming the paint industry. Many functional coatings, such as nano-coatings, fire-resistant coatings, UV-curable coatings, and conductive coatings, have been developed and applied in various downstream industries.

[Diagram: Vertical Structure of the Coatings Industry]



Source: Manufacturers; IEK, Industrial Technology Research Institute (May 2022)

3. Development Trends of Various Products

(1) Adhesive Products

Adhesive products have a wide range of applications and are commonly used in consumer and construction industries. Among them, the highest usage can be found in woodworking, textiles, sanitary materials, soft packaging, and footwear industries. In recent years, many manufacturers in our country have focused on producing adhesives for the electronic and optoelectronic packaging industry while actively developing higher value-added products. One emerging product technology is Hot Melt Pressure Sensitive Adhesive (HMPSA). Unlike hot melt adhesives that lack stickiness at room temperature, HMPSA can form effective adhesion with slight pressure at room temperature. Compared to solvent-based Pressure Sensitive Adhesives (PSA), HMPSA has the advantage of being solvent-free, making it environmentally friendly. When compared to water-based PSA, another eco-friendly product, HMPSA offers fast drying and eliminates the need for emulsifiers, greatly expanding its usage opportunities. Common applications of HMPSA include packaging products, sanitary supplies, adhesive labels, medical supplies, textile products, and specialty pressure-sensitive adhesive products. The trends in this product's application include improving temperature resistance and developing applications in healthcare. International companies such as Henkel and 3M have already invested in the development of this product. Another functional adhesive product is Structural Adhesive, also known as structural glue. It is suitable for bonding structural components subjected to high forces. Structural adhesives find wide application in engineering for reinforcement, anchoring, bonding, and repair purposes. In recent years, with the aim of meeting fuel efficiency regulations, lightweight designs have been adopted in global transportation vehicles such as airplanes and automobiles. The proportion of plastics and FRP (Fiber Reinforced Plastic) used in structural components has been increasing year by year. This trend significantly increases the opportunities for using structural adhesives in assembly and bonding, attracting the involvement of many chemical companies and adhesive manufacturers.

(2)Coatings Products

In terms of trends in coatings product development, energy and environmental issues continue to influence the strategies of coatings companies. Therefore, reducing carbon emissions, lowering VOC (Volatile Organic Compounds), and saving materials remain the focal points of development.

In the case of water-based paints, water-based and low-VOC formulations dominate the entire coatings market's research and development direction. The water-based transformation of coatings primarily focuses on water-based resins in the upstream sector. One major challenge in using water-based paints is film formation. Since water-based resins are often in the form of emulsions and not solvent-based solutions or swelling states, film-forming additives are required to assist in the process. Currently, based on different film-forming substances, common types of water-based paints include alkyd resin paints, water-based epoxy resin paints, water-based polyurethane paints, water-based acrylic paints, water-based fluorocarbon paints, water-based organic silicone paints, and water-based inorganic paints.

Powder coatings are one type of industrial coatings that does not use solvents, making them highly environmentally friendly. However, the evenness and physical properties of their coatings are relatively inferior compared to liquid paints, which limits their applications. In recent years, there has been rapid development in green and environmentally friendly coatings, with significant investments in research and development to enhance the properties of powder coatings.

Furthermore, there is a focus on developing energy-saving coatings with heat reflection and thermal insulation properties. Factors such as indoor-outdoor temperature differences and sunlight contribute to increased use of air conditioning in interiors. Coatings with low heat conductivity, high solar reflection, and high thermal radiation characteristics can prevent outdoor heat from entering indoors during summer and avoid the transfer of warm indoor air to the outside during winter, thereby saving energy consumption. These types of coatings include infrared reflective insulation coatings and low thermal conductivity insulation coatings. While previously the emphasis was on using white or light-colored coatings for insulation systems, recent years have seen an emphasis on dark-colored coating systems that exhibit higher infrared reflection capabilities, surpassing even white titanium dioxide systems.

(3)Forward-looking Plan Products

A. Circular Economy and ESG Development Trend Products

In line with the trends of the circular economy and sustainable development under the ESG framework, the Company utilizes bio-based materials and recycled materials to achieve the ESG goals of circular economy, environmental protection, energy saving, and carbon reduction. The bio-based materials currently being developed can reduce carbon emissions by 5% to 80%, depending on the proportion of bio-based content. The product range includes bio-based PU foam cushions that have obtained the USDA bio-based certification, bio-polyols applicable for PU foaming and adhesive synthesis, bio-based shock-absorbing materials for shoe insoles and midsoles, bio-based spray resins and adhesives for footwear, bio-based functional coatings for textiles, bio-based PUR for wood floor adhesion, and bio-based hot-melt adhesives for food container labeling, among others. Furthermore, by incorporating recycled materials into products to reduce carbon emissions, the Company has developed textile coating resins and hot stamping transfer resins containing r-PET, floor coatings containing recycled waste wafers, and textile coating resins containing oyster shell powder, achieving up to 26% reduction in carbon emissions. Due to government policies on reducing plastic usage and breakthroughs in traditional food container laminating processes, the Company is committed to developing water-based non-plastic paper coating resins that provide water and oil resistance. These resins can be fully recycled with paper waste, aiming to achieve multiple goals such as plastic reduction, carbon reduction, and waste reduction.

- B. Products Compliant with ZDHC and bluesign International Environmental Requirements
In recent years, with the growing emphasis on sustainable environmental protection, ZDHC (Zero Discharge of Hazardous Chemicals) is an organization that promotes zero discharge of hazardous chemicals in the sports apparel, fashion, luxury, and outdoor industries. The ZDHC organization has announced that bluesign® certification is equivalent to the ZDHC Level 3 certification standard, accelerating the global apparel industry's adoption of sustainable chemical management. To develop non-toxic products that comply with ZDHC and bluesign® specifications, the Company utilizes synthetic resin polymer synthesis technology and structural design to eliminate harmful substances and manage hazardous materials. We have developed a range of adhesives, shoe adhesives, and coatings that are friendly to producers and consumers. The core technology not only provides performance suitable for various applications but also offers environmentally friendly products that are free from fluorine, APEO and plasticizers, toxic heavy metals, toluene, boron, formaldehyde, and other harmful substances. These products reduce the potential harm to human contact and the environment, ensuring consumer safety. Currently, our company has obtained bluesign® non-toxic certification for 20 textile products, including foam coatings for textiles, lightweight windproof coatings, abrasion-resistant high-strength bag materials, water-based PU for lamination, formaldehyde-free water-based acrylics, and PUR adhesives for fabrics and films. We also offer fluorine-free water repellents and moisture-wicking quick-dry agents for dyeing and finishing purposes.
- C. Adhesives and Materials for Automobiles and Electric Vehicles
The growing demand for low-carbon emissions and the development trend towards a carbon-neutral world have driven the growth of electric vehicles and the demand for related materials. In recent years, governments and industries worldwide have imposed increasingly strict restrictions on volatile organic compounds (VOCs), with a growing awareness of the harm VOCs in car interiors can cause to human health. In light of this, the Company has developed water-based synthetic leather resins for automotive use, solvent-free hot-melt adhesives for interior applications, and low-odor pressure-sensitive adhesives for interior use. These developments significantly reduce the harm to producers, users, and the environment from VOCs. Additionally, the Company has also invested in the development of bio-based PU foam materials for automotive seats, reducing reliance on petrochemical raw materials and contributing to sustainable development in the industry. Furthermore, with the rapid market growth of the electric vehicle industry in the past five years, the Company has also focused on research and development in areas such as lightweight carbon fiber composites, structural adhesives for vehicle bonding, and adhesives for lithium-ion battery electrodes to meet the demands of lightweighting and lithium battery production.
- D. Key Adhesives and Materials for the Electronics Industry
In the electronics industry, competitive areas include ICs, LEDs, LCDs, lithium-ion batteries, electric vehicles, and 5G products. Therefore, in addition to our existing photoelectric electronic adhesive products, such as OCA adhesive for flexible panels, PSA for automotive polarizers, UV release PSA, low-impedance PSA, high-refractive-index PSA, microstructure UV adhesives, and coatings and encapsulants for solar panels, the Company has also invested in early-stage research and development of related products to meet the rapidly developing consumer electronics market with great potential. This includes quantum dot (QD) and UV adhesives for quantum dots, aluminum-plastic films, acrylic binders for lithium-ion batteries, materials used in flexible electronic products, and transparent PI optical films for flexible base substrates. For the 5G industry, the Company has invested in the development of adhesives for 2-layer/3-layer/cover layer/LCP varnish and low-dielectric constant MPI for 5G and high-frequency substrates.

4. Competitive Landscape

(1) Adhesives Business

Adhesives have a wide range of applications, including general consumer products, construction projects, and electronic materials. Due to the large number of downstream industries, the demand from various industries directly affects the sales of adhesives. The main source of competition in this business comes from the threat of substitute products. Some products overlap in functionality with those in the adhesive industry, especially in the industrial processing materials segment, where alternative products offer similar performance and create external competition for the industry. Therefore, key factors for maintaining competitiveness lie in differentiated customer service and highly differentiated products.

The woodworking industry is a traditional industry with numerous and intense competitors. To gain a better cost-performance ratio and reputation in the market, it is crucial to improve market share and develop advanced technologies. In the textile industry, brands and the industry as a whole continue to emphasize environmental sustainability, reduce solvent-based and fluorine-containing products, and increase the proportion of environmentally friendly products. Competitors are currently developing functional polyurethane dispersions (PUDs) and polyurethane (PUR) with a direction similar to the Company. Product functionality and price are critical factors for maintaining a competitive advantage. However, the Company is actively developing bio-based or recycled products to align with external trends towards a circular economy. In the hot-melt adhesive industry for hygiene products, competitors persist in low pricing despite continuous increases in raw material costs. Additionally, the traditional hygiene product market has experienced a contraction compared to the previous year, conservatively estimated to continue until after 2025, mainly due to declining birth rates and economic downturn. Adhesive for flexible packaging materials represents a new source of growth, with sales opportunities in the Asia-Pacific region. Most of the market is currently dominated by local companies, and it is expected to contribute a significant proportion of revenue to the group in the coming years. As for footwear adhesive products, the Company continues to invest in research and expand its multinational presence to enhance quality, cost, service, and delivery to meet customer expectations. The flexible allocation of production capacity ensures uninterrupted global supply.

(2) Coatings Business

The largest domestic competitors in the industry are Yongji Paint, KCC Corporation, and Taiwan AkzoNobel Paints. Since the production process of general paints and the technology equipment used are not complex, the barriers to entry are not high, resulting in intense market competition. This has led to price-cutting and varying quality among competitors. Larger companies with a significant economic scale not only enjoy a competitive advantage in terms of brand image but also have the ability to expand their operational facilities, control sales channels, and strengthen their presence in export markets.

In the industrial paint sector, the Chinese anticorrosive paint market has shown a stable growth trend. This is primarily due to the recovery of Chinese infrastructure projects from the stagnant phase during the pandemic and the subsequent increase in investment, leading to a significant surge in demand for anticorrosive paints. In this market, leading paint enterprises with high professional concentration hold unshakeable positions. International brands such as Nippon Paint, PPG, AkzoNobel, and BASF account for approximately 60-70% of the Chinese market. Additionally, there are numerous domestic brands. Currently, Mainland China's industrial paint sector is experiencing trends such as accelerated product and technological upgrades, the accelerated substitution of oil-based paints with environmentally friendly products, the accelerated expansion of the high-end market, and accelerated localization. These trends present excellent market development opportunities for paint companies and have led to the accelerated expansion of industrial paint production capacity. However, the market for factory floor coatings has experienced a reverse growth due to the impact of the

previous pandemic and factors such as the shift from foreign trade to domestic sales and competition within the industry. Many industries have temporarily halted or adjusted construction budgets, resulting in a decline in orders and price competition. This has created a situation where the stronger players continue to dominate the market. For the Company, once the market mechanism filters out and eliminates less competitive players, this segment of the market is expected to stabilize naturally.

(III) Technology and Research and Development Overview

1. R&D Expenses invested in the most recent fiscal year and up to the date of annual report printing:

Unit: NT\$1,000

| Items | 2022 | 2023 Q1 |
|-----------------------------------|---------|---------|
| Research and Development Expenses | 513,724 | 115,932 |

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

| Items | No. | New R&D technology or improvement project |
|-----------|-----|---|
| Adhesives | 1 | Water-based resin for spray painting on sports shoe midsoles |
| | 2 | Single-sided adhesive project (processing agent, adhesive, etc.) |
| | 3 | Processing agent and adhesive for shoe manufacturing process optimization |
| | 4 | Enhancement of water-based PU adhesive stability for shoes |
| | 5 | Tin-free water-based hardener |
| | 6 | Footwear adhesive and chemical system compliant with ZDHC |
| | 7 | Shoe adhesive and chemical system resistant to dynamic high-temperature and humidity conditions |
| | 8 | Environmentally-friendly water-based NUV treatment agent |
| | 9 | VOC-free RB primer |
| | 10 | Semi W/B cleaner / PU primer |
| | 11 | Adhesive and chemical system for NIKE Bluelight 1.0 materials |
| | 12 | Irradiation treatment agent for cold light source (LED) |
| | 13 | Water-based resin for shoe material screen printing |
| | 14 | Solvent-free acrylic structural adhesive for car bumpers |
| | 15 | Low-VOC double-sided adhesive tape for automotive use |
| | 16 | High-temperature resistant hot melt adhesive for automotive applications |
| | 17 | Development of high molecular weight pressure-sensitive adhesive for optical polarizing films |
| | 18 | UV debonding adhesive for optoelectronic electronic products |
| | 19 | High-transparency/heat-resistant PI resin for optoelectronics |
| | 20 | Water-based PU/water-based resin coating for textile bags |
| | 21 | Water-based PU for fabric coating/foam coating |
| | 22 | Water-based acrylic resin for textile thickening and moisture wicking |
| | 23 | Water-based PU for fabric impregnation |
| | 24 | Bio-based water-based PU for garment textile coating |
| | 25 | Fluorine-free water repellent for natural fibers/shoe surface spray |
| | 26 | Polyester adhesive for soft packaging materials |
| | 27 | Polyether PU adhesive for soft packaging materials |
| | 28 | High-temperature resistant adhesive for door panel lamination |
| | 29 | Hybrid epoxy resin for bonding dissimilar materials |
| | 30 | Adhesive for duct insulation materials |
| | 31 | Hot melt butyl sealant for insulating glass |
| | 32 | Reactive PU sealant for insulating glass |
| | 33 | Heat-resistant hot melt adhesive for packaging |
| Coatings | 1 | Solvent-free UV coating for metal carbon steel |
| | 2 | Weather-resistant coating for PVC door panels |
| | 3 | Water-based environmentally friendly pool paint |
| | 4 | Low odor epoxy floor primer |
| | 5 | Low odor stone protective coating |

| Items | No. | New R&D technology or improvement project |
|----------|-----|---|
| Coatings | 6 | Powder coating specifically for aluminum-magnesium alloy laptop casings |
| | 7 | High compatibility powder coating for DISC applications |
| | 8 | High adhesive powder coating for mesh workpieces |
| | 9 | UV glossy oil for PVC buckle plates |
| | 10 | UV hard coat for matte finish on kitchen cabinets made of PP/PS panels |
| | 11 | Bio-based corrosion protection coating system |
| | 12 | Powder coating for solar panel frame protection |
| | 13 | Powder coating for interior coating of drinking water pipes |
| | 14 | Transfer film powder coating without adhesive |
| | 15 | Wear-resistant outdoor floor coating |
| | 16 | Weather-resistant coating for PVC door panels |
| Others | 1 | Carbon fiber composite materials for automotive and 3C applications |
| | 2 | Application of carbon fiber materials in medical equipment |
| | 3 | Polyester polyol for polyurethane composite adhesive resistant to high-temperature cooking at 135°C |
| | 4 | Crystalline polyester polyol for reactive hot melt adhesive used in automotive headlights |
| | 5 | High transparency/heat-resistant PI resin |
| | 6 | Bio-based PU foam for chair cushions/backrests |

(IV) Long and Short-term Business Development Plans

1. Short-Term Development Plan

(1) Marketing Strategy

- A. Establish a profit map to analyze sales performance and identify key products and customers to increase market share for core and advantageous products.
- B. Open sales channels through agents and enhance brand awareness through technical services.
- C. Increase sales volume through customized services and accelerate product development with dedicated personnel.
- D. Encourage local distributors to explore niche products that are not locally produced.
- E. Increase product visibility through digital advertising, social media content management, and promotion on mainstream websites.

(2) Production Policy

- A. Optimize product costs and implement large-scale production to gain cost advantages.
- B. Increase production volume and efficiency to reduce labor and overhead costs.
- C. Improve quality stability, reduce production defects, and minimize returns.
- D. Reduce the use of high-concern chemicals and actively seek alternative raw material solutions.
- E. Transfer the production of specialty adhesive products to the Chinese subsidiary to reduce trade import barriers and increase profits.
- F. Establish a global production base layout with flexible capacity allocation to mitigate the impact of factors such as shipping and strikes on delivery schedules.

(3) R&D Directions

- A. Actively cooperate with brand development to test new materials and chemicals required for new processes, expanding beyond existing adhesive-related chemicals to include materials-related products.
- B. Adhere to regulatory compliance and pollution prevention policies, focusing on the development of environmentally friendly and innovative products such as water-based resins, solvent-free resins, and bio-based materials.
- C. Actively develop low-carbon circular economy bio-based materials or utilize recyclable materials to reduce reliance on fossil resources and minimize carbon dioxide emissions.

2. Long-term Development Plan

- (1) Accelerate the development of Tier 1/Tier 2 customers and continuously expand the overseas market.
- (2) Develop different market applications using existing technologies and leverage group channels for cross-border marketing.
- (3) Vertically integrate the supply chain resources to maintain core industry competitive advantages and profit sources.
- (4) Optimize formulations and seek competitively priced sources of raw materials.
- (5) Increase the proportion of low-carbon emission and locally sourced raw materials in procurement.
- (6) Establish phased sustainable development goals and implement sustainable development in a planned manner.
- (7) Promote the circular economy and innovate in the development of recycled and bio-based products.

II. Market and Sales Overview

(I) Market Analysis

1. Sales Regions of Main Products

Unit: NT\$1,000

| Region \ Year | 2021 | | 2022 | |
|---------------|------------|--------|------------|--------|
| | Amount | % | Amount | % |
| Taiwan | 2,980,570 | 16.58 | 3,023,490 | 13.74 |
| Asia | 12,388,596 | 68.90 | 15,748,577 | 71.57 |
| Oceania | 2,323,211 | 12.92 | 2,707,164 | 12.30 |
| Others | 287,630 | 1.60 | 525,082 | 2.39 |
| Total | 17,980,007 | 100.00 | 22,004,313 | 100.00 |

2. Market Share

Nan Pao Group is committed to developing and producing products that meet customer requirements, continuously improving formulations, and reducing costs to face market competition. Over the years, the Company has established solid and good business partnerships with numerous international and regional footwear brands and their OEM/ODM factories. With a complete product line, stable quality, and excellent service, the Company has achieved good market share and visibility in various markets, establishing a strong reputation and brand image. In terms of global market share, according to the 2022 Industrial Technology Research Institute's International Research Institute of Manufacturing, the global adhesive and coating production values were US\$14,807 million and US\$17,375 million, respectively. The Company's adhesives and coatings accounted for 3.53% and 0.31% of the market share, respectively.

3. Future Market Supply and Demand Status and Growth Potential

High-value adhesives represent an attractive market, as adhesives and coatings are directly or indirectly applied to consumer essential and non-essential products. The industry cycle for adhesives is not significant compared to upstream bulk chemical manufacturers, providing opportunities for differentiation and added value. Capital expenditures of major global adhesive manufacturers typically range from 2% to 6% of revenue, indicating a low capital-intensive industry. Some large manufacturers use acquisitions to supplement their product lines and expand their market share in different regions, enabling rapid entry into new product areas and markets. In recent years, the emerging middle class in developing markets has been growing and continuously moving to urban areas. The long-term urbanization trend has increased people's willingness to purchase high-value products.

The Asia-Pacific region is the fastest-growing market for adhesives globally. According to estimates from research institutions, the annual compound growth rate for the global adhesive and sealant market from 2021 to 2028 was 6%, and the market size is expected to reach US\$95.4 billion in 2028. In the footwear industry, global sportswear brands believe that the Asian consumer market, particularly the Indian market, exhibits strong growth potential. Research institutions project that Asian consumers will contribute to half of global consumption growth over the next decade, and the global athletic footwear market is expected to grow at a rate of 3-4% annually.

The coatings industry has low concentration, with numerous manufacturers worldwide. High-end products primarily originate from the United States and Europe. In recent years, market suppliers have continuously expanded their geographic scope through investments, mergers, acquisitions, and other means, with research and development in product innovation and production technology becoming a key strategy for leading companies in the market.

Taiwan primarily imports coatings from countries such as Japan and the United States, with import prices averaging more than ten times the domestic selling price. In contrast, Taiwan exports approximately 10% of its paint to regions such as Mainland China and Vietnam. Therefore, the development of coatings technology in Taiwan focuses on balancing price and performance. However, driven by the Taiwanese Ministry of Economic Affairs' emphasis on high value-added and global environmental trends, Taiwanese paint products are gradually moving towards different markets.

According to market research data, the global anti-corrosion market is estimated to reach a total size of US\$14.2 billion in 2023, with the Asia-Pacific region accounting for 44%, and Mainland China occupying over 60% of the Asia-Pacific market. Although Mainland China's economic development faces challenges such as demand contraction, supply shocks, and expected weakening, the country's strong resilience, potential, and long-term positive fundamentals remain unchanged. This fundamental support provides the foundation for sustainable growth in the coatings industry and serves as a prerequisite for significant paint enterprises to expand their production capacity.

4. Competitive Advantages

- (1) Collaborating with internationally renowned brands and factories to develop new technologies and products, continuously enhancing product quality and competitiveness, and deepening long-term relationships with customers.
- (2) Providing on-site technical services to increase product added value, establishing a comprehensive multinational presence, and meeting customer expectations for short lead times and cost reduction.
- (3) Possessing a strong research and development team, continuously recruiting and nurturing professional research and project management personnel. With a foundation in existing technologies and materials, actively pursuing innovative development of critical technologies and new products.
- (4) Designated supplier for sports shoe brands, leading other suppliers with simplified processes using water-based products.
- (5) Products undergo long-term reliability and durability certifications, resulting in higher costs and entry barriers for competitors.
- (6) Complete product line to fulfill customers' comprehensive needs and cater to different customer segments.
- (7) Customer base spans various industries and regions, reducing the impact of fluctuations in a single industry or region on the business.

5. Favorable and Adverse Factors for Future Development and Corresponding Strategies

(1) Favorable Factors

- A. Mature development model in the global footwear industry with promising prospects
Whether in terms of technological advancements, footwear supply chain construction, or

production migration and cost control, the global footwear industry has gradually established a mature and predictable model. As a professional supplier of adhesive products and services in the footwear industry, the group has adapted to market developments and can quickly and effectively respond to various changes. With the growth in global economy and improvement in people's living standards, the demand for footwear is increasing, indicating a positive outlook for the footwear industry.

- B. Excellent R&D technical team with a leading technological advantage
Relying on an outstanding R&D technical team, the Company can timely develop and introduce new products based on the trends in the footwear adhesive industry, ensuring a leading edge. Furthermore, as a global leading adhesive supplier, the group has been conducting various product application tests and innovative projects with top footwear brands and large shoe manufacturing conglomerates worldwide. Proactively researching, designing, and creating new products with market, forward-looking, and future-oriented characteristics and swiftly bringing them to market based on customer demands.
- C. Extensive production service layout and self-production technology and capability of key raw materials
The group has production and service facilities distributed across Taiwan, Mainland China, Southeast Asian countries, Australia, India, and other locations, enabling close proximity to customers and providing a wide range of products and timely and attentive services. Amidst the shifts and changes in the global footwear industry, the group consistently leverages the advantages of its extensive layout to achieve "seamless integration" in customer service, resulting in high customer loyalty.
- D. Constructing a management information system to enhance operational performance
The Enterprise Resource Planning (ERP) system has been planned and implemented, promoting institutionalization and computerization of internal management. Utilizing the management information system will improve decision-making quality, enhance operational performance, and benefit the Company's future development.
- E. Complete industry supplier structure with a sound foundation
The adhesive and coating industries have matured globally, with a complete supplier structure that can meet local production demands in the industry. With a well-established supply system, suppliers can assist in producing higher-quality and higher-performance products. Due to an ample supply source, they are also capable of providing cost-effective products to customers.
- F. Well-established industry layout to seize rapidly growing markets
- a. The group actively expands its export and domestic markets in Mainland China and Southeast Asia, aiming to provide services and grow together with existing customers while exploring new markets to establish a comprehensive domestic sales network.
 - b. The group has been deeply rooted in the coatings industry in Mainland China for many years, and the Nan Pao coatings brand has consistently gained recognition such as Mainland China Famous Brand and Mainland China Well-known Trademark. As one of the few Taiwanese-funded enterprises to achieve such honors, it not only represents the successful development of Nan Pao coatings in Mainland China but also signifies the strong consumer recognition of its products.
- G. Developing high-performance and environmentally friendly products based on consumer awareness and customer demands to maintain industry advantage
- a. In response to the carbon reduction and environmental protection trend, the Company is taking the lead in promoting green products, aiming to seize the opportunity in the green and environmentally friendly market. We are also improving the performance of coatings to reduce construction processes and lower customer costs.
 - b. Promoting water-based paint for furniture. The Company's research and development team has developed products that are comparable in price and performance to oil-

based furniture paint, and they have been widely adopted in furniture factories for large-scale painting. Under these circumstances, we believe that the Company will lead the promotion and application of water-based furniture paint, maintaining a competitive niche in the market.

H. Upholding the production and sales of high-quality products

Providing high-quality products is the most crucial foundation for the survival and development of an enterprise, and the chemical industry has even stricter quality requirements. Therefore, the Company consistently implements a comprehensive quality system, continuously improving product quality, and enhancing customer service as our top priority. The perfect combination of product innovation, speed, and technological excellence contributes to gaining customer trust.

(2) Adverse Factors and Corresponding Strategies

| Adverse Factors | Corresponding Strategies |
|--|---|
| A. Soaring costs of raw materials, transportation, and labor | <ul style="list-style-type: none"> a. Maintain long-term cooperation with excellent suppliers and establish good relationships to obtain more favorable transaction prices and conditions. b. Adopt joint purchasing for bulk raw materials to obtain better pricing through volume discounts. c. Diversify sources of procurement moderately to reduce supply pressure and risk. d. Promptly reflect reasonable increases in raw material costs to customers. e. Localize production to reduce transportation and tariff costs. |
| B. Intense price competition | <ul style="list-style-type: none"> a. Strengthen product research and development to lower costs through technological advantages. b. Adjust product mix to focus on selling high-value-added products. c. Continuously develop high-margin and high-performance products. d. Provide integrated services to meet customer needs. e. Improve yield and reduce lead times in production units. |
| C. Increasingly stringent environmental requirements | <ul style="list-style-type: none"> a. Transform product raw materials from solvent-based to water-based. b. Actively develop bio-based materials or use recyclable materials to reduce reliance on fossil resources. c. Invest in gravity bed exhaust gas treatment facilities and RCO (Regenerative Catalytic Oxidizer) with heat storage to employ the best available technology for treating harmful pollutants generated during the production process, reducing environmental impact. |

(II) Major Applications and Manufacturing Processes of Key Products

1. Key Applications of Major Products

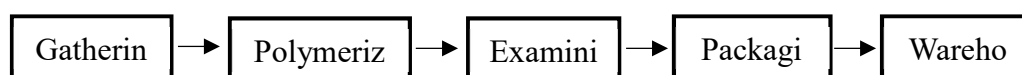
| Category | Major Products | Application Description |
|-----------|-------------------------------------|---|
| Adhesives | High-performance adhesive for shoes | Various adhesive and surface treatment agents for shoe materials, including automated applications, PU Dispersion (raw material from European shoe adhesive factories), low VOC content adhesives and treatment agents, PU Reactive, primarily supplied to brand customers. |

| Category | Major Products | Application Description |
|----------------------------------|---|---|
| Adhesives | Treatment agents | Surface treatment agents for material favor the adhesion of PU adhesive. |
| | PU adhesive | PU adhesive Bonding of shoe uppers and outsoles. |
| | Water-based resin for shoe material spray paint and screen printing ink | Providing different colors, logos, and patterns for the outsoles of athletic shoes. |
| | Fluorine-free water repellent for natural fibers/water repellent for shoe surface spraying | Suitable for surface hydrophobic applications in clothing, shoe uppers, bag materials, non-woven fabrics, and other textile products. |
| | Water-based PU for foam coating | Imparting fabric with properties such as thickness, softness, breathability, wind and rain resistance, water pressure resistance, or stiffness. |
| | Recyclable water-based polyester coating for clothing materials | Introducing the recycling supply chain for industrial polyester materials, applying water-based copolyester resin to polyester fiber substrates, enhancing the functionality of the industry. This is a future trend in circular economy. |
| | Development of waterproof and breathable PUD | Used in clothing and medical products to address the environmental, recycling, environmental protection, and carbon emission issues caused by the current use of solvent-based resins |
| | Bio-based PUD coating | Compliant with the U.S. USDA bio-based certification for waterproof and windproof coatings on clothing materials. |
| | PUD for building materials | Vacuum forming and coating for flooring. |
| | Adhesive for hygiene products | Water needle-punched non-woven fabric bonding, applications in diapers, sanitary pads, non-woven fabric materials. |
| | Pressure-sensitive adhesive for optics | Optical adhesives for polarizing plates, OCA/optical protective film, UV release adhesives, adhesives for functional tapes. |
| | Hot melt adhesive for PSA | Various temporary fixation and packaging adhesives. |
| | Hot melt adhesive for packaging | Adhesives for sealing various packaging materials. |
| | Water-based resin for bag material coating | Water-based resin coating for backpacks, tents, suitcases, protective gear, providing water pressure resistance, high seam strength, solving solvent recycling issues, and reducing carbon emissions. |
| | High transparency/heat-resistant PI resin | Used in transparent flexible folding cover films, transparent TSP (touch screen panel) substrates, transparent TFT (thin-film transistor) substrates, etc. |
| | Environmentally friendly water-based polyurethane coating for highly durable automotive leather | Used in automotive leather and sofa leather. |
| | Fiberglass | Plastics components for automotive use. |
| Recycled plastic pellet material | Consumer product bottles and cans | |

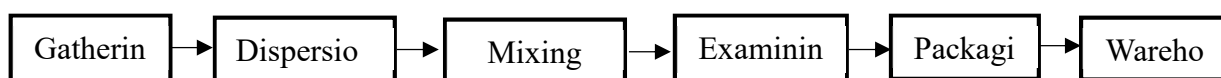
| Category | Major Products | Application Description |
|----------|--|--|
| Coatings | Interior/exterior wall decoration and waterproof coating | Architectural coatings possess functions of decoration, protection, and modification of the indoor environment. Waterproof materials are water-based systems that offer weather resistance and aesthetic appeal. |
| | Decorative and functional coatings for metal products/woodwork | They provide protection against scratches, resist dirt and pests, and help maintain the optimal appearance and color of objects. Coatings enhance the glossiness of objects and prevent color fading. |
| | Environmentally friendly flooring and building materials | They are suitable for various applications, including hospitals, pharmaceutical factories, cleanrooms, electronics facilities, offices, and automotive repair shops, particularly for floor surfaces. |
| | Coating for food can packaging | They protect against corrosion on tank walls and prevent the leaching of metal ions. |
| | Solvent-free UV coatings for metal | They provide temporary protection to objects against rust corrosion. |

2. Manufacturing process

(1) Adhesives



(2) Coatings



(III) Supply Status of Main Raw Materials

The main raw materials of the Company's products include adipic acid, banana water, 1,4-butanediol, methyl ethyl ketone, EVA latex, vinyl acetate, toluene, hydrogenated petroleum resin, hexamethylene diisocyanate, chloroprene rubber, etc. These materials are provided by reputable domestic and international suppliers, ensuring an abundant and stable source of materials. We have established good relationships with our main suppliers and have at least two or more sources of supply to ensure smooth production.

(IV) List of Major Purchases and Sales

1. In the past two years, the names of suppliers whose purchases accounted for more than 10% of the total purchase amount in any single year, along with the purchase amount and proportion. Please explain the reasons for any changes: There is no such case.
2. In the past two years, the names of customers whose sales accounted for more than 10% of the total sales amount in any single year, along with the sales amount and proportion. Please explain the reasons for any changes: There is no such case.

(V) Recent two-year production volume

Unit: metric tons / NT\$1,000

| Production Quantity and Value Main Products | Year | 2021 | | | 2022 | | |
|---|------|------------------------|----------------------|---------------------|------------------------|----------------------|---------------------|
| | | Production Capacity | Production Volume | Production Value | Production Capacity | Production Volume | Production Value |
| Adhesives | | 212,559 | 205,362 | 12,170,983 | 229,987 | 228,432 | 15,208,081 |
| Coatings | | 19,684 | 17,299 | 1,455,926 | 18,978 | 15,322 | 1,390,070 |
| Others (Note) | | — | — | 2,366,138 | — | — | 3,342,314 |
| Total | | 232,243 | 222,661 | 15,993,047 | 248,965 | 243,754 | 19,940,465 |

Note: Due to the inclusion of individual companies covering electronic materials, biotechnology industries, etc., there is a wide variety of products with different measurement units such as pcs, bottles, cans, boxes, packs, granules, strips, etc. Therefore, it is not possible to calculate.

(VI) Recent two-year sales volume

Unit: metric tons / NT\$1,000

| Sales value Main products | Year | 2021 | | | | 2022 | | | |
|------------------------------|------|----------------|------------------|----------------|-------------------|----------------|------------------|----------------|-------------------|
| | | Internal sales | | External sales | | Internal sales | | External sales | |
| | | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Adhesives | | 26,810 | 1,692,247 | 153,060 | 10,981,048 | 22,807 | 1,587,935 | 170,054 | 14,479,553 |
| Coatings | | 6,321 | 635,795 | 13,662 | 1,117,819 | 5,062 | 539,464 | 11,839 | 1,114,811 |
| Others (Note) | | — | 652,528 | — | 2,900,570 | — | 896,091 | — | 3,386,459 |
| Total | | 33,131 | 2,980,570 | 166,722 | 14,999,437 | 27,869 | 3,023,490 | 181,893 | 18,980,823 |

Note: Due to the inclusion of individual companies covering electronic materials, biotechnology industries, etc., there is a wide variety of products with different measurement units such as pcs, bottles, cans, boxes, packs, granules, strips, etc. Therefore, it is not possible to calculate.

III. Employee Information

| Year | | 2021 | 2022 | As of March 31, 2023 |
|---|--------------------|--------------|--------------|-------------------------|
| Number of employees | Sales | 593 | 581 | 587 |
| | Management | 753 | 799 | 788 |
| | R&D | 320 | 319 | 322 |
| | Direct | 808 | 884 | 865 |
| | Indirect | 479 | 500 | 501 |
| | Total | 2,953 | 3,083 | 3,063 |
| Average Age | | 37.96 | 40.04 | 40.07 |
| Average Work Tenure | | 6.78 | 6.28 | 6.45 |
| Percentage Distribution Academic Qualification | Ph. D. | 0.37 | 0.26 | 0.26 |
| | Master's Degree | 6.71 | 6.81 | 6.89 |
| | University/College | 40.29 | 40.00 | 39.76 |
| | High School | 36.07 | 36.26 | 36.21 |
| | Below High School | 16.56 | 16.67 | 16.88 |

IV. Environmental Expenditure Information

For the most recent year and up to the date of printing of the annual report, losses incurred due to environmental pollution should be disclosed. Furthermore, it should disclose the estimated amounts and measures taken to address the current and potential future occurrences.

Unit: NT\$1,000

| Event Description | Fine | Response Measures and Improvement Actions | Expenditure Amount |
|--|------|---|--------------------|
| <p>1 ∙ Penalty Date: February 16, 2022</p> <p>2 ∙ Penalty Reference Number: Environmental Inspection Reference No. 1110015639</p> <p>3 ∙ Violated Regulatory Provisions: Article 20, Paragraph 1 of the Air Pollution Control Act, and Article 29, Paragraph 1, Subparagraph 2 of the Volatile Organic Compounds Air Pollution Control and Emission Standards</p> <p>4 ∙ Details of Violation: Baoli Plant is engaged in the production of plastic raw materials and holds an operating license for other synthetic resins or plastic manufacturing processes (M01). During an inspection conducted on December 27, 2021 by authorized personnel and the approved inspection company, Kaite Environmental Technology Co., Ltd., it was found that Baoli Plant's M01 process reactor vessel (E021) component (number: 1101227F207L) flange (F) had an initial detected value of 18,698 ppm (net detected value > 10,000 ppm). A total of one point exceeded the standard limit.</p> <p>5 ∙ Penalty Content: Fine of NT\$150,000</p> | 150 | <p>1 ∙ Monthly environmental self-inspection.</p> <p>2 ∙ Each unit must regularly implement self-inspections.</p> <p>3 ∙ Keep manholes clean and tightly sealed.</p> <p>4 ∙ Immediately replace deformed gaskets.</p> <p>5 ∙ Promptly repair any component leaks.</p> | 100 |
| <p>1 ∙ Penalty Date: April 1, 2022</p> <p>2 ∙ Penalty Reference Number: Environmental Inspection Reference No. 1110034597</p> <p>3 ∙ Violated Regulatory Provisions: Article 20, Paragraph 1 of the Air Pollution Control Act, and Article 29, Paragraph 1, Subparagraph 2 of the Volatile Organic Compounds Air Pollution Control and Emission Standards</p> <p>4 ∙ Details of Violation: Plant 1 holds an operating license for other synthetic resins or plastic manufacturing processes (M01). During an inspection conducted on January 5, 2022 by authorized personnel and the approved inspection company, Kaite Environmental Technology Co., Ltd., while Plant 1's M01 process was operating normally, the following three points exceeded the standard limit in the detected net values:</p> <p>(1) Initial detected value of equipment component flange (F) (number: 1110105F220L) was 24,504 ppm (net detected value > 10,000 ppm).</p> <p>(2) Initial detected value of equipment component flange (F) (number: 1110105F014L) was 21,087 ppm (net detected value > 10,000 ppm).</p> <p>(3) Initial detected value of equipment component flange (F) (number: 1110105F155L) was 20,396 ppm (net detected value > 10,000 ppm).</p> <p>5 ∙ Penalty Content: Fine of NT\$300,000</p> | 300 | <p>1 ∙ Monthly environmental self-inspection.</p> <p>2 ∙ Each unit must regularly implement self-inspections.</p> <p>3 ∙ Keep manholes clean and tightly sealed.</p> <p>4 ∙ Immediately replace deformed gaskets.</p> <p>5 ∙ Promptly repair any component leaks.</p> <p>6 ∙ Purchase FID equipment for self-testing.</p> | 600 |

V. Labor Relations

(I) Listing of Employee Welfare Measures, Continuing Education, Training, Retirement System, Implementation Status, Agreements between Labor and Management, and Employee Rights Protection Measures:

1. Employee Welfare Measures

- (1) From the date of employment, employees are entitled to labor insurance, national health insurance, and group insurance.
- (2) The Company has established an "Employee Stock Trust Plan," which provides rewards based on relative allocations. Employees can purchase company stocks through the stock trust mechanism to establish flexible funds for short, medium, and long-term use or financial planning.
- (3) In addition to the basic monthly salary, festival bonuses are provided for occasions such as Mid-Autumn Festival, Dragon Boat Festival, and Chinese New Year. Based on the Company's overall performance, team and individual achievements, various short and long-term incentive programs are flexibly designed according to different positions. Employees share in the profits and surplus to attract, retain, motivate, and systematically cultivate high-quality talents.
- (4) The Company has established an Employee Welfare Committee, which aims to take care of employees' lives, promote physical and mental health, and maintain harmonious labor-management relations. The committee is responsible for planning and implementing various welfare programs. Through a comprehensive welfare system and various employee activities such as festive events, club activities, and employee trips, the Company continuously promotes employee welfare services. It also provides assistance in emergencies, hospital visits, and various welfare subsidies for events such as weddings, funerals, and celebrations.
- (5) To protect employee rights, the company has established a labor union organization. Quarterly labor-management meetings are held to actively establish a communication bridge between management and employees. The Company prioritizes employee safety and physical and mental health, arranging regular health check-ups and planning employee insurance coverage. It emphasizes labor relations and provides equal employment opportunities.

2. Employee Continuing Education and Training

- (1) From the start of employees' tenure, the Company provides a scheduled training plan for new employees to explain the company's corporate policies, including the concept of corporate social responsibility and related policies. NAN PAO E-Learning serves as the main platform for employee learning within the company. Each colleague can participate in various training courses and programs through the learning and development platform. The Company also implements comprehensive talent development programs based on training plans designed for different professional fields.
- (2) The Company provides the following employee continuing education and training:
 - A · New Employee Training: This training consists of two stages. The first stage includes legally required environmental health and safety courses, as well as an introduction to the company's development direction, management policies, and related policies. It also introduces personnel from various departments to facilitate new employees' integration into the organizational culture and familiarity with the work environment. The second stage focuses on the specific professional skills and knowledge required for different job categories.
 - B · Personal Skills Development: Based on common job functions, the Company offers a combination of physical and online courses to provide knowledge and skills related to work management (e.g., cross-department communication skills, project management, business-related skills, legal knowledge). Additionally, advanced elective courses are offered based on differences in colleagues' years of service.

C、Professional Knowledge Enhancement: Aligned with the Company's strategic layout, colleagues are sent to domestic and international industry and management seminars and forums every year. These events are combined with training provided by consulting firms and vendors to enhance the Company's technical capabilities, develop new products, introduce innovative concepts, and enhance management skills.

D、External Training Programs: To meet colleagues' job-specific needs or professional skill development requirements, the Company provides information on external training programs for colleagues to apply. This enhances colleagues' professional competence, improves organizational competitiveness, and achieves organizational goals.

E、Managerial Training: For employees in managerial positions, the Company designs a series of management training courses based on managerial competencies to cultivate high-quality managers and enhance the Company's management capabilities.

(3) In 2022, a total of 5,859 individuals participated in training courses offered by the Company's learning and development platform, accumulating a total training duration of 10,606 hours. On average, each person received 15.78 hours of training.

3. Retirement System and its Implementation Status:

(1) The Company has established the "Labor Retirement Regulations."

(2) In compliance with legal requirements, a Labor Retirement Reserve Supervision Committee has been established to allocate retirement benefits monthly, with sufficient funds being deposited into the trust department of the Taiwan Bank.

(3) Starting from July 2005, the new labor retirement system has been implemented in accordance with the Labor Retirement Monthly Contribution Salary Classification Table. Employees contribute 6% of their monthly salary, which is deposited into their individual accounts at the Labor Insurance Bureau.

(4) Following the regulations of International Accounting Standard No. 19, an actuary is appointed to evaluate and calculate the labor retirement reserve. An actuarial assessment report is then submitted.

4. Implementation of Labor-Management Agreements:

The Company maintains a harmonious and good labor-management relationship. To uphold workplace employment order, the Company has established work rules for employees to follow. In addition, employees have various communication channels to address issues regarding company policies and work environment. These channels serve as important sources of administrative management references and contribute to maintaining a positive interaction between labor and management.

| Communication Channel | Target | Content | Frequency |
|----------------------------------|--------------------------------------|---|---------------|
| Mailbox of CHO | All employees | Whistleblowing on fraud and complaints of sexual harassment | Anytime |
| CEO direct line | Employees and investors | Issues regarding company operations | Anytime |
| Website customer service hotline | All employees and external personnel | Any issues or topics of concern can be reported | Anytime |
| Weekly meeting | All employees | The Company's high-level executives and managers report to inform employees about the Company's operational policies, direction, and performance | Per two weeks |
| Trade Union Staff Symposium | Trade Union Staff Employees | Employees can engage in communication and discussions with union members regarding employee welfare, labor-management issues, and other related matters | Annual |

| Communication Channel | Target | Content | Frequency |
|------------------------------|-------------------------|---|-----------|
| Toolbox meeting | Production department | Employees are encouraged to raise any concerns or questions they may have, whether related to their work or any difficulties encountered in the workplace. Supervisors and responsible personnel will provide answers and assistance to employees during the meetings | Weekly |
| Welfare Committee Conference | Welfare committee staff | Welfare committee members assigned to each factory area will provide explanations about employee welfare activities and the utilization of funds | Quarterly |

5. Measures to Safeguard Employee Rights and Benefits:

- (1) In accordance with the Personal Data Protection Act, the Company ensures the security of personal information provided by job applicants and refrains from using it for purposes other than recruitment and selection without the consent of the applicants. In terms of hiring practices, the Company fully complies with labor laws and does not employ individuals under the age of 15. In terms of gender diversity, the percentage of female employees is 24.9%, female employees in management positions account for 11.2% of total management positions, and female employees in senior management positions account for 8.2%. The Company is committed to continuously improving these percentages in the future.
- (2) The Company regularly reviews its compensation policy and stays updated on market salary levels to facilitate the recruitment and retention of high-quality talent. Special work allowances are provided based on the nature of different job roles to acknowledge the efforts of employees. To motivate employees further, the Company has established various types of bonuses, such as sales bonuses, research and development bonuses, and proposal bonuses, to encourage employees' dedication and hard work. In order to retain outstanding talent, the Company has also designed a comprehensive rewards system to provide employees with competitive compensation and benefits.
- (3) The Company has established a reporting mailbox and hotline for employees, external parties, and vendors to report any instances of financial, legal, or ethical misconduct. The Company has a whistleblower protection mechanism in place to ensure the confidentiality and protection of whistleblowers, as well as individuals involved in investigations. Any form of unfair treatment or retaliation against whistleblowers or those assisting in investigations is strictly prohibited.

(II) Disclosure of Losses Incurred due to Labor Disputes and Explanation of Estimated Amounts and Mitigation Measures for the Past Two Years and up to the Printing Date of the Annual Report:

1. In accordance with the notification letter with case number 2022 Labor Dispute No. 106 issued by the Tainan District Court on December 9, 2022, the retired employee Mr. Xie Zhenfu has filed a lawsuit against the Company disputing the retirement benefits. He is claiming an additional amount of NT\$4,485 thousands. The litigation is currently pending in the Tainan District Court.
2. According to the decision letter with reference number Nanshi Labor Safety No. 1110908254 issued by the Tainan City Government's Labor Affairs Bureau on July 20, 2022, the Company has been fined a total of NT\$100 thousands for failure to comply with the provisions of Article 24 and Article 39 of the Labor Standards Act, specifically regarding delayed wage payments and the payment of additional wages for work performed on rest days. The Company has promptly rectified this situation.

VI. Information and Communication Security Management

(I) Description of the Information and Communication Security Risk Management Framework, Information and Communication Security Policies, Specific Management Plans, and Resources Allocated for Information and Communication Security Management:

1. Information and Communication Security Risk Management Framework:

In November 2021, the Company established an Information Security Committee under the Board of Directors, responsible for overseeing corporate information security governance. In 2022, an information security policy was developed, and an Information Security Management System (ISMS) compliant with the international standard ISO 27001 was implemented. The Information Security Committee is chaired by the CEO, with the highest-ranking executive of the information unit serving as the Chief Information Security Officer (CISO) and Executive Secretary. The committee members include senior executives from various functional units. The committee convenes meetings at least once a year, with additional meetings scheduled as needed, to regularly review and decide on information security and information protection policies and ensure the implementation and effectiveness of information security management measures.

2. Information Security Policy:

(1) Purpose: To strengthen information security management, ensure the confidentiality, integrity, and availability of company-owned information assets, provide an information environment for the continuous operation of the Company's information business, and comply with relevant regulations. This policy establishes the guidelines for such purposes.

(2) Vision and Objectives:

A ∙ The vision of the Company's information security policy is to enhance personnel awareness, prevent data leakage, ensure daily operations, and ensure service availability.

B ∙ Based on the vision of the information security policy, the following information security objectives have been formulated:

- a. Conduct information security education and training to promote employee awareness of information security and strengthen their understanding of related responsibilities.
- b. Protect the Company's business activity information, prevent unauthorized access and modification, and ensure its accuracy and integrity.
- c. Regularly conduct auditing operations to ensure the proper implementation of related procedures.
- d. Ensure a certain level of system availability for the Company's critical core systems.

3. Specific Management Plans:

(1) In terms of system protection, in the current year, the Company has implemented measures to ensure stable and secure operation of the information systems. The focus is on strengthening defense-in-depth with the goal of antivirus, intrusion prevention, and data leakage prevention. Vulnerability scanning is conducted on the hosts to perform security health checks. The Company enhances information security protection through firewall isolation, spam email interception, anti-virus measures, and endpoint monitoring. These measures enhance the Company's ability to defend against external attacks and ensure the security of internal confidential information. They ensure that the Company's information assets are not affected by various threats and damages, preventing errors or interruptions in information services.

(2) In terms of promotion and training, the Company periodically communicates important information security regulations and precautions. Online employee information security education and training are conducted in phases through the Nan Pao E-Learning Platform. Simulated phishing email exercises are also carried out to strengthen employee awareness of information security and raise their vigilance against social engineering attacks through emails. This ensures that information security management is integrated into the daily work of every employee and guarantees the applicability and appropriateness of information security operation mechanisms.

- (3) In terms of organizational management, the Company effectively implements information security management through the Information Security Operations Team. Following the Plan-Do-Check-Act (PDCA) management cycle, the team continuously reviews the applicability of information security policies and the effectiveness of protective measures. Through the management review mechanism of the Information Security Management Committee, the overall operation of the ISMS is evaluated to ensure consistency and effectiveness between ISMS operation, policies, and objectives. Continuous improvement of ISMS is pursued to ensure reliable and normal operation.
- (4) The Company will undergo a reassessment and evaluation of ISMS compliance with ISO 27001 in 2023. Through third-party verification, the effectiveness of various information security management measures will be examined, establishing a secure and trustworthy operating service environment. This will provide customers with a stable and reliable production environment, reduce operational risks for the Company, and deliver maximum investment value and benefits to shareholders.
4. Resources Allocated for Information and Communication Security Management:
The Company is committed to continuously implementing information security management. The cost of purchasing information equipment and investing in related manpower in 2022 amounted to NT\$1,896 thousands. The estimated resource cost for 2023 is NT\$9,000 thousands.
- (II) Disclosure of losses suffered due to significant information and communication security incidents in the latest fiscal year and up until the printing date of the annual report, possible impacts, and response measures: None.

VII. Important Contracts

| Company Name | Contract Nature | Parties | Contract Period | Main Content | Restrictions |
|-----------------------------|-----------------|----------------------------------|--|---|---|
| Taiwan Nanpao | Credit | E. SUN Bank | 20220422~20240422 | Working capital; NT\$ 100 million; cyclical use; repayment upon maturation | None |
| Taiwan Nanpao | Credit | Mizuho Bank | 20221215~20241215 | Working capital; NT\$ 700 million; cyclical use; repayment upon maturation | None |
| Taiwan Nanpao | Credit | KGI Bank | 20201127~20231127 | Working capital; NT\$ 600 million; cyclical use; repayment upon maturation | None |
| Taiwan Nanpao | Credit | Taipei Fubon Bank | 20221211~20241211 | Working capital; NT\$ 350 million; cyclical use; repayment upon maturation | Subject to certain financial ratios and standards |
| Taiwan Nanpao | Credit | Mega Bank | 20221106~20241106 | Working capital; NT\$ 100 million; cyclical use; repayment upon maturation | None |
| Taiwan Nanpao | Credit | DBS Bank | 20221208~20241208 | Working capital; US\$ 10 million; cyclical use; repayment upon maturation | None |
| Taiwan Nanpao | Credit | Chinatrust Bank | 20220930~20240930 | Working capital; NT\$ 200 million; cyclical use; repayment upon maturation | Subject to certain financial ratios and standards |
| Prince Pharmaceutical | Credit | Taiwan Cooperative Bank | 20200629~20350629 | Secured loan; NT\$ 320 million; 180 installments with monthly principal and interest payments | None |
| Taiwan Nanpao | Construction | Kong Chou Construction Co., Ltd. | 20190614 to date | R&D and Administrative Building project | None |
| Taiwan Nanpao | Construction | Labtech Equipment Corp. | from August, 2021 | R&D Building Laboratory Project | None |
| Taiwan Nanpao | Construction | Quanxing Construction Co., Ltd. | from March, 2022 for 358 calendar days | Factory No.1 Warehouse Construction | None |
| Nan Pao Advanced Investment | Other | ARTUS COMMERCE LTD. and Others | 20221219 | S&P of Changshu Yubo Equity | None |

VI. Financial Information

I. Five-Year Financial Summary

(I) Balance Sheet

1. Consolidated

Unit: NT\$1,000

| Item | Year | Five-Year Financial Summary | | | | |
|---|---------------------|-----------------------------|------------|------------|------------|----------------------|
| | | 2018 | 2019 | 2020 | 2021 | 2022 |
| Current Assets | | 10,669,750 | 11,109,972 | 11,245,153 | 12,651,328 | 12,859,062 |
| Property, Plant, and Equipment | | 3,959,992 | 4,096,892 | 4,515,380 | 4,931,769 | 5,507,684 |
| Intangible Assets | | 130,640 | 193,837 | 191,309 | 376,859 | 368,608 |
| Other Assets | | 2,603,071 | 2,997,550 | 3,394,600 | 7,967,679 | 6,010,429 |
| Total Assets | | 17,363,453 | 18,398,251 | 19,346,442 | 25,927,635 | 24,745,783 |
| Current Liabilities | Before Distribution | 4,704,901 | 4,908,092 | 5,082,030 | 6,361,921 | 6,336,224 |
| | After Distribution | 5,307,755 | 5,631,517 | 5,926,025 | 7,085,346 | 7,541,932 (Note) |
| Non-current liabilities | | 2,303,482 | 2,933,612 | 3,068,128 | 3,295,675 | 2,766,183 |
| Total Liabilities | Before Distribution | 7,008,383 | 7,841,704 | 8,150,158 | 9,657,596 | 9,102,407 |
| | After Distribution | 7,611,237 | 8,565,129 | 8,994,153 | 10,381,021 | 10,308,115 (Note) |
| Equity Attributable to Owners of Parent | | 9,627,623 | 9,740,740 | 10,266,601 | 15,277,847 | 14,552,026 |
| Capital Stock | | 1,205,707 | 1,205,707 | 1,205,707 | 1,205,707 | 1,205,707 |
| Capital Surplus | | 2,108,235 | 2,103,848 | 2,101,673 | 2,101,673 | 2,115,333 |
| Retained Earnings | Before Distribution | 5,509,571 | 6,110,080 | 6,608,043 | 6,635,665 | 7,683,895 |
| | After Distribution | 4,906,717 | 5,386,655 | 5,764,048 | 5,912,240 | 6,478,187 (Note) |
| Others Equity Interests | | 804,110 | 321,105 | 351,178 | 5,334,802 | 3,547,091 |
| Treasury Stocks | | - | - | - | - | - |
| Non-controlling Interest | | 727,447 | 815,807 | 929,683 | 992,192 | 1,091,350 |
| Total Shareholders' Equity | Before Distribution | 10,355,070 | 10,556,547 | 11,196,284 | 16,270,039 | 15,643,376 |
| | After Distribution | 9,752,216 | 9,833,122 | 10,352,289 | 15,546,614 | 14,437,668 (Note) |

Note: Amounts resolved by the board meeting dated on March 27, 2023.

2. Individual

Unit: NT\$1,000

| Item | Year | Five-Year Financial Summary | | | | |
|---|---------------------|-----------------------------|------------|------------|------------|----------------------|
| | | 2018 | 2019 | 2020 | 2021 | 2022 |
| Current Assets | | 2,646,362 | 2,702,859 | 2,853,957 | 3,596,060 | 3,039,895 |
| Property, Plant, and Equipment | | 1,735,208 | 1,770,504 | 1,940,046 | 2,170,973 | 2,662,699 |
| Intangible Assets | | 12,084 | 35,995 | 29,289 | 24,541 | 26,656 |
| Other Assets | | 9,161,190 | 9,388,964 | 9,786,548 | 14,735,278 | 13,397,772 |
| Total Assets | | 13,554,844 | 13,898,322 | 14,609,840 | 20,526,852 | 19,127,022 |
| Current Liabilities | Before Distribution | 1,811,907 | 1,776,129 | 2,201,993 | 2,872,376 | 2,794,956 |
| | After Distribution | 2,414,761 | 2,499,554 | 3,045,988 | 3,595,801 | 4,000,664 (Note) |
| Non-current liabilities | | 2,115,314 | 2,381,453 | 2,141,246 | 2,376,629 | 1,780,040 |
| Total Liabilities | Before Distribution | 3,927,221 | 4,157,582 | 4,343,239 | 5,249,005 | 4,574,996 |
| | After Distribution | 4,530,075 | 4,881,007 | 5,187,234 | 5,972,430 | 5,780,704 (Note) |
| Equity Attributable to Owners of Parent | | 9,627,623 | 9,740,740 | 10,266,601 | 15,277,847 | 14,552,026 |
| Capital Stock | | 1,205,707 | 1,205,707 | 1,205,707 | 1,205,707 | 1,205,707 |
| Capital Surplus | | 2,108,235 | 2,103,848 | 2,101,673 | 2,101,673 | 2,115,333 |
| Retained Earnings | Before Distribution | 5,509,571 | 6,110,080 | 6,608,043 | 6,635,665 | 7,683,895 |
| | After Distribution | 4,906,717 | 5,386,655 | 5,764,048 | 5,912,240 | 6,478,187 (Note) |
| Others Equity Interests | | 804,110 | 321,105 | 351,178 | 5,334,802 | 3,547,091 |
| Treasury Stock | | - | - | - | - | - |
| Non-controlling Interest | | - | - | - | - | - |
| Total Shareholders' Equity | Before Distribution | 9,627,623 | 9,740,740 | 10,266,601 | 15,277,847 | 14,552,026 |
| | After Distribution | 9,024,769 | 9,017,315 | 9,422,606 | 14,554,422 | 13,346,318 (Note) |

Note: Amounts resolved by the board meeting dated on March 27, 2023.

(II) Condensed Statement of Income
1. Consolidated

Unit: NT\$1,000

| Item \ Year | Five-Year Financial Summary | | | | |
|--|-----------------------------|------------|------------|------------|-------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Net Revenue | 16,022,220 | 17,113,546 | 15,551,344 | 17,980,007 | 22,004,313 |
| Gross Profit | 3,807,414 | 4,717,529 | 4,370,293 | 4,102,045 | 5,287,537 |
| Operating Profit | 901,010 | 1,682,029 | 1,501,700 | 1,052,194 | 1,824,375 |
| Non-operating Income & Expenses | 134,802 | 110,653 | 104,392 | 150,347 | 561,039 |
| Profit before Income Tax | 1,035,812 | 1,792,682 | 1,606,092 | 1,202,541 | 2,385,414 |
| Income from Operations of Continued Segments - Before Tax | 716,630 | 1,315,224 | 1,267,122 | 929,353 | 1,862,728 |
| Income from Discontinued Departments | - | - | - | - | - |
| Profit for the year | 716,630 | 1,315,224 | 1,267,122 | 929,353 | 1,862,728 |
| Other Comprehensive Income for the year | (267,886) | (482,222) | 23,934 | 4,972,725 | (1,738,825) |
| Total Comprehensive Income for the Year | 448,744 | 833,002 | 1,291,056 | 5,902,078 | 123,903 |
| Profit (Loss) Attributable to Owners of Parent | 672,775 | 1,228,200 | 1,219,753 | 875,780 | 1,741,459 |
| Profit (Loss) Attributable to Non-controlling interest | 43,855 | 87,024 | 47,369 | 53,573 | 121,269 |
| Total Comprehensive Income for the year Profit (Loss) Attributable to Owners of Parent | 400,327 | 750,385 | 1,251,461 | 5,855,241 | (16,056) |
| Total Comprehensive Income for the year Profit (Loss) Attributable to Non-controlling Interest | 48,417 | 82,617 | 39,595 | 46,837 | 139,959 |
| Earnings Per Share | 6.15 | 10.19 | 10.12 | 7.26 | 14.44 |

2. Individual

Unit: NT\$1,000

| Item \ Year | Five-Year Financial Summary | | | | |
|--|-----------------------------|-----------|-----------|-----------|-------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Net Revenue | 5,321,256 | 5,173,269 | 4,635,634 | 5,359,550 | 6,212,303 |
| Gross Profit | 1,246,837 | 1,424,992 | 1,491,568 | 1,221,762 | 1,672,674 |
| Operating Profit | 362,029 | 452,590 | 533,220 | 352,865 | 524,610 |
| Non-operating Income & Expenses | 495,037 | 1,036,320 | 831,744 | 642,777 | 1,482,204 |
| Profit before Income Tax | 857,066 | 1,488,910 | 1,364,964 | 995,642 | 2,006,814 |
| Income from Operations of Continued Segments - Before Tax | 672,775 | 1,228,200 | 1,219,753 | 875,780 | 1,741,459 |
| Income from Discontinued Departments | - | - | - | - | - |
| Profit for the year | 672,775 | 1,228,200 | 1,219,753 | 875,780 | 1,741,459 |
| Other Comprehensive Income for the year | (272,448) | (477,815) | 31,708 | 4,979,461 | (1,757,515) |
| Total Comprehensive Income for the Year | 400,327 | 750,385 | 1,251,461 | 5,855,241 | (16,056) |
| Profit (Loss) Attributable to Owners of Parent | 672,775 | 1,228,200 | 1,219,753 | 875,780 | 1,741,459 |
| Profit (Loss) Attributable to Non-controlling interest | - | - | - | - | - |
| Total Comprehensive Income for the year Profit (Loss) Attributable to Owners of Parent | 400,327 | 750,385 | 1,251,461 | 5,855,241 | (16,056) |
| Total Comprehensive Income for the year Profit (Loss) Attributable to Non-controlling Interest | - | - | - | - | - |
| Earnings Per Share | 6.15 | 10.19 | 10.12 | 7.26 | 14.44 |

(III) Auditors' Opinions in the Recent Five Years

| Year | CPA Firm | CPA | Audit 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 |
| 2022 | Deloitte & Touche Taiwan | Hung-Ju, Liao, Chi-Chen, Lee | Unqualified Opinion Adding Other Item |

II. Five-Year Financial Analysis

(I) Individual financial analysis

1. Consolidated

| Item | | Year | Financial Analysis of the Past Five Years | | | | |
|-------------------------|---|------|---|--------|--------|--------|--------|
| | | | 2018 | 2019 | 2020 | 2021 | 2022 |
| Financial Structure (%) | Ratio of Liabilities to Assets | | 40.36 | 42.62 | 42.13 | 37.25 | 36.78 |
| | Ratio of Long-term Capital to Fixed Assets | | 319.66 | 329.28 | 315.91 | 396.73 | 334.25 |
| Solvency (%) | Current Ratio | | 226.78 | 226.36 | 221.27 | 198.86 | 202.95 |
| | Quick Ratio | | 170.91 | 176.50 | 174.63 | 149.48 | 155.57 |
| | Times Interest Earned Ratio | | 17.79 | 26.90 | 28.28 | 22.95 | 28.64 |
| Operating Ability | Accounts Receivable Turnover (Turns) | | 4.50 | 4.46 | 3.98 | 4.29 | 4.70 |
| | Average Collection Period | | 81 | 82 | 92 | 85 | 78 |
| | Inventory Turnover (Turns) | | 5.31 | 5.40 | 5.06 | 5.41 | 5.79 |
| | Accounts Payable Turnover (Turns) | | 6.17 | 6.34 | 5.26 | 5.67 | 6.37 |
| | Average Days in Sales | | 69 | 68 | 72 | 67 | 63 |
| | Fixed Assets Turnover (Turns) | | 4.39 | 4.25 | 3.61 | 3.81 | 4.22 |
| | Total Assets Turnover (Turns) | | 0.98 | 0.96 | 0.82 | 0.79 | 0.87 |
| Profitability | Return on Total Assets (%) | | 4.67 | 7.63 | 6.93 | 4.27 | 7.59 |
| | Return on Stockholders' Equity (%) | | 7.76 | 12.58 | 11.65 | 6.77 | 11.67 |
| | Ratio of Pre-tax Income to Issued Capital (%) | | 85.91 | 148.68 | 133.21 | 99.74 | 197.84 |
| | Profit Ratio (%) | | 4.47 | 7.69 | 8.15 | 5.17 | 8.47 |
| | Earnings Per Share (\$) | | 6.15 | 10.19 | 10.12 | 7.26 | 14.44 |
| Cash Flow | Cash Flow Ratio (%) | | 3.31 | 37.98 | 38.14 | 2.15 | 30.25 |
| | Cash Flow Adequacy Ratio (%) | | 92.15 | 102.28 | 86.80 | 56.05 | 72.12 |
| | Cash Flow Reinvestment Ratio (%) | | - | 8.92 | 8.06 | - | 7.16 |
| Leverage | Operating Leverage | | 2.12 | 1.67 | 1.77 | 2.25 | 1.79 |
| | Financial Leverage | | 1.07 | 1.04 | 1.04 | 1.05 | 1.05 |

Reasons for changes in financial ratios in the last two years:

1. Times Interest Earned Ratio, Return on Total Assets, Return on Stockholders' Equity, Ratio of Pre-tax Income to Issued Capital, Profit Ratio, Earnings Per Share: The increase in operating income and dividend income has led to a relative increase in profitability.
2. Cash Flow Ratio, Cash Flow Adequacy Ratio: The increase in net profit and reduced inventory levels have resulted in an increase in net cash flow from operating activities.
3. Operating Leverage: The easing of the COVID-19 pandemic, increased orders, and improved production output have led to an increase in operating profit.

2. Individual

| Item | | Year | Financial Analysis of the Past Five Years | | | | |
|-------------------------|---|------|---|--------|--------|--------|--------|
| | | | 2018 | 2019 | 2020 | 2021 | 2022 |
| Financial Structure (%) | Ratio of Liabilities to Assets | | 28.97 | 29.91 | 29.73 | 25.57 | 23.92 |
| | Ratio of Long-term Capital to Fixed Assets | | 676.75 | 684.67 | 639.56 | 813.21 | 613.37 |
| Solvency (%) | Current Ratio | | 146.05 | 152.18 | 129.61 | 125.19 | 108.76 |
| | Quick Ratio | | 112.17 | 123.85 | 107.67 | 100.85 | 87.45 |
| | Times Interest Earned Ratio | | 33.20 | 72.46 | 62.58 | 46.64 | 54.98 |
| Operating Ability | Accounts Receivable Turnover (Turns) | | 4.56 | 4.50 | 3.53 | 3.54 | 3.81 |
| | Average Cllction Period | | 80 | 81 | 103 | 103 | 96 |
| | Inventory Turnover (Turns) | | 6.71 | 7.08 | 6.62 | 7.23 | 7.22 |
| | Accounts Payable Turnover (Turns) | | 6.00 | 6.38 | 5.26 | 5.54 | 5.79 |
| | Average Days in Sales | | 54 | 52 | 55 | 50 | 51 |
| | Fixed Assets Turnover (Turns) | | 3.16 | 2.95 | 2.50 | 2.61 | 2.57 |
| | Total Assets Turnover (Turns) | | 0.42 | 0.38 | 0.33 | 0.31 | 0.31 |
| Profitability | Return on Total Assets (%) | | 5.43 | 9.07 | 8.68 | 5.08 | 8.93 |
| | Return on Stockholders' Equity (%) | | 7.88 | 12.68 | 12.19 | 6.86 | 11.68 |
| | Ratio of Pre-tax Income to Issued Capital (%) | | 71.08 | 123.49 | 113.21 | 82.58 | 166.44 |
| | Profit Ratio (%) | | 12.64 | 23.74 | 26.31 | 16.34 | 28.03 |
| | Earnings Per Share (\$) | | 6.15 | 10.19 | 10.12 | 7.26 | 14.44 |
| Cash Flow | Cash Flow Ratio (%) | | 6.99 | 22.48 | 21.75 | 7.35 | 19.06 |
| | Cash Flow Adequacy Ratio (%) | | 49.72 | 46.49 | 36.14 | 28.37 | 33.16 |
| | Cash Flow Reinvestment Ratio (%) | | - | - | - | - | - |
| Leverage | Operating Leverage | | 2.05 | 1.97 | 1.92 | 2.05 | 2.06 |
| | Financial Leverage | | 1.08 | 1.05 | 1.04 | 1.07 | 1.08 |

Reasons for changes in financial ratios in the last two years:

1. Ratio of Long-term Capital to Fixed Assets: The decrease in shareholders' equity is primarily due to an increase in unrealized fair value losses on equity instruments measured at fair value through other comprehensive income in the current period.
2. Return on Total Assets, Return Stockholders' Equity, Ratio of Pre-tax Income to Issued Capital, Profit Ratio, Earnings Per Share: The increase in operating income and dividend income has led to a relative increase in profitability.
3. Cash Flow Ratio: The increase in net profit and reduction in inventory levels have resulted in an increase in net cash flow from operating activities.

Calculated as follows:

1. Financial Structure

- (1) Ratio of Liabilities to Assets = Total Liabilities / Total Assets
- (2) Ratio of Long-term Capital to Fixed Assets = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Solvency

- (1) Current Ratio = Current Assets / Current Liabilities
- (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
- (3) Times Interest Earned Ratio = Earnings before Interest and Taxes / Interest Expenses

3. Operating Ability

- (1) Accounts Receivable Turnover = Net Sales / Average Trade Receivables (including Accounts Receivable and Notes Receivable originated from operation)
- (2) Average Collection Period = 365 / Average Collection Turnover
- (3) Inventory Turnover = Cost of Sales / Average Inventory
- (4) Accounts Payable Turnover = Cost of Sales / Average Trade Payables (including Accounts Payable and Notes Payable originated from operation)
- (5) Average Days in Sales = 365 / Average Inventory Turnover
- (6) Fixed Assets Turnover = Net Sales / Average Net Property, Plant and Equipment
- (7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability

- (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
- (2) Return on Stockholders' Equity = Net Income Attributable to Shareholders of the Parent / Average Equity Attributable to Shareholders of the Parent
- (3) Ratio of Pre-tax Income to Issued Capital = Income before Tax / Paid-in Capital
- (4) Profit Ratio = 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. Review Report of Audit Committee

Nan Pao Resins Chemical Co., Ltd.

Review Report of Audit Committee

To: 2023 General Shareholders' Meeting

The Audit Committee has duly inspected and approved the Company's business report, financial statements and earning distribution plan for 2022 prepared and proposed by the Board of Directors, with the financial statements having been audited by independent auditors and issued certification of financial reports. The Audit Committee considered that the business reports, financial statements and earning distribution plan as proposed are fairly presented the Company's financial position and results. The aforementioned report is hereby submitted pursuant to the Securities and Exchange Act and the Company Act.

Nan Pao Resins Chemical Co., Ltd.

Audit Committee Convener :

Yun, Chen

March 27, 2023

- IV. **Consolidated Financial Statements for the Years Ended December 31, 2022 and 2021, and Independent Auditors' Report:** Please refer to Appendix 1.
- V. **Individual Financial Statements for the Years Ended December 31, 2022 and 2021, and Independent Auditors' Report:** Please refer to Appendix 2.
- VI. **Any financial turnover difficulties experienced by the Company and its affiliated companies in the most recent year and up to the date of publication of the annual report:** None.

VII. Review of Financial Status, Operating Results, and Risk Management

I. Financial Status

Unit: NT\$1,000; %

| Item \ Year | 2021/12/31 | 2022/12/31 | Difference | % | Remark |
|---|-------------------|-------------------|--------------------|------------|--------|
| Current Assets | 12,651,328 | 12,859,062 | 207,734 | 2 | |
| Property, Plant, and Equipment | 4,931,769 | 5,507,684 | 575,915 | 12 | |
| Intangible Assets | 376,859 | 368,608 | (8,251) | (2) | |
| Other Assets | 7,967,679 | 6,010,429 | (1,957,250) | (25) | Note |
| Total Assets | 25,927,635 | 24,745,783 | (1,181,852) | (5) | |
| Current Liabilities | 6,361,921 | 6,336,224 | (25,697) | 0 | |
| Non current liabilities | 3,295,675 | 2,766,183 | (529,492) | (16) | |
| Total Liabilities | 9,657,596 | 9,102,407 | (555,189) | (6) | |
| Equity Attributable to Owners of Parent | 15,277,847 | 14,552,026 | (725,821) | (5) | |
| Capital Stock | 1,205,707 | 1,205,707 | - | - | |
| Capital Surplus | 2,101,673 | 2,115,333 | 13,660 | 1 | |
| Retained Earnings | 6,635,665 | 7,683,895 | 1,048,230 | 16 | |
| Other Equity | 5,334,802 | 3,547,091 | (1,787,711) | (34) | Note |
| Non Controlling Interests | 992,192 | 1,091,350 | 99,158 | 10 | |
| Total Stockholders' Equity | 16,270,039 | 15,643,376 | (626,663) | (4) | |

Note: The decrease in other assets and other equity items is primarily due to adjustments in the fair value measurement of financial assets held by the Company based on valuation reports.

II. Financial Performance

(I) Analysis of Financial Performance

Unit: NT\$1,000; %

| Item \ Year | 2021 | 2022 | Difference | % | Remark |
|-----------------------------------|------------|-------------|-------------|-------|--------|
| Sales Revenue | 17,980,007 | 22,004,313 | 4,024,306 | 22 | Note1 |
| Operating Costs | 13,877,962 | 16,716,776 | 2,838,814 | 20 | Note1 |
| Gross Profit | 4,102,045 | 5,287,537 | 1,185,492 | 29 | Note1 |
| Operating Expenses | 3,049,851 | 3,463,162 | 413,311 | 14 | |
| Operating Profit | 1,052,194 | 1,824,375 | 772,181 | 73 | Note1 |
| Non-operating Income and Expenses | 150,347 | 561,309 | 410,692 | 273 | Note2 |
| Profit Before Income Tax | 1,202,541 | 2,385,414 | 1,182,873 | 98 | Note3 |
| Tax Expense | (273,188) | (522,686) | (249,498) | 91 | Note4 |
| Net Income | 929,353 | 1,862,728 | 933,375 | 100 | Note3 |
| Other Comprehensive Income | 4,972,725 | (1,738,825) | (6,711,550) | (135) | Note5 |
| Total Comprehensive Income | 5,902,078 | 123,903 | (5,778,175) | (98) | Note5 |

Note 1: Mainly due to the easing of the pandemic and the recovery of the economy during the current year which caused the increase in orders, and consequently, the rise in costs, gross profit, and operating profit.

Note 2: Mainly due to the increase in dividend income from Dalian Chemical received during the current year amounts to an additional 0.41 billion compared to the previous year.

Note 3: Mainly due to the easing of the pandemic and the recovery of the economy which caused the increase in order volume, and also the higher dividend income received from Dalian Chemical during the current year.

Note 4: Mainly due to the increase of tax expense is the growth in consolidated profits during the current period.

Note 5: Mainly due to the decrease of other comprehensive income and total comprehensive income is the valuation loss on financial assets measured at fair value through other comprehensive income during the current period is the main reason for this.

(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 for 2022

Unit: NT\$1,000

| Cash Balance 2021/12/31 | Net Cash Flow from Operating Activities | Net Cash Flow from Investing Activities | Net Cash Flow from Financing Activities | Effect of Exchange Rate Changes | Cash Balance 2022/12/31 |
|----------------------------|---|---|---|---------------------------------------|----------------------------|
| 3,231,306 | 1,916,763 | 694,838 | (1,918,865) | 51,226 | 3,975,268 |

(I) Cash Flow Analysis for 2022:

1. Operating Activities: Mainly due to the increase in net profit and the reduction in controlled inventory.
2. Investing Activities: Mainly due to the disposal of non-current assets held for sale, an increase in received dividends, and a decrease in time deposits with an original maturity over 3 months.
3. Financing Activities: Mainly due to loan repayments.

(II) Improvement Plan for Insufficient Liquidity: There is no insufficiency of cash liquidity.

(III) Analysis of Cash Flow Liquidity for the Coming Year: Not applicable.

IV. Financial and Business Impact from Major Capital Expenditure Items

(I) Major Capital Expenditure Items and Source of Capital

Unit: NT\$1,000

| Plan | Actual or Planned Source of Capital | Actual or Planned Date of Completion | Total Amount | Actual Use of Capital | | |
|--|--|--|-----------------|-----------------------|---------|---------|
| | | | | Before 2022 | 2022 | 2023 |
| R&D and Administrative Building and equipment | Working Capital and Bank Loan | 2023/12/31 | 980,000 | 509,555 | 370,435 | 100,010 |
| 2022 new equipment, equipment renewal and capacity expansion | Working Capital | 2022/12/31 | 650,000 | - | 650,000 | - |
| 2023 new equipment, equipment renewal and capacity expansion | Working Capital | 2023/12/31 | 650,000 | - | - | 650,000 |

(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. After the aforementioned capital expenditures and equipment replacement, apart from increasing product output, they also contribute to reducing production costs and enhancing product quality. Additionally, the construction of the R&D and administrative building project can revitalize the land assets and bring positive benefits to the long-term operational development of the Company.

V. Long-term Equity Investment Policy and Results Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

The Company's equity-method investments are made in accordance with the Company's development strategy and operational needs, seeking suitable strategic partners. In 2022, the investment loss recognized under the equity method amounted to NT\$714 thousands, compared to an investment income of NT\$33,224 thousands in 2021, resulting in an increase of NT\$33,938 thousands in investment losses. This increase is mainly due to the disposal of the 30% shareholding in the affiliated company, Total Acrylic Polymer Industry (TAPI) Corp., which was completed in January 2022. In the future, the Company will continue to follow a long-term strategic investment approach when using the equity method for investment, while maintaining ongoing prudent evaluations.

VI. Analysis of Risk Management

(I) Risk Management Policy and Framework

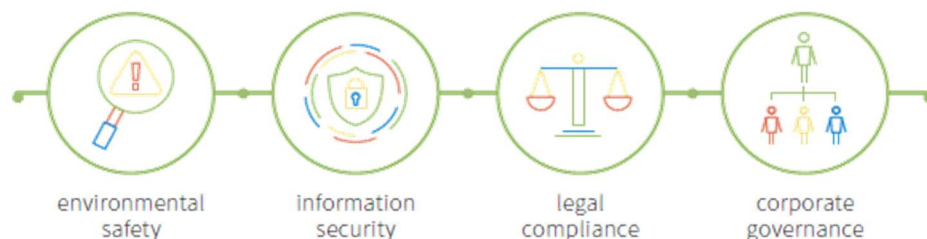
1. Enterprise Risk Management Framework

The risk management organization of the Company is led by the Board of Directors, which serves as the highest management and decision-making body. The Board of Directors formulates risk management policies in accordance with the Company's business strategy and industry environment, ensuring the effective operation of management mechanisms. In 2021 the Company integrated its risk management units into a "Risk Management Team" under the jurisdiction of the Board of Directors. The CEO serves as the convener of the Risk Management Team, and the top executives of each functional unit serve as team members. They are responsible for implementing the risk management policies approved by the Board of Directors, including reviewing the Company's risk identification procedures, addressing risk control-related issues, and overseeing the overall implementation and coordination.



2. Risk Management Scope

- (1) In order to implement a balanced risk management mechanism, the Company integrates and manages various potential risks that may impact its operations and profitability, including strategic, operational, financial, and hazardous risks. By establishing an enterprise risk management execution procedure, the Company aims to provide appropriate risk management for all stakeholders. A risk matrix is used to assess the frequency of risk events and their impact on the company's operations, define the priority and level of risks, and adopt corresponding risk management strategies based on the risk levels.
- (2) Starting from three key risk issues: environment, social, and corporate governance, the Company further identifies specific risk items. The main categories of risk management include "environmental safety," "information security," "legal compliance," and "corporate governance." The Company addresses overall risk analysis, prevention, monitoring, and significant risk control issues, and reports to the Board of Directors at least once a year.



(II) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

1. Changes in Interest Rates

The Company's interest rate risk primarily arises from fixed and floating rate short-term and long-term borrowings obtained to support operational and investment activities. Fluctuations in market interest rates can result in volatility in future cash flows related to interest payments. To mitigate the adverse impact of interest rate fluctuations on operational results, the Company manages interest rate risk by maintaining an appropriate mix of fixed and floating rate borrowings, aiming to reduce the impact of interest rate risk on earnings. In 2022, interest expenses amounted to NT\$86,315 thousands, accounting for 0.39% of the current net revenue. Based on the Company's calculation of financial liabilities' cash flow interest rate risk in 2022, an increase of 1 basis point (0.25%) in market interest rates would lead to a decrease of NT\$5,548 thousands in profit before tax.

2. Changes in Foreign Exchange

The Company's exchange rate risk primarily arises from cash and cash equivalents, accounts receivable, borrowings, and accounts payable denominated in foreign currencies. Therefore, fluctuations in international exchange rates may affect operating revenue, operating costs, and ultimately profit performance when denominated in foreign currencies. To mitigate the adverse impact of exchange rate fluctuations on operational results, the Company and its subsidiaries engage in certain purchasing and sales transactions quoted in US dollars, which create a natural hedging effect and reduce the impact of exchange rate risk on earnings. In 2022, the net gain from foreign currency exchange amounted to a profit of NT\$71,780 thousand, accounting for 0.33% of the current net revenue. Based on the Company's calculation of monetary items denominated in foreign currencies for 2022, a 1% appreciation of the NT\$ against the US dollar would result in a decrease of NT\$16,889 thousands in consolidated profit before tax.

3. Inflation

Taiwan's Directorate-General of Budget, Accounting and Statistics announced that the Consumer Price Index (CPI) for 2022 reached a 2.95% annual growth rate, marking a 14-year high. After reaching its peak at 3.59% in June of 2022, it began to moderate, and by February of 2023, it had decreased to 2.43%. However, it still remains above the central bank's target of 2%. As for the Company, its main raw materials include adipic acid, vinyl acetate, hydrogenated petroleum resin, chloroprene rubber, and EVA latex. While transportation costs and prices have decreased from last year's peak, they are still relatively high compared to past procurement costs. The Company procures raw materials mostly through contractual negotiations, allowing for price adjustments with suppliers in response to inflationary trends. Therefore, fluctuations in raw material prices are not expected to have a significant adverse impact on the Company's profitability in the short term. However, the Company will continue to prudently evaluate the price trends of essential raw materials and develop optimal procurement strategies based on operational needs in the future.

(III) Policies, Main Causes of Profit or Loss, and Future Measures Regarding High-Risk, Highly Leveraged Investments, Fund Lending, Endorsements and Guarantees, and Derivative Transactions

1. In 2022 and up to the date of this Annual Report, the Company has not engaged in high-risk or highly leveraged financial investments.

2. When engaging in fund lending, endorsements and guarantees, and derivative transactions, the Company and its subsidiaries comply with relevant operational procedures and regularly report as required by regulatory authorities:

(1) Capital Lending to Others: The Company and its subsidiaries made no intercompany loans as of the publication date of the Annual Report.

(2)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.

(3)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 Expenses

1. The Company incurred R&D expenses of NT\$513,724 thousands in 2022, accounting for 2.33% of the revenue. To ensure and enhance the Company's competitive advantage, the Company will continue to invest in R&D funds. The estimated R&D expenses for 2023 are expected to range from 2% to 4% of the revenue, depending on the operational situation and future demand elasticity.

2. For future R&D plans, please refer to the " Letter to Shareholders / Research and Development Status" and "V 、Operational Highlight / (III)Research and Development"

(V) Impact of Significant Domestic and International Policy and Legal Changes on the Company's Financial Operations and Response Measures

The Company closely monitors any domestic and international policies and regulations that may affect its financial and business operations and establishes relevant risk management procedures. In the recent year and up to the printing date of the Annual Report, there have been no significant impacts on the Company's financial operations resulting from domestic and international policy and legal changes.

(VI)Impact of Technological Changes and Industry Transformation on the Company's Financial Operations and Response Measures

To adapt to technological changes, the Company established the Information Security Committee under the Board of Directors in November 2021. The CEO serves as the convener and is responsible for coordinating the Company's information security policies and governance. Furthermore, the Company's Information Security Management System (ISMS) obtained third-party verification and ISO 27001 international standard certification in June 2022, enhancing information security management policies and related procedures. In the future, the establishment of the security defense system will strengthen areas such as host vulnerability updates, endpoint detection and response, abnormal monitoring of security protection, intrusion detection and protection, complete system backups, and security monitoring platforms. Both managerial and technical aspects will be enhanced to increase defense depth and mitigate information security risks. In the recent year and up to the printing date of the annual report, technological changes and industry transformations have not had a significant impact on the Company's financial operations.

(VII) Impact of Corporate Image Changes on Crisis Management and Response Measures

Since its establishment, the Company has adhered to the principles of integrity and prudent management, while maintaining a positive corporate image. The Company's positive image reflects its excellent operations, rigorous corporate governance, and its commitment to being a responsible corporate citizen by actively pursuing innovation in the economic, environmental, and social dimensions. In the recent year and up to the printing date of the annual report, there have been no incidents of corporate image changes that have affected the Company's crisis management.

(VIII) Expected Benefits, Potential Risks, and Response Measures of Mergers and Acquisitions

Taking into consideration the future market and technological trends in the carbon fiber composite industry, on December 27, 2022, the Board of Directors of the subsidiary, Nan Pao Advanced Investment Co., Ltd., approved the acquisition of a 70% equity stake in Changshu Yu Bo Polymer Materials Co., Ltd., a Mainland China investment enterprise, held by ARTUS COMMERCE LTD., an overseas company based in Seychelles, for a total of CNY 115,416 thousands. Yubo specializes in the production of epoxy resin, primarily used

in carbon fiber composite applications, with a focus on sports equipment and the development of industrial flame retardants, hydrogen cylinders, and electronic materials. This acquisition enables Nan Pao to enter the Mainland China market for resin used in carbon fiber, seizing opportunities in import substitution, lightweighting, and new energy, and promoting the development of our carbon fiber business. Both Nan Pao and Yu Bo produce epoxy resin, allowing for the sharing of technology and resources despite different application areas. Moving forward, the Company will continue to comply with relevant regulations and adopt a cautious approach to assess the various benefits and control the risks associated with this acquisition, aiming to maximize overall operational profitability and minimize risks to the Company.

(IX) Expected Benefits, Potential Risks, and Response Measures of Factory Expansion

The expansion of the Company's factory was carefully evaluated based on existing capacity and anticipated operational growth. The investment benefits and potential risks were taken into consideration, and significant capital expenditures were submitted for board approval.

(X) Risks and Response Measures Related to Concentrated Purchasing or Sales

1. Risks and Response Measures Related to Concentrated Purchasing

Currently, the Company does not face any concentrated purchasing risks. Important raw materials are sourced from two or more suppliers, and maintain good and stable relationships with the suppliers. In addition to having sufficient control over the supply of raw materials, the Company strictly manages product quality and delivery schedules to ensure the reliable supply of key materials. In the past two fiscal years, no single supplier accounted for more than 10% of net purchases.

2. Risks and Response Measures Related to Concentrated Sales

Currently, the Company does not face any concentrated sales risks. As the operational scale expands and new products and customers are continuously developed, the risk of concentrated sales is reduced. In the past two fiscal years, no single customer accounted for more than 10% of net sales.

(XI) Impact, Risks, and Response Measures Regarding Directors or Shareholders Holding Over 10% of Shares and Significant Transfer or Replacement of Ownership

In the most recent year and up to the date of printing this annual report, there have been no significant transfers or replacements of ownership by directors or shareholders holding over 10% of shares that would impact the Company.

(XII) Impact, Risks, and Response Measures Regarding Changes in Management Control

In the most recent year and up to the date of printing this annual report, there have been no risks associated with changes in management control that would impact the Company.

(XIII) Disclosure of Significant Lawsuits, Non-Litigation Events, and Administrative Disputes Involving the Company, Directors, General Manager, Shareholders Holding Over 10% of Shares, and Subsidiaries, which have been Judged or are Pending, and whose outcomes may have a significant impact on Shareholders' Equity or Security Prices. The details of the disputed facts, amount involved, commencement date, main parties involved, and the status as of the date of printing this annual report should be disclosed:

1. The current pending lawsuit against the Company is as follows. However, the outcome of this lawsuit is not expected to have a significant adverse impact on the Company's finances or operations:

The Company obtained the current factory site land through the completion of agricultural land reorganization conducted by the Tainan City Government Land Administration Bureau in 1969. However, during the re-survey of land registration maps by the Jiali Land Office in 2018, it was discovered that the registered area did not match the actual site conditions. The land area of the Company was determined to be larger, resulting in a supplementary land price payment of NT\$14,465 thousands. The Company disagreed with this administrative decision and filed an administrative appeal, which was rejected. Subsequently, the Company filed an administrative lawsuit. The Kaohsiung High Administrative Court ruled against the

Company on January 2, 2020. After appealing, the Supreme Administrative Court revoked the original judgment on April 8, 2021, and the case was sent back to the Kaohsiung High Administrative Court. On April 19, 2022, the Kaohsiung High Administrative Court ruled to annul both the administrative decision and the appeal decision. The lawsuit is currently under review by the Supreme Administrative Court.

2. The pending lawsuits involving subsidiaries are as follows. However, the outcomes of these lawsuits are not expected to have a significant adverse impact on the Company's finances or operations:

(1) Regarding certain overdue receivables from some sales customers, the subsidiaries have filed lawsuits requesting payment of the outstanding amounts through the court's authority to expedite the repayment. Some cases have received favorable judgments from the court and are currently under compulsory execution. Other cases are still pending court hearings. The subsidiaries have already made provisions for potential bad debt losses related to the aforementioned overdue receivables and have been gradually collecting partial outstanding amounts from the customers.

(2) In 2007, the Company acquired ownership of the land, buildings, and machinery and equipment of Ho Kuei Chemicals Co., Ltd. (hereinafter referred to as "Ho Kuei Chemicals") through a public auction at the Changhua District Court and subsequently sold them to the subsidiary Nan Pao Chemical Co., Ltd. for production purposes. On January 31, 2008, a third party, Fu Chien Management Consulting Company (hereinafter referred to as "Fu Chien Management"), filed a report with the Taiwan Changhua District Court claiming to be the chattel mortgagee of the aforementioned machinery and equipment and imposed a seal on them. The subsidiary Nan Pao Chemical Co., Ltd. filed an objection lawsuit against Fu Chien Management, arguing that Fu Chien Management's claim to the machinery and equipment debt was falsely non-existent. However, in January, 2000, a fire occurred at Nan Pao Chemical Co., Ltd., resulting in the destruction of the factory and machinery. The subject matter of the lawsuit was changed to confirm the ownership of the machinery. If the court determines that the machinery does not belong to Nan Pao Chemical Co., Ltd. and that the damage was caused by its negligence, Nan Pao Chemical Co., Ltd. would be held responsible for damages. The civil lawsuit was ruled by the Supreme Court of Taiwan on June 21, 2017(Supreme Court Judgment No. 395 of 2017), stating that the machinery and equipment did not belong to Nan Pao Chemical Co., Ltd.

According to the judgment of the Changhua District Court, Ho Kuei Chemicals claims ownership of the machinery and equipment inside the factory and has filed a lawsuit for compensation against Nan Pao Chemical Co., Ltd. due to the fire caused by its alleged negligence, seeking an amount of NT\$53,102 thousands. However, the requested amount by Ho Kuei Chemicals is based on the purchase price of the machinery and equipment and does not consider depreciation based on the durable life of real estate, factory buildings, and equipment. The machinery and equipment were purchased from the 1990s to the 2000s, and their residual value is expected to be less than NT\$53,102 thousands. The consolidated Company has already made provisions of NT\$38,445 thousands for the remaining value of the machinery and equipment. Subsequently, on May 18t, 2022, the Changhua District Court ruled against Nan Pao Chemical Co., Ltd. in the first instance, ordering it to compensate Ho Kuei Chemicals for NT\$15,267 thousands and an interest of 5% per annum from March 8, 2012 until the date of full payment, totaling NT\$23,246 thousands. Nan Pao Chemical Co., Ltd. has filed an appeal in the second instance on June 27, 2022 and has deposited the aforementioned compensation amount. Additionally, in accordance with the first-instance judgment, a liability provision of NT\$15,199 thousands has been reversed.

3. There are no lawsuits, non-litigation disputes, or administrative litigations involving the directors, general manager, substantial responsible person, or shareholders holding more than 10 percent of the shares that have been finally judged or are currently pending, and whose outcomes may have a significant impact on the shareholders' equity or securities prices.
- (XIV) Other significant risks and response measures:
During the most recent year and up to the date of this annual report, there are no other known significant risks that could potentially have a material impact on the Company's financial condition.

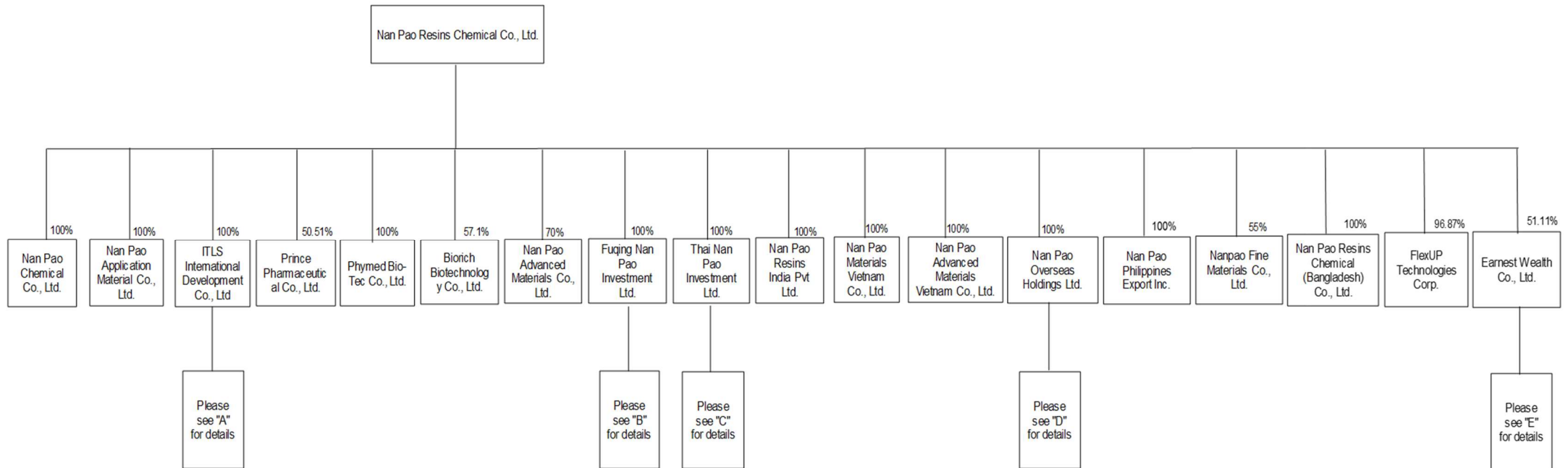
VII. Other Important Matters: None.

VIII. Special Disclosure

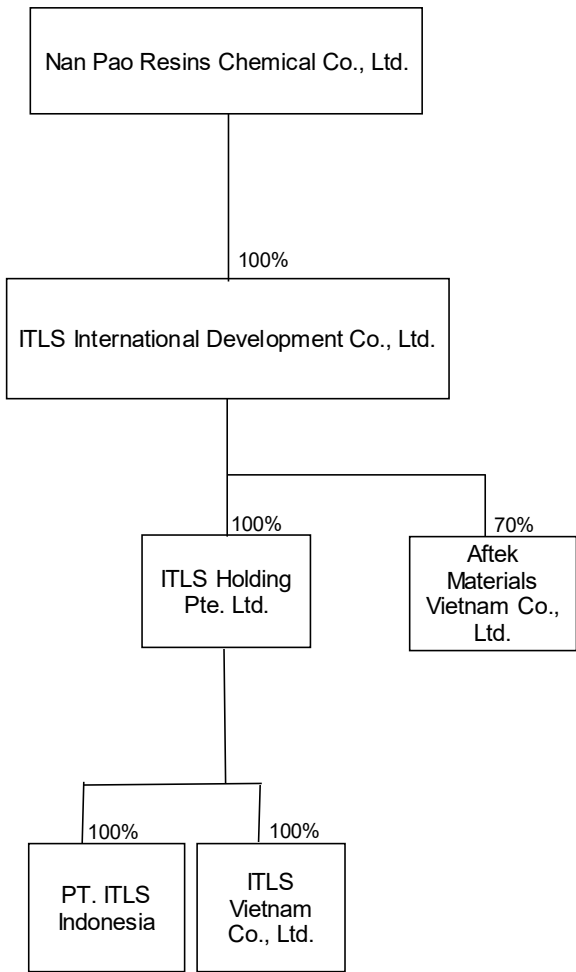
I. Summary of Affiliated Companies

- (I) The Consolidated Business Report of Affiliated Companies
 1. Subsidiaries Chart Chart of Affiliated Companies

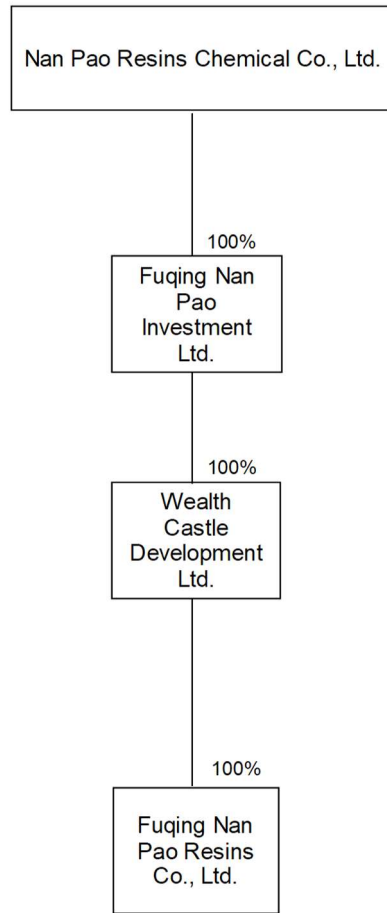
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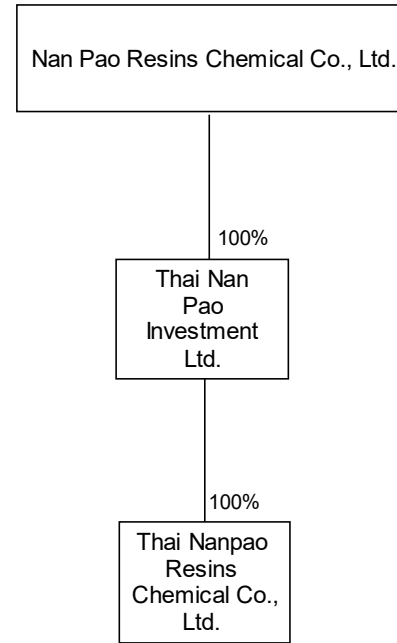
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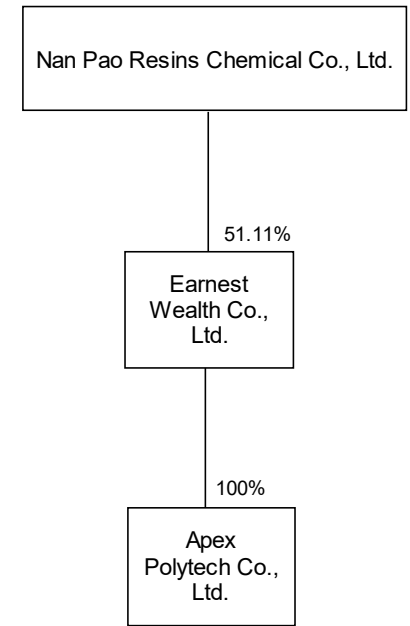
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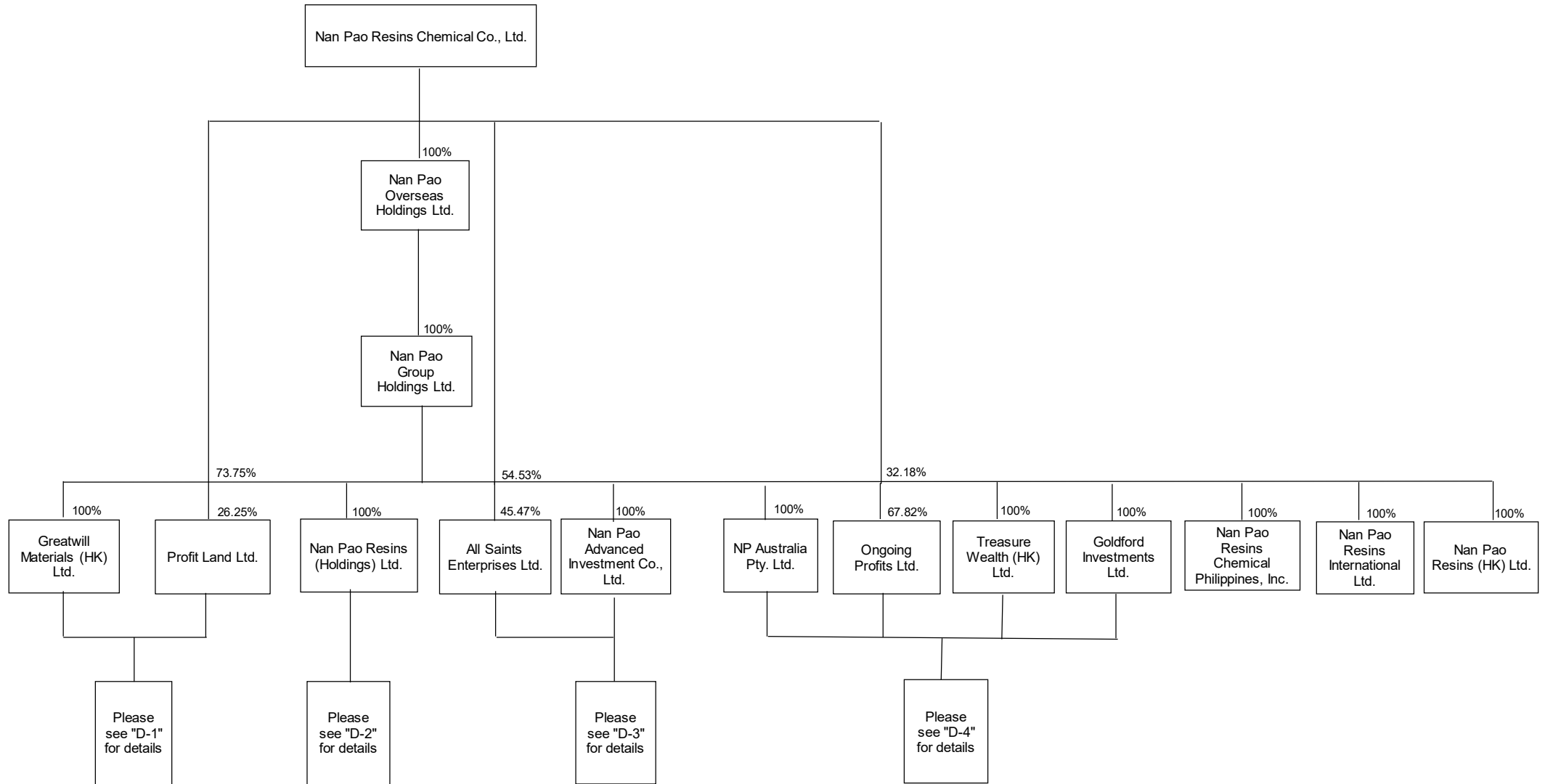
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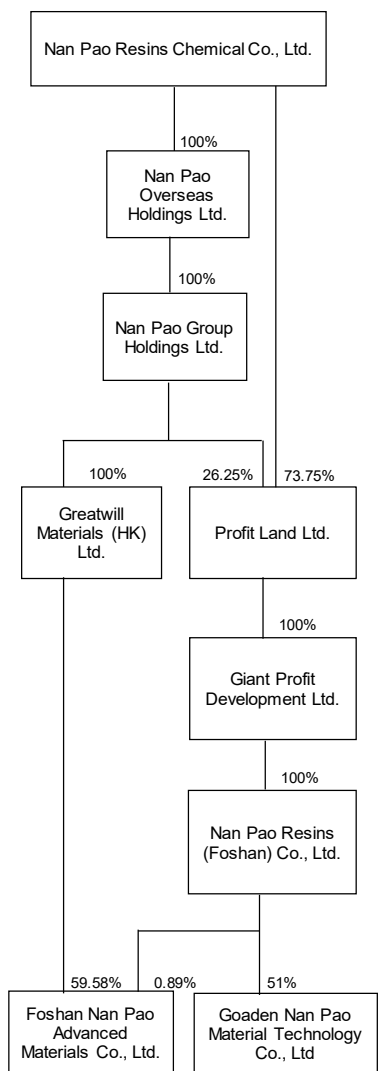
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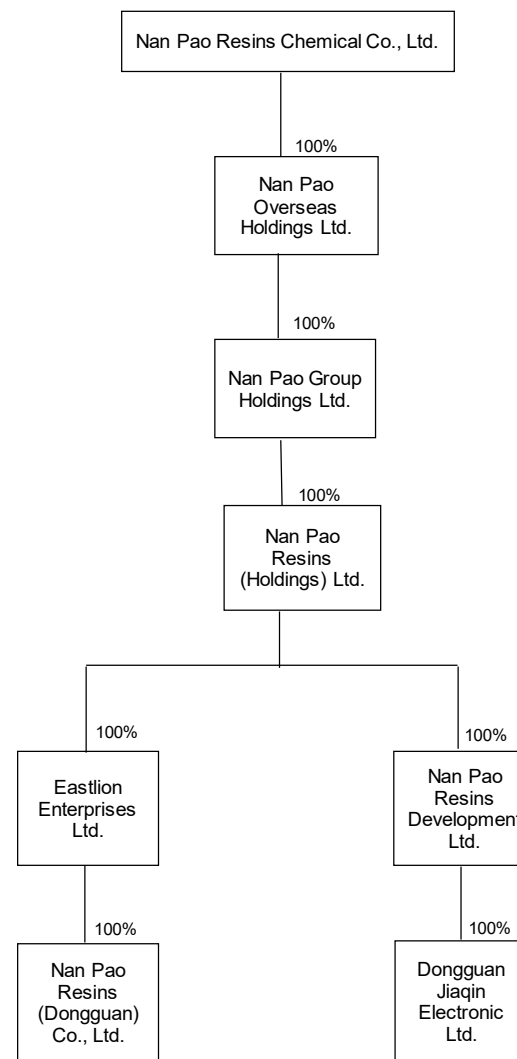
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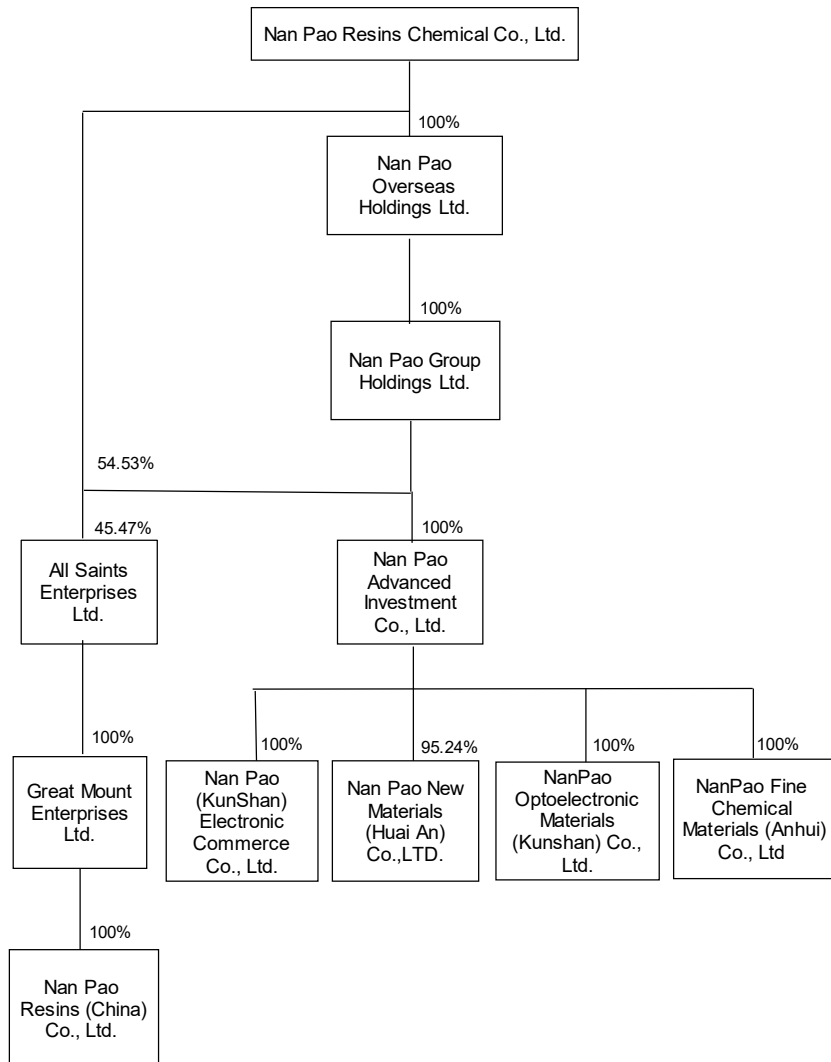
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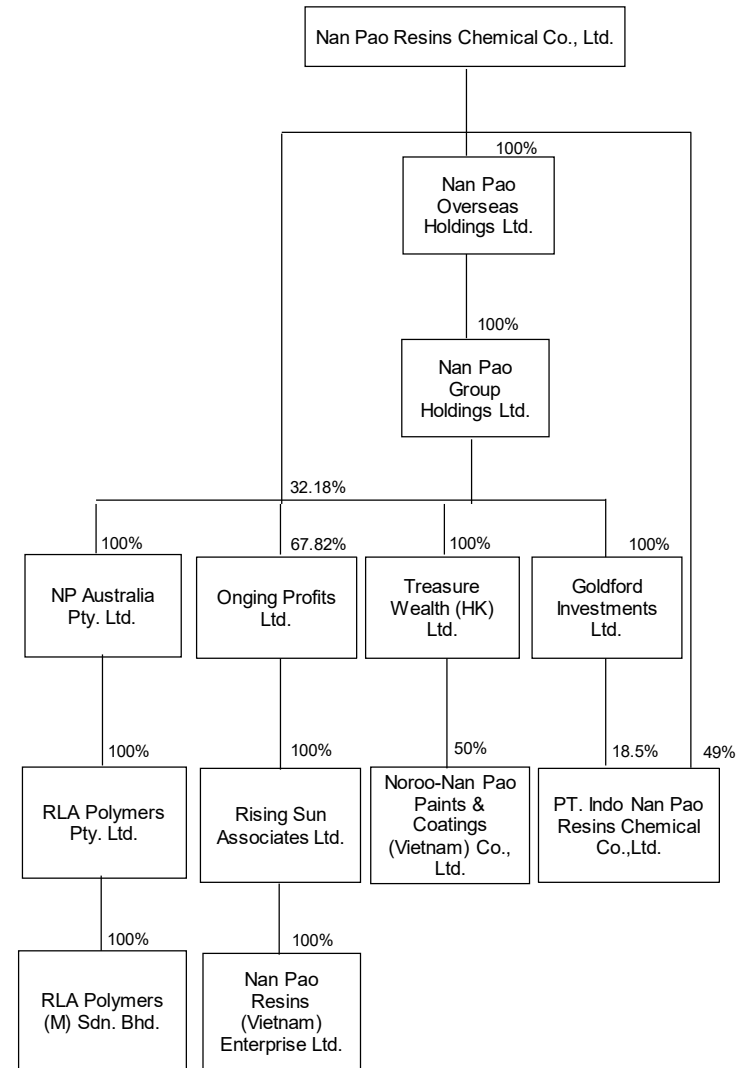
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2. Information Regarding Affiliated Companies

December 31, 2022 / Unit: dollar

| Company | Date of Incorporation | Place of Registration | Paid-in Capital | | Major Business |
|--|-----------------------|---|-----------------|-----------------|-------------------------------------|
| Nan Pao Overseas Holdings Ltd. | 2007.12.14 | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. | USD | 78,056,502 | General investment |
| Nan Pao Group Holdings Ltd. | 2004.05.11 | Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands. | USD | 78,056,502 | General investment |
| Treasure Wealth (HK) Ltd. | 2009.07.28 | 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. | 2008.05.05 | Kcn 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. | 2009.10.29 | Flat 13, 10F., Building B Tonic Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong | USD | 920 | General investment |
| Foshan Nan Pao Advanced Materials Co., Ltd. | 2010.03.16 | No. 12, Kohler Boulevard, Leping Township, Sanshui Dist., Foshan City | CNY | 11,515,847 | Production and trading of adhesives |
| Ongoing Profits Ltd. | 1999.07.08 | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. | USD | 4,847,546 | General investment |
| Rising Sun Associates Ltd. | 1999.07.08 | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. | USD | 3,000,000 | General investment |
| Nan Pao Resins (Vietnam) Enterprise Ltd. | 1999.09.24 | 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 |
| Nan Pao Resins Chemical Philippines, Inc. | 2011.01.28 | Road 22 Phase 11, Cogeo Village, Antipolo City, Philippines | PHP | 9,000,000 | Trading of adhesives |
| Goldford Investments Ltd. | 1994.01.06 | Creque Buildin, P.O. Box 116, Road Town, Tortola, British Virgin Islands | USD | 486,000 | General investment |
| Nan Pao Resins (Holdings) Ltd. | 1995.09.26 | P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands | USD | 100 | General investment |
| Eastlion Enterprises Ltd. | 1993.09.06 | P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands | USD | 20,240 | General investment |

| Company | Date of Incorporation | Place of Registration | Paid-in Capital | | Major Business |
|---|-----------------------|---|-----------------|-------------|---|
| Nan Pao Resins (Dongguan) Co., Ltd. | 2011.04.12 | 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. | 2002.02.12 | P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands | USD | 3,000,000 | General investment |
| Dongguan Jiaqin Electronic Ltd. | 2007.02.08 | 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. | 2013.03.04 | Collins Square Tower Five Level 22, 727 Collins Street, Docklands VIC 3008 | AUD | 30,214,354 | General investment |
| RLA Polymers Pty. Ltd. | 1967.10.16 | 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. | 1992.04.23 | No.5, Lebuhraya Petai, Pandamaran, 42000 Port Klang, Selangor Darul Ehsan, Malaysia | MYR | 18,415,500 | Production and trading of construction materials and chemicals |
| Nan Pao Materials Vietnam Co.,Ltd. | 2014.12.15 | 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. | 1992.07.14 | 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. | 2017.04.14 | 2F., No. 600-2, Kunjia Rd., Kunshan Economic Technical Development Zone, Jiangsu Province | CNY | 198,815,350 | General investment |
| Nan Pao (KunShan) Electronic Commerce Co., Ltd. | 2017.08.09 | 2F., No. 600-2, Kunjia Rd., Kunshan Economic Technical Development Zone, Jiangsu Province | CNY | 9,579,390 | Online commerce agency and trading of common goods |
| Nanpao Optoelectronic Materials (Kunshan) Co., Ltd. | 2021.05.31 | No. 600, Kunjia Rd., Kunshan Economic Technical Development Zone, Jiangsu Province | CNY | 5,175,280 | Production and trading of adhesives and chemicals |
| NanPao Fine Chemical Materials (Anhui) Co., Ltd. | 2022.08.23 | No. 8, Huangguan Road, High-tech Zone, Anqing City, Anhui Province | CNY | 35,000,000 | Production and trading of coatings and chemicals |
| Nan Pao Resins (HK) Limited | 2019.06.26 | 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 |

| Company | Date of Incorporation | Place of Registration | Paid-in Capital | | Major Business |
|---|-----------------------|---|-----------------|---------------|--|
| Profit Land Ltd. | 2004.09.17 | Equity Trust Chambers, P.O. Box 3269, Apia, Samoa | USD | 1,333,333 | General investment |
| Giant Profit Development Ltd. | 2009.03.13 | 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. | 2004.08.26 | No. 12, Kohler Boulevard, Leping Township, Sanshui Dist., Foshan City | CNY | 63,153,850 | Production and trading of adhesives |
| Goaden Nan Pao Material Technology Co., Ltd | 2016.05.25 | 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. | 1994.02.08 | Jl. Pajajaran Raya No. 44, Jatiuwung Tangerang 15137, Indonesia | IDR | 5,625,000,000 | Production and trading of adhesives |
| All Saints Enterprises Ltd. | 1997.08.13 | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. | USD | 10,000,000 | General investment |
| Great Mount Enterprises Ltd. | 2009.07.31 | Unit 2102, 21/F The Broadway, No. 54-62 Lockhart, Road, Wanchai, Hong Kong | USD | 1,282 | General investment |
| Nan Pao Resins (China) Co., Ltd. | 1996.03.28 | 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. | 2004.08.20 | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. | USD | 4,990,000 | General investment |
| Wealth Castle Development Ltd. | 2009.03.13 | 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. | 1993.12.27 | Hongkuan Industrial Village, Yangxia Township, Fuqing City | CNY | 33,779,302 | Production and trading of adhesives |
| Thai Nan Pao Investments Ltd. | 2004.08.20 | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. | USD | 5,282,000 | General investment |
| Thai Nanpao Resins Chemical Co., Ltd. | 1987.12.25 | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. | THB | 211,970,000 | Production and trading of adhesives |
| Phymed Bio-Tec Co., Ltd. | 2009.06.30 | No. 519, Zhongshan Rd., Xigang Dist., Tainan City | TWD | 24,000,000 | R&D and trading of healthy food |

| Company | Date of Incorporation | Place of Registration | Paid-in Capital | | Major Business |
|--|-----------------------|--|-----------------|-----------------|--|
| ITLS International Development Co., Ltd. | 2009.01.22 | 3F., No. 356, Sec. 1, Neihu Rd., Neihu Dist., Taipei City | TWD | 246,000,000 | Trading of construction materials and chemicals |
| ITLS Holding Pte. Ltd. | 2009.08.11 | Blk 1049, Eunos Avenue 6, #01-132, Singapore 409628 | SGD | 22,064,549 | General investment |
| PT. ITLS Indonesia | 2009.04.29 | Jl. Pajajaran Raya No. 44, Kel. Gandasari, Kec. Jatiuwung, Tangerang-15137 Indonesia | IDR | 27,510,865,920 | Production and trading of construction materials |
| ITLS Vietnam Co., Ltd. | 2010.03.04 | 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. | 2018.02.02 | 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 Chemical Co., Ltd. | 2007.05.14 | No. 519, Zhongshan Rd., Xigang Dist., Tainan City | TWD | 150,000,000 | Trading of chemicals |
| Biorich Biotechnology Co., Ltd. | 2001.12.04 | 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 healthy food |
| Nan Pao Application Material Co., Ltd. | 2009.12.25 | No. 519, Zhongshan Rd., Xigang Dist., Tainan City | TWD | 2,000,000 | Trading of chemicals |
| Nan Pao Resins India Pvt. Ltd. | 2012.09.04 | 204, Abhishek, off New Link Road, Andheri (W), Mumbai 400053, India | INR | 30,000,000 | Trading of adhesives |
| Prince Pharmaceutical Co., Ltd. | 1962.07.31 | No. 168, Keyun S. Rd., Huwei Township, Yunlin County, Central Science Park | TWD | 331,930,000 | Production, packaging, and processing of raw materials for various pharmaceutical and healthy food |
| Nan Pao Advanced Materials Co., Ltd. | 2015.08.10 | No. 521, Zhongshan Rd., Xigang Dist., Tainan City | TWD | 5,000,000 | Trading of adhesives and chemicals |
| Nan Pao Advanced Materials Vietnam Co., Ltd. | 2016.04.22 | 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 |
| Nan Pao Philippines Export Inc. | 2019.09.25 | Lot IL-2 Subic Bay Gateway Park Phase II, Subic Bay Freeport Zone | PHP | 25,750,000 | Trading of adhesives |

| Company | Date of Incorporation | Place of Registration | Paid-in Capital | | Major Business |
|--|-----------------------|--|-----------------|----------------|---|
| Nanpao Fine Materials Co., Ltd. | 2020.10.15 | No. 217, Xinxing Street, Xigang District, Tainan City | CNY | 25,000,000 | Production and trading of adhesives and chemicals |
| Nanpao New Materials (Huaian) Co., Ltd. | 2020.03.09 | No.79, Shanyang Avenue, Huaian District, Huai'an City | CNY | 73,384,200 | Production and trading of carbon fiber |
| Nan Pao Resins Chemical (Bangladesh) Co., Ltd. | 2021.06.30 | House No, 42 5th floors, Lake drive Road, Sector 7, Ultara, Dhaka | BDT | 12,592,500 | Trading of adhesives |
| FlexUP Technologies Corp. | 2014.08.26 | 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. | 2017.04.18 | Level 2, Lotenau Centre Building, Vaea Street, Apia, Samoa | USD | 1,800,000 | General investment |
| Apex polytech Co., Ltd. | 2018.05.29 | 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. The presumed same shareholder information for entities deemed to have control and subsidiary relationships: None.
4. Overall business scope of all affiliated businesses Industries Covered by Overall Affiliated Business Operations:
 - (1)The main business or production items of each affiliated enterprise are detailed in "2. Information Regarding Affiliated Companies".
 - (2)The mutual services provided among affiliated enterprises primarily consist of two types: management services and accounting services. Management services include assigning personnel to handle administrative tasks such as procurement, logistics, customs affairs, and finance. Accounting services involve preparing reports based on the vouchers or documents provided by the service recipients for internal management purposes.
 - (3)Corresponding contracts are signed among affiliated enterprises, and charges are assessed according to internal pricing policies.

5. Information on Directors, Supervisors and General Managers of Affiliated Companies

April 30, 2022 / Unit: share

| 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% |

| Company | Title | Name | Shares held | Shareholding |
|---|------------------------------|---------------------|-------------|--------------|
| 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 | Shun-Hsing, Wu | - | 0.00% |
| | Director | Chien-Ping, Chen | - | 0.00% |
| | Director and General Manager | Chih-Hao, Fan | - | 0.00% |
| | Supervisor | Kuo-Chin, Liu | - | 0.00% |
| | Supervisor | Taeh-Young, Kim | - | 0.00% |
| Greatwill Materials (HK) Ltd. | Director | Cheng-Hsien, Wu | - | 0.00% |
| | Director | Ying-Lin, Huang | - | 0.00% |
| | Director | Ming-Hsien, Hsu | - | 0.00% |
| Foshan Nan Pao Advanced Materials Co., Ltd. | Chairman | 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% |
| 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 | Yong-Ching, Shen | - | 0.00% |
| | Director and General Manager | Chien-Ping, Chen | - | 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% |

| Company | Title | Name | Shares held | Shareholding |
|---|-----------------|-----------------------------|-------------|--------------|
| Nan Pao Resins Chemical Philippines, Inc. | 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% |
| | 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. | Chairman | 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 | Yung-Yi, Jiang | - | 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. | Chairman | 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 | Yung-Yi, Jiang | - | 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. | Chairman | Te-Tsung, Sun | - | 0.00% |
| | Director | Cheng-Hsien, Wu | - | 0.00% |
| | Director | Ming-Hsien, Hsu | - | 0.00% |
| | Supervisor | Shun-Hsing, Wu | - | 0.00% |
| | General Manager | Yong-Cheng, Lin | - | 0.00% |
| Nan Pao (KunShan) Electronic Commerce Co., Ltd. | Chairman | Te-Tsung, Sun | - | 0.00% |
| | Director | Cheng-Hsien, Wu | - | 0.00% |
| | Director | Ming-Hsien, Hsu | - | 0.00% |
| | Supervisor | Shun-Hsing, Wu | - | 0.00% |
| | General Manager | Yong-Cheng, Lin | - | 0.00% |
| Nanpao Optoelectronic Materials (Kunshan) Co., Ltd. | Chairman | Te-Tsung, Sun | - | 0.00% |
| | Director | Chao-Hsu, Wu | - | 0.00% |

| Company | Title | Name | Shares held | Shareholding |
|---|------------------------------|----------------------|-------------|--------------|
| Nanpao Optoelectronic Materials (Kunshan) Co., Ltd. | 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% |
| 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. | Chairman | 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% |
| Goaden Nan Pao 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 | Yuan-Yang, Lo | - | 0.00% |
| | Chairman and Supervisor | Ying-Lin, Huang | - | 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. | Chairman | Te-Tsung, Sun | - | 0.00% |
| | Director | Ming-Hsien, Hsu | - | 0.00% |
| | Director | Cheng-Hsien, Wu | - | 0.00% |
| | Supervisor | Shun-Hsing, Wu | - | 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. | Chairman | Te-Tsung, Sun | - | 0.00% |
| | Director | Ming-Hsien, Hsu | - | 0.00% |
| | Director | Cheng-Hsien, Wu | - | 0.00% |
| | Supervisor | Shun-Hsing, Wu | - | 0.00% |
| | General Manager | He-Feng, Chung | - | 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% |
| Phymed Bio-Tec Co., Ltd. | Chairman | 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. | Chairman | Ying-Lin, Huang (NAN PAO RESINS) | 24,600,000 | 100.00% |

| Company | Title | Name | Shares held | Shareholding |
|--|------------------------------|--------------------------------------|-------------|--------------|
| ITLS International Development Co., Ltd. | Director | Shun-Hsing, Wu (NAN PAO RESINS) | 24,600,000 | 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 | Chairman and Supervisor | Cheng-Hsien, Wu | - | 0.00% |
| | Director and General Manager | Yuan-Yang, Lo | - | 0.00% |
| ITLS Vietnam Co., Ltd. | Director and General Manager | Shun-Hsing, Wu | - | 0.00% |
| | Director | Chun-Min, Hsu | - | 0.00% |
| Nan Pao Chemical Co., Ltd. | Chairman | 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. | Chairman | Shun-Hsing, Wu (NAN PAO RESINS) | 391,462 | 57.10% |
| | Director | Ying-Lin, Huang (NAN PAO RESINS) | 391,462 | 57.10% |
| | Director | I-Tsung, Chang (SAN FU GLOBAL) | 41,175 | 6.01% |
| | Supervisor | Shu-Wen, Han | 2,470 | 0.36% |
| Nan Pao Application Material Co., Ltd. | Chairman | Cheng-Hsien, Wu (NAN PAO RESINS) | 200,000 | 100.00% |
| | Director | Shun-Hsing, Wu (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 and General Manager | Yi-Han, Xie | - | 0.00% |

| Company | Title | Name | Shares held | Shareholding |
|---|------------------------------|--------------------------------------|-------------|--------------|
| Prince Pharmaceutical Co., Ltd. | Chairman and General Manager | Chi-Ta, Lee | 1,050,000 | 2.90% |
| | Director | Kuo-Hua, Wang (NAN PAO RESINS) | 18,131,198 | 50.10% |
| | Director | Ying-Lin, Huang (NAN PAO RESINS) | 18,131,198 | 50.10% |
| | Director | Meng-Wei, Chen | - | 0.00% |
| | Independent Director | De-Pin, Tao | - | 0.00% |
| | Independent Director | Yun-Yao, Cheng | - | 0.00% |
| | Independent Director | Chin-Hua, Cheng | - | 0.00% |
| Nan Pao Advanced Materials Co., Ltd. | Chairman | Sen-Mao, Kuo (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% |
| 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 and General Manager | Reginald V. Mungcal | 100 | 0.00% |
| | Director | Cheng-Hsien, Wu (NAN PAO RESINS) | 24,999,600 | 100.00% |
| Nanpao Fine Materials Co., Ltd. | Chairman | Chao-Chian, Tsai (NAN PAO RESINS) | 1,375,000 | 55.00% |
| | Director | Kun-Chin, Lin (NAN PAO RESINS) | 1,375,000 | 55.00% |

| Company | Title | Name | Shares held | Shareholding |
|--|------------------------------|--------------------------------------|-------------|--------------|
| Nanpao Fine Materials Co., Ltd. | Director | Ke-Cheng, Chen | 1,000,000 | 40.00% |
| | Supervisor | Shu-Fen, Wu | - | 0.00% |
| Nanpao New Materials (Huaian) Co., Ltd. | Chairman | Te-Tsung, Sun | - | 0.00% |
| | Director | Ming-Hsien, Hsu | - | 0.00% |
| | Director and General Manager | Chang-Huang, Huang | - | 9.09% |
| | Supervisor | Kun-Chin, Lin | - | 0.00% |
| Nan Pao Resins Chemical (Bangladesh) Co., Ltd. | Chairman | Chin-Fu, Hsu | 1,250 | 1.00% |
| | Director | Kun-Chin, Lin (NAN PAO RESINS) | 123,750 | 99.00% |
| | Director and General Manager | Tseng-Hung, Ku (NAN PAO RESINS) | 123,750 | 99.00% |
| FlexUP Technologies Corp. | Chairman | Yong-Ching, Shen (NAN PAO RESINS) | 16,352,173 | 96.87% |
| | 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 Co., Ltd. | Director | Kuo-Chin, Liu | - | 0.00% |
| | Director | Chien-Ping, Chen | - | 0.00% |
| | General Manager | Hsien-Hao, Hsieh | - | 0.00% |
| NanPao Fine Chemical Materials (Anhui) Co., Ltd. | Chairman | Te-Tsung, Sun | - | 0.00% |
| | Director | Ying-Lin, Huang | - | 0.00% |
| | Director | Ming-Hsien, Hsu | - | 0.00% |
| | Director | Kun-Chin, Lin | - | 0.00% |
| | General Manager | Yong-Cheng, Lin | - | 0.00% |

6. Operational Highlights of Subsidiaries

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

| Company | Capital Stock | Total Assets | Total Liabilities | Net Worth | Net Sales | Operating Income | Net Profit / Loss | EPS |
|--|---------------|--------------|-------------------|-----------|-----------|------------------|-------------------|----------|
| Nan Pao Overseas Holdings Ltd. | 2,397,115 | 4,321,208 | 46 | 4,321,162 | - | (106) | 258,315 | 3.30 |
| Nan Pao Group Holdings Ltd. | 2,397,115 | 4,390,632 | 75,090 | 4,315,542 | - | (33,484) | 258,410 | 3.31 |
| Treasure Wealth (HK) Ltd. | 18 | 175,450 | 237 | 175,213 | - | (40) | 2,138 | 463.79 |
| Noroo-Nanpao Paints & Coatings (Vietnam) Co., Ltd. | 233,722 | 523,974 | 190,678 | 333,296 | 562,143 | 7,657 | 4,356 | NA |
| Greatwill Materials (HK) Ltd. | 28 | 501,150 | 11,365 | 489,785 | 32,174 | (811) | 65,701 | 9,160.82 |
| Foshan Nan Pao Advanced Materials Co., Ltd. | 50,762 | 1,273,804 | 457,944 | 815,860 | 2,532,553 | 116,359 | 113,177 | NA |
| Ongoing Profits Ltd. | 148,868 | 846,751 | - | 846,751 | - | (89) | 313,469 | 64.67 |
| Rising Sun Associates Ltd. | 92,130 | 845,240 | 36 | 845,204 | - | (213) | 313,554 | 104.52 |
| Nan Pao Resins (Vietnam) Enterprise Ltd. | 196,796 | 1,632,278 | 789,752 | 842,526 | 3,657,993 | 395,492 | 313,711 | NA |
| Nan Pao Resins Chemical Philippines, Inc. | 4,899 | 106,360 | 28,178 | 78,182 | 116,982 | 9,197 | 6,628 | 736.44 |
| Goldford Investments Ltd. | 14,925 | 101,320 | 57 | 101,263 | - | (56) | 19,949 | 41.05 |
| Nan Pao Resins (Holdings) Ltd. | 3 | 363,143 | - | 363,143 | - | (9) | 26,813 | 2,681.34 |
| Eastlion Enterprises Ltd. | 622 | 203,077 | - | 203,077 | - | (3,495) | 11,688 | 577.48 |
| Nan Pao Resins (Dongguan) Co., Ltd. | 75,552 | 188,428 | 34,990 | 153,438 | 336,431 | 4,777 | 15,184 | NA |
| Nan Pao Resins Development Ltd. | 92,130 | 152,754 | - | 152,754 | - | - | 15,134 | 5,044.70 |
| Dongguan Jiaqin Electronic Ltd. | 87,636 | 190,839 | 38,102 | 152,737 | 187,034 | 15,008 | 15,134 | NA |
| NP Australia Pty. Ltd. | 629,365 | 812,397 | (33,583) | 845,980 | - | (4,441) | 16,037 | 0.53 |
| RLA Polymers Pty. Ltd. | 581,615 | 2,352,590 | 1,627,518 | 725,072 | 2,712,718 | 15,842 | 19,129 | 1.16 |
| RLA Polymers (M) Sdn. Bhd. | 128,153 | 324,253 | 131,960 | 192,293 | 284,031 | 21,088 | 11,554 | 0.63 |
| Nan Pao Materials Vietnam Co., Ltd. | 706,330 | 1,624,132 | 420,849 | 1,203,283 | 1,981,367 | 175,808 | 157,048 | NA |
| Nan Pao Resins International Ltd. | 39 | 138,245 | 130,236 | 8,009 | 399,857 | (17,503) | 1,420 | 1.42 |
| Nan Pao Advanced Investment Co., Ltd. | 876,378 | 729,129 | 391 | 728,738 | - | (6,781) | (79,247) | NA |
| Nan Pao (KunShan) Electronic Commerce Co., Ltd. | 42,226 | 5,553 | 25 | 5,528 | 20 | 302 | 1,204 | NA |

| Company | Capital Stock | Total Assets | Total Liabilities | Net Worth | Net Sales | Operating Income | Net Profit / Loss | EPS |
|---|---------------|--------------|-------------------|-----------|-----------|------------------|-------------------|------------|
| Nanpao Optoelectronic Materials (Kunshan) Co., Ltd. | 22,813 | 15,567 | 251 | 15,316 | 2 | (5,998) | (5,981) | NA |
| NanPao Fine Chemical Materials (Anhui) Co., Ltd. | 154,280 | 154,199 | - | 154,199 | - | (168) | (132) | NA |
| Nan Pao Resins (HK) Limited | 534,354 | 668,620 | 203,512 | 465,108 | 881,128 | (12,734) | (17,819) | (1.02) |
| Profit Land Ltd. | 40,947 | 1,165,550 | 19,573 | 1,145,977 | - | (33) | 229,071 | 171.80 |
| Giant Profit Development Ltd. | 39 | 1,156,027 | - | 1,156,027 | - | (2) | 229,055 | 22,905.52 |
| Nan Pao Resins (Foshan) Co., Ltd. | 278,382 | 1,455,143 | 300,131 | 1,155,012 | 2,280,318 | 242,684 | 229,057 | NA |
| Goaden Nan Pao Material Technology Co., Ltd | 22,040 | 26,099 | 130 | 25,969 | 7,607 | (9) | 737 | NA |
| PT. Indo Nan Pao Resins Chemical Co., Ltd. | 11,138 | 903,629 | 359,056 | 544,573 | 1,527,467 | 159,263 | 133,447 | 128.24 |
| All Saints Enterprises Ltd. | 307,100 | 393,237 | - | 393,237 | - | (51) | (15,690) | (1.57) |
| Great Mount Enterprises Ltd. | 39 | 389,051 | 5 | 389,046 | - | (1) | (15,649) | (1,564.92) |
| Nan Pao Resins (China) Co., Ltd. | 362,381 | 549,309 | 160,398 | 388,911 | 725,477 | (21,388) | (15,649) | NA |
| Fuqing Nan Pao Investment Ltd. | 153,243 | 206,175 | 36 | 206,139 | - | (88) | 21,656 | 4.34 |
| Wealth Castle Development Ltd. | 39 | 206,438 | 387 | 206,051 | - | (182) | 21,741 | 2.17 |
| Fuqing Nan Pao Resins Co., Ltd. | 148,899 | 289,125 | 83,644 | 205,481 | 515,327 | 27,861 | 21,923 | NA |
| Thai Nan Pao Investments Ltd. | 162,210 | 181,123 | 36 | 181,087 | - | (86) | 762 | 0.14 |
| Thai Nanpao Resins Chemical Co., Ltd. | 189,522 | 151,960 | 19,375 | 132,585 | 80,891 | (1,528) | 726 | 0.00 |
| Phymed Bio-Tec Co., Ltd. | 24,000 | 20,281 | 3,503 | 16,778 | 2,052 | (3,990) | (4,025) | (1.68) |
| ITLS International Development Co., Ltd. | 246,000 | 344,660 | 84,734 | 259,926 | 368,197 | 36,239 | 19,974 | 0.77 |
| ITLS Holding Pte. Ltd. | 504,837 | 89,750 | 171 | 89,579 | - | (331) | (6,802) | (0.31) |
| PT. ITLS Indonesia Co., Ltd. | 54,472 | 18,113 | 4,041 | 14,072 | 28,626 | (2,280) | (3,134) | (1.29) |
| ITLS Vietnam Co., Ltd. | 123,683 | 72,287 | 137 | 72,150 | 55 | (4,165) | (3,332) | NA |
| Aftek Materials Vietnam Co., Ltd. | 70,893 | 30,094 | - | 30,094 | 73 | (11,851) | (11,042) | NA |
| Nan Pao Chemical Co., Ltd. | 150,000 | 188,388 | 6,263 | 182,125 | 14,974 | (3,612) | 13,383 | 0.89 |
| Biorich Biotechnology Co., Ltd. | 6,855 | 27,667 | 8,617 | 19,050 | 41,573 | 3,805 | 3,882 | 5.70 |

| Company | Capital Stock | Total Assets | Total Liabilities | Net Worth | Net Sales | Operating Income | Net Profit / Loss | EPS |
|---|---------------|--------------|-------------------|-----------|-----------|------------------|-------------------|--------|
| Nan Pao Application Material Co., Ltd. | 2,000 | 8,719 | 100 | 8,619 | - | (109) | (16) | (0.08) |
| Nan Pao Resins India Pvt. Ltd. | 11,163 | 29,360 | 3,070 | 26,290 | 34,745 | 1,508 | (763) | (0.25) |
| Prince Pharmaceutical Co., Ltd. | 331,930 | 1,299,344 | 640,968 | 658,376 | 712,529 | 67,824 | 51,553 | 1.55 |
| Nan Pao Advanced Materials Co., Ltd. | 5,000 | 51,013 | 35,306 | 15,707 | 86,889 | 10,975 | 8,926 | 17.85 |
| Nan Pao Advanced Materials Vietnam Co., Ltd. | 441,106 | 944,421 | 382,872 | 561,549 | 958,993 | 123,473 | 119,148 | NA |
| Nan Pao Philippines Export Inc. | 14,016 | 47,257 | 32,086 | 15,171 | 85,644 | 2,842 | 2,360 | 0.09 |
| Nanpao Fine Materials Co., Ltd. | 25,000 | 59,625 | 17,880 | 41,745 | 96,558 | 18,388 | 16,154 | 6.46 |
| Nanpao New Materials (Huaian) Co., Ltd. | 323,478 | 253,680 | 39,502 | 214,178 | 2,526 | (57,814) | (58,542) | NA |
| Nan Pao Resins Chemical (Bangladesh) Co. Ltd. | 3,661 | 752 | - | 752 | - | (3,100) | (3,173) | (0.03) |
| FlexUP Technologies Corp. | 168,800 | 2,412 | 100 | 2,312 | - | (254) | (229) | 0.02 |
| Earnest Wealth Co., Ltd | 55,278 | 65,977 | 26 | 65,951 | - | (237) | 832 | 0.24 |
| Apex polytech Co., Ltd. | 63,665 | 71,523 | 6,748 | 64,775 | 51,104 | 1,033 | 1,064 | NA |

(II) Affiliated Company Consolidated Financial Statements: Please refer to Appendix 1.

(III) Affiliated Company Report: None.

II. Private Placement Securities in the Most Recent Years: None.

III. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.

IV. Other necessary supplementary explanations: None.

IX. In the most recent year and up to the date of publication of the annual report, if any event that has a significant impact on shareholders' equity or securities prices as specified in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act: 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, 2022 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.

CHENG- HSIEN WU
Chairman
March 27, 2023

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, 2022 and 2021, 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, 2022 and 2021, 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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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, 2022. 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, 2022 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. The sales amount of part of customers changed largely or with other specific characteristics in 2022. 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 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.

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\$5,274,657 thousand and NT\$3,748,491 thousand as of December 31, 2022 and 2021, respectively, accounting for 21% and 14% of total consolidated assets, respectively. Net sales revenue was NT\$5,749,177 thousand and NT\$3,425,709 thousand, respectively, accounting for 26% and 19% 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, 2022 and 2021 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the 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, 2022 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 27, 2023

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, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

| ASSETS | December 31, 2022 | | December 31, 2021 | |
|---|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 4 and 6) | \$ 3,975,268 | 16 | \$ 3,231,306 | 13 |
| Financial assets at amortized cost - current (Notes 4, 9, 10, and 37) | 373,121 | 2 | 1,064,825 | 4 |
| Notes receivable (Notes 4 and 11) | 310,864 | 1 | 308,657 | 1 |
| Accounts receivable (Notes 4, 11 and 27) | 4,261,020 | 17 | 3,746,166 | 15 |
| Accounts receivable - related parties (Notes 4, 11, 27 and 36) | 307,095 | 1 | 322,182 | 1 |
| Other receivables (Notes 4 and 11) | 97,544 | - | 108,967 | - |
| Current tax assets (Note 29) | 3,936 | - | 1,910 | - |
| Inventories (Notes 4 and 12) | 2,824,543 | 12 | 2,949,236 | 11 |
| Non-current assets held for sale (Notes 4 and 13) | - | - | 378,477 | 2 |
| Other current assets (Note 21) | 705,671 | 3 | 539,602 | 2 |
| Total current assets | 12,859,062 | 52 | 12,651,328 | 49 |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through profit or loss - non-current (Notes 4 and 7) | 69,536 | - | 36,135 | - |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8) | 4,206,459 | 17 | 6,284,859 | 24 |
| Financial assets at amortized cost - non-current (Notes 4, 9, 10 and 37) | 128,484 | 1 | 127,243 | 1 |
| Investments accounted for using the equity method (Notes 4 and 15) | 39,286 | - | - | - |
| Property, plant and equipment (Notes 4, 16 and 37) | 5,507,684 | 22 | 4,931,769 | 19 |
| Right-of-use assets (Notes 4 and 17) | 1,179,673 | 5 | 1,040,157 | 4 |
| Investment properties (Notes 4 and 18) | 17,760 | - | 17,760 | - |
| Goodwill (Notes 4, 19 and 32) | 246,575 | 1 | 238,377 | 1 |
| Other intangible assets (Notes 4 and 20) | 122,033 | 1 | 138,482 | 1 |
| Deferred tax assets (Notes 4 and 29) | 256,284 | 1 | 346,509 | 1 |
| Net defined benefit assets - non-current (Notes 4 and 25) | 22,063 | - | - | - |
| Other non-current assets (Note 21) | 90,884 | - | 115,016 | - |
| Total non-current assets | 11,886,721 | 48 | 13,276,307 | 51 |
| TOTAL | \$ 24,745,783 | 100 | \$ 25,927,635 | 100 |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Notes 22 and 37) | \$ 1,854,293 | 8 | \$ 2,157,674 | 8 |
| Contract liabilities - current (Notes 4 and 27) | 34,241 | - | 44,959 | - |
| Notes payable (Note 23) | 463 | - | 1,036 | - |
| Accounts payable (Note 23) | 2,658,505 | 11 | 2,590,168 | 10 |
| Dividends payable | 4,032 | - | - | - |
| Other payables (Note 36) | 1,080,261 | 4 | 912,530 | 3 |
| Current tax liabilities (Note 29) | 275,853 | 1 | 178,428 | 1 |
| Lease liabilities - current (Notes 4 and 17) | 87,235 | - | 78,256 | - |
| Current portion of long-term borrowings (Notes 22 and 37) | 138,721 | 1 | 193,146 | 1 |
| Other current liabilities (Notes 24 and 36) | 202,620 | 1 | 205,724 | 1 |
| Total current liabilities | 6,336,224 | 26 | 6,361,921 | 24 |
| NON-CURRENT LIABILITIES | | | | |
| Long - term borrowings (Notes 22 and 37) | 1,223,855 | 5 | 1,935,075 | 8 |
| Deferred tax liabilities (Notes 4 and 29) | 876,315 | 3 | 786,425 | 3 |
| Lease liabilities - non-current (Notes 4 and 17) | 656,265 | 3 | 471,967 | 2 |
| Net defined benefit liabilities - non-current (Notes 4 and 25) | - | - | 51,816 | - |
| Other non-current liabilities (Note 24) | 9,748 | - | 50,392 | - |
| Total non-current liabilities | 2,766,183 | 11 | 3,295,675 | 13 |
| Total liabilities | 9,102,407 | 37 | 9,657,596 | 37 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 26) | | | | |
| Share capital - ordinary shares | 1,205,707 | 5 | 1,205,707 | 5 |
| Capital surplus | 2,115,333 | 9 | 2,101,673 | 8 |
| Retained earnings | | | | |
| Legal reserve | 1,388,123 | 6 | 1,300,961 | 5 |
| Special reserve | 313,321 | 1 | 313,321 | 1 |
| Unappropriated earnings | 5,982,451 | 24 | 5,021,383 | 20 |
| Total retained earnings | 7,683,895 | 31 | 6,635,665 | 26 |
| Other equity | 3,547,091 | 14 | 5,334,802 | 20 |
| Total equity attributable to owners of the Company | 14,552,026 | 59 | 15,277,847 | 59 |
| NON-CONTROLLING INTERESTS | 1,091,350 | 4 | 992,192 | 4 |
| Total equity | 15,643,376 | 63 | 16,270,039 | 63 |
| TOTAL | \$ 24,745,783 | 100 | \$ 25,927,635 | 100 |

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

(With Deloitte & Touche auditors' report dated March 27, 2023)

NAN PAO RESINS CHEMICAL CO., LTD. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2022 | | 2021 | |
|--|-------------------|-----------|-------------------|-----------|
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 4, 27 and 36) | \$ 22,004,313 | 100 | \$ 17,980,007 | 100 |
| OPERATING COSTS (Notes 12, 25, 28 and 36) | <u>16,716,776</u> | <u>76</u> | <u>13,877,962</u> | <u>77</u> |
| GROSS PROFIT | <u>5,287,537</u> | <u>24</u> | <u>4,102,045</u> | <u>23</u> |
| OPERATING EXPENSES (Notes 11, 25 and 28) | | | | |
| Selling and marketing expenses | 2,031,894 | 9 | 1,728,521 | 9 |
| General and administrative expenses | 898,945 | 4 | 832,346 | 5 |
| Research and development expenses | 513,724 | 3 | 485,459 | 3 |
| Estimated credit loss | <u>18,599</u> | <u>-</u> | <u>3,525</u> | <u>-</u> |
| Total operating expenses | <u>3,463,162</u> | <u>16</u> | <u>3,049,851</u> | <u>17</u> |
| PROFIT FROM OPERATIONS | <u>1,824,375</u> | <u>8</u> | <u>1,052,194</u> | <u>6</u> |
| NON-OPERATING INCOME AND EXPENSES (Notes 15 and 28) | | | | |
| Interest income | 34,892 | - | 41,617 | - |
| Other income | 551,926 | 3 | 137,748 | 1 |
| Other gains and losses | 61,250 | - | (7,445) | - |
| Finance costs | (86,315) | - | (54,797) | - |
| Share of profit of associates | <u>(714)</u> | <u>-</u> | <u>33,224</u> | <u>-</u> |
| Total non-operating income and expenses | <u>561,039</u> | <u>3</u> | <u>150,347</u> | <u>1</u> |
| PROFIT BEFORE INCOME TAX | 2,385,414 | 11 | 1,202,541 | 7 |
| INCOME TAX EXPENSE (Notes 4 and 29) | <u>522,686</u> | <u>3</u> | <u>273,188</u> | <u>2</u> |
| NET PROFIT FOR THE YEAR | <u>1,862,728</u> | <u>8</u> | <u>929,353</u> | <u>5</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 | 38,551 | - | 14,207 | - |
| Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income | (2,091,887) | (9) | 5,125,642 | 29 |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | <u>(7,720)</u> | <u>-</u> | <u>(2,892)</u> | <u>-</u> |

(Continued)

NAN PAO RESINS CHEMICAL CO., LTD. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2022 | | 2021 | |
|--|-----------------------|------------|---------------------|------------|
| | Amount | % | Amount | % |
| | <u>\$ (2,061,056)</u> | <u>(9)</u> | <u>\$ 5,136,957</u> | <u>29</u> |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating the financial statements of foreign operations | 398,275 | 2 | (203,396) | (1) |
| Income tax relating to items may be reclassified subsequently to profit or loss | <u>(76,044)</u> | <u>-</u> | <u>39,164</u> | <u>-</u> |
| | <u>322,231</u> | <u>2</u> | <u>(164,232)</u> | <u>(1)</u> |
| Other comprehensive (loss) income for the year, net of income tax | <u>(1,738,825)</u> | <u>(7)</u> | <u>4,972,725</u> | <u>28</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ 123,903</u> | <u>1</u> | <u>\$ 5,902,078</u> | <u>33</u> |
| NET PROFIT ATTRIBUTABLE TO: | | | | |
| Owners of the Company | \$ 1,741,459 | 8 | \$ 875,780 | 5 |
| Non-controlling interests | <u>121,269</u> | <u>-</u> | <u>53,573</u> | <u>-</u> |
| | <u>\$ 1,862,728</u> | <u>8</u> | <u>\$ 929,353</u> | <u>5</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Owners of the Company | \$ (16,056) | - | \$ 5,855,241 | 33 |
| Non-controlling interests | <u>139,959</u> | <u>1</u> | <u>46,837</u> | <u>-</u> |
| | <u>\$ 123,903</u> | <u>1</u> | <u>\$ 5,902,078</u> | <u>33</u> |
| EARNINGS PER SHARE (Note 30) | | | | |
| Basic | <u>\$ 14.44</u> | | <u>\$ 7.26</u> | |
| Diluted | <u>\$ 14.39</u> | | <u>\$ 7.24</u> | |

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

(With Deloitte & Touche auditors' report dated March 27, 2023)

(Concluded)

NAN PAO RESINS CHEMICAL CO., LTD. and Subsidiaries

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

| | Equity Attributable to Owners of the Company | | | | | | | | | | |
|--|--|-----------------|---------------|-----------------|-------------------------|--|---|--------------------|---------------|---------------------------|---------------|
| | Retained Earnings | | | | | Other Equity | | | Total | Non-controlling Interests | 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 | Total Other Equity | | | |
| BALANCE AT JANUARY 1, 2021 | \$ 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 |
| Appropriation of the 2021 earnings (Note 26) | | | | | | | | | | | |
| Legal reserve | - | - | 87,162 | - | (87,162) | - | - | - | - | - | - |
| Cash dividends distributed by the Company - \$6 per share | - | - | - | - | (723,425) | - | - | - | (723,425) | - | (723,425) |
| Difference between consideration received or paid and the carrying amount of the subsidiaries net assets during actual disposal or acquisition (Note 33) | - | 10,852 | - | - | - | - | - | - | 10,852 | (13,352) | (2,500) |
| Changes in ownership interests in subsidiaries (Note 33) | - | 1,330 | - | - | - | - | - | - | 1,330 | 12,578 | 13,908 |
| Issuance of employee share options by subsidiaries (Note 31) | - | 1,478 | - | - | - | - | - | - | 1,478 | 1,447 | 2,925 |
| Net profit for the year ended December 31, 2022 | - | - | - | - | 1,741,459 | - | - | - | 1,741,459 | 121,269 | 1,862,728 |
| Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax | - | - | - | - | 30,196 | 304,176 | (2,091,887) | (1,787,711) | (1,757,515) | 18,690 | (1,738,825) |
| Total comprehensive income (loss) for the year ended December 31, 2022 | - | - | - | - | 1,771,655 | 304,176 | (2,091,887) | (1,787,711) | (16,056) | 139,959 | 123,903 |
| Decrease in non-controlling interests (Note 26) | - | - | - | - | - | - | - | - | - | (41,474) | (41,474) |
| BALANCE AT DECEMBER 31, 2022 | \$ 1,205,707 | \$ 2,115,333 | \$ 1,388,123 | \$ 313,321 | \$ 5,982,451 | \$ (340,299) | \$ 3,887,390 | \$ 3,547,091 | \$ 14,552,026 | \$ 1,091,350 | \$ 15,643,376 |

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

(With Deloitte & Touche audit report dated March 27, 2023)

NAN PAO RESINS CHEMICAL CO., LTD. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

| | 2022 | 2021 |
|--|------------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | \$ 2,385,414 | \$ 1,202,541 |
| Adjustments for: | | |
| Depreciation expenses | 481,823 | 440,169 |
| Amortization expenses | 28,982 | 30,887 |
| Estimated credit loss recognized on trade receivables | 18,599 | 3,525 |
| Loss (gain) on fair value changes of financial assets at fair value through profit or loss | 6,599 | (11,135) |
| Finance costs | 86,315 | 54,797 |
| Interest income | (34,892) | (41,617) |
| Dividend income | (477,714) | (66,143) |
| Compensation cost of employee share options | 2,925 | - |
| Share of profit of associates | 714 | (33,224) |
| Loss on disposal of property, plant and equipment | 32,545 | 2,271 |
| Gain on disposal of right-of-use assets | (1,374) | - |
| Gain on disposal of associates | (26,523) | - |
| Write-downs of inventories | - | 73,126 |
| Gain on lease modification | (304) | (19) |
| Changes in operating assets and liabilities | | |
| Notes receivable | (2,207) | (16,702) |
| Accounts receivable | (367,800) | (496,234) |
| Accounts receivable - related parties | 15,186 | (33,617) |
| Other receivables | 5,794 | 42,176 |
| Inventories | 255,522 | (864,303) |
| Other current assets | (166,069) | (152,060) |
| Other non-current assets | (236) | (1,326) |
| Contract liabilities | (10,718) | 14,378 |
| Notes payable | (581) | (13,266) |
| Accounts payable | (13,649) | 351,616 |
| Other payables | 146,116 | 39,403 |
| Other current liabilities | (3,104) | (903) |
| Net defined benefit liabilities | (35,694) | (30,334) |
| Other non-current liabilities | (39,123) | (2,499) |
| Cash generated from operations | 2,286,546 | 491,507 |
| Interest received | 41,139 | 41,018 |
| Interest paid | (80,352) | (52,368) |
| Income tax paid | (330,570) | (343,100) |
| Net cash generated from operating activities | <u>1,916,763</u> | <u>137,057</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at fair value through other comprehensive income | (13,487) | (29,879) |
| Proceeds from capital reduction of investments accounted for under financial assets at fair value through other comprehensive income | - | 868 |

(Continued)

NAN PAO RESINS CHEMICAL CO., LTD. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Net decrease of financial assets at amortized cost | 726,027 | 213,353 |
| Purchase of financial assets at fair value through profit or loss | (40,000) | (25,000) |
| Acquisition of associates | (40,000) | - |
| Net cash outflow on acquisition of businesses | - | (215,042) |
| Proceeds from disposal of non-current assets held for sale | 405,000 | - |
| Payments for property, plant and equipment | (874,311) | (653,145) |
| Proceeds from disposal of property, plant and equipment | 3,338 | 18,493 |
| Increase in refundable deposits | (2,727) | (3,555) |
| Payments for intangible assets | (2,048) | (5,325) |
| Proceeds from disposal of right - of - use assets | 55,332 | 81,740 |
| Dividends received | <u>477,714</u> | <u>88,643</u> |
| Net cash generated from (used in) investing activities | <u>694,838</u> | <u>(528,849)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowings | 9,803,903 | 8,509,599 |
| Repayments of short-term borrowings | (10,146,397) | (7,679,481) |
| Proceeds from long-term borrowings | 3,422,589 | 2,799,412 |
| Repayments of long-term borrowings | (4,193,002) | (2,393,135) |
| Proceeds from guarantee deposits received | - | 334 |
| Refund of guarantee deposits received | (2,179) | - |
| Repayment of the principal portion of lease liabilities | (54,320) | (52,991) |
| Cash dividends paid | (760,867) | (861,339) |
| Changes in non-controlling equity | <u>11,408</u> | <u>-</u> |
| Net cash (used in) generated from financing activities | <u>(1,918,865)</u> | <u>322,399</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES | | |
| | <u>51,226</u> | <u>(20,538)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 743,962 | (89,931) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>3,231,306</u> | <u>3,321,237</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 3,975,268</u> | <u>\$ 3,231,306</u> |

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

(With Deloitte & Touche auditors' report dated March 27, 2023)

(Concluded)

NAN PAO RESINS CHEMICAL CO., LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

The 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 27, 2023.

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 2023

| New IFRSs | Effective Date Announced by IASB |
|---|-------------------------------------|
| Amendments to IAS 1 “Disclosure of Accounting Policies” | January 1, 2023 (Note 1) |
| Amendments to IAS 8 “Definition of Accounting Estimates” | January 1, 2023 (Note 2) |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” | January 1, 2023 (Note 3) |

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

Note 2: The amendments will be 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 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were 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 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. The 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 |
| Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback" | January 1, 2024 (Note 2) |
| 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, 2024 |
| Amendments to IAS 1 "Non-current Liabilities with Covenants" | January 1, 2024 |

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

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, net defined benefit liabilities and net defined benefit assets which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

3) Level 3 inputs are unobservable inputs for the assets or liabilities.

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 6 and 7 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.

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

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation 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 35.

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. Share-based payment arrangements - employee share options

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options and non-controlling interests. The expense is recognized in full at the grant date if the grants are vested

immediately. The grant date of issued ordinary shares for cash which are reserved for employees is the date on which the board of directors approves the transaction.

u. 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

| | December 31 | |
|---|---------------------|---------------------|
| | 2022 | 2021 |
| Cash on hand | \$ 8,617 | \$ 6,742 |
| Checking accounts and demand deposits | 3,771,680 | 3,038,582 |
| Cash equivalents (investments with original maturities within 3 months) | | |
| Time deposits | <u>194,971</u> | <u>185,982</u> |
| | <u>\$ 3,975,268</u> | <u>\$ 3,231,306</u> |

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

| | December 31 | |
|---------------|--------------------|--------------|
| | 2022 | 2021 |
| Time deposits | 1.8% - 6% | 1.6% - 8.25% |

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | December 31 | |
|--|--------------------|------------------|
| | 2022 | 2021 |
| <u>Financial assets at FVTPL - non-current</u> | | |
| Financial assets mandatorily classified as a FVTPL | | |
| Non-derivative financial assets | | |
| Limited partnership | <u>\$ 69,536</u> | <u>\$ 36,135</u> |

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

| | <u>December 31</u> | |
|----------------------|--------------------|--------------|
| | 2022 | 2021 |
| Domestic investments | | |
| Unlisted stocks | \$ 4,206,459 | \$ 6,284,859 |

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> | |
|--|--------------------|---------------------|
| | 2022 | 2021 |
| <u>Current</u> | | |
| Time deposits with original maturities of more than 3 months (a) | \$ 316,553 | \$ 530,245 |
| Pledged time deposits (a) | 31,727 | 20,775 |
| Restricted demand deposits (b) | 21,078 | 509,655 |
| Refundable deposits | <u>3,763</u> | <u>4,150</u> |
| | \$ <u>373,121</u> | \$ <u>1,064,825</u> |
| <u>Non-current</u> | | |
| Time deposits with original maturities of more than 3 months (a) | \$ 92,580 | \$ 95,599 |
| Pledged time deposits (a) | 4,854 | 4,489 |
| Restricted demand deposits | 2,504 | 2,468 |
| Refundable deposits | <u>28,546</u> | <u>24,687</u> |
| | \$ <u>128,484</u> | \$ <u>127,243</u> |

- The ranges of interest rates for time deposits were approximately 0.15%- 10.40% and 0.15%- 8.25% per annum as of December 31, 2022 and 2021, respectively.
- Restricted demand deposits as of December 31, 2022 and 2021 are funds that the Group put into the dedicated bank account in accordance with "the Management, Utilization, and Taxation of Repatriated Offshore Funds Act".
- 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 37 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> | |
|--|--------------------|---------------------|
| | 2022 | 2021 |
| Financial assets at amortized cost - current | \$ 373,121 | \$ 1,064,825 |
| Financial assets at amortized cost - non-current | <u>128,484</u> | <u>127,243</u> |
| | <u>\$ 501,605</u> | <u>\$ 1,192,068</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, 2022 and 2021.

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

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | 2022 | 2021 |
| <u>Notes receivable</u> | | |
| At amortized cost | | |
| Notes receivable - operating | <u>\$ 310,864</u> | <u>\$ 308,657</u> |
| <u>Accounts receivable (including related parties)</u> | | |
| Amortized cost | | |
| Gross carrying amount | \$ 4,633,636 | \$ 4,117,118 |
| Less: Allowance for impairment loss | <u>65,521</u> | <u>48,770</u> |
| | <u>\$ 4,568,115</u> | <u>\$ 4,068,348</u> |
| <u>Other receivables</u> | | |
| Gross carrying amount | <u>\$ 97,544</u> | <u>\$ 108,967</u> |

a. Notes receivable

As of December 31, 2022 and 2021, 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.

b. Accounts receivable (including related parties)

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.

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

December 31, 2022

| | Not Past Due | 1 to 90 Days | 91 to 180 Days | 181 to 270 Days | 271 to 365 Days | Over 365 Days | Total |
|--------------------------------|--------------|--------------|----------------|-----------------|-----------------|---------------|--------------|
| Expected credit loss rate | 0.01%-0.13% | 0.2%-5% | 2.94%-31% | 8%-67% | 37%-100% | 100% | |
| Gross carrying amount | \$ 3,791,219 | \$ 664,242 | \$ 89,029 | \$ 47,041 | \$ 7,523 | \$ 34,582 | \$ 4,633,636 |
| Loss allowance (Lifetime ECLs) | (2,389) | (5,392) | (7,168) | (10,464) | (5,526) | (34,582) | (65,521) |
| Amortized cost | \$ 3,788,830 | \$ 658,850 | \$ 81,861 | \$ 36,577 | \$ 1,997 | \$ - | \$ 4,568,115 |

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 |

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

| | <u>For the Year Ended December 31</u> | |
|-------------------------------------|---------------------------------------|------------------|
| | <u>2022</u> | <u>2021</u> |
| Balance at January 1 | \$ 48,770 | \$ 47,676 |
| Net remeasurement of loss allowance | 18,599 | 3,525 |
| Amounts written off | (3,921) | (1,341) |
| Foreign exchange gains and losses | <u>2,073</u> | <u>(1,090)</u> |
| Balance at December 31 | <u>\$ 65,521</u> | <u>\$ 48,770</u> |

12. INVENTORIES

| | December 31 | |
|--|---------------------|---------------------|
| | 2022 | 2021 |
| Goods | \$ 160,502 | \$ 104,741 |
| Finished goods and semi-finished goods | 1,080,572 | 1,057,813 |
| Work in process | 144,397 | 152,851 |
| Raw materials and supplies | 1,189,060 | 1,226,211 |
| Inventory in transit | <u>250,012</u> | <u>407,620</u> |
| | <u>\$ 2,824,543</u> | <u>\$ 2,949,236</u> |

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$16,705,501 thousand and \$13,875,691 thousand, respectively. The cost of goods sold included inventory write-downs of \$73,126 thousand for the years ended December 31, 2021.

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

| | Amount |
|---|-------------------|
| 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 |
|-----------------------------------|--|--|-----------------------|-------------|--------|
| | | | 2022 | 2021 | |
| 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 | g |
| | 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 | |

(Continued)

| Investor | Investee | Main Business | % of Ownership | | Remark |
|--|--|--|----------------|-------|--------|
| | | | 2022 | 2021 | |
| | 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 |
| | Progrouops Technology Co., Ltd. | Trading of water-based PU resin | - | 91.99 | g |
| | Nan Pao Philippines Export Inc. | Trading of adhesives | 100 | 100 | |
| | Earnest Wealth Co., Ltd. | General investment | 51.11 | 51.11 | d |
| | FlexUP Technologies Corp. | Production and trading of polyimide materials | 96.87 | 96.87 | e |
| | Nan Pao Resins Chemical (Bangladesh) Co., Ltd. | Trading of adhesives | 100 | 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 | |
| Earnest Wealth Co., Ltd. | Apex polytech Co., Ltd. | Production and trading of adhesives | 100 | 100 | d |
| Nan Pao Group Holdings Ltd. | Greatwill Materials (HK) Ltd. | General investment | 100 | 67.68 | h |
| | 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 | 59.58 | 88.03 | h |
| Profit Land Ltd. | Giant Profit Development Ltd. | General investment | 100 | 100 | |

(Continued)

| Investor | Investee | Main Business | % of Ownership | | Remark |
|--------------------------------------|--|--|----------------|------|--------|
| | | | 2022 | 2021 | |
| 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 Jiaqin 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 | l |
| | Nan Pao Resins (Yunan) Co., Ltd. | Production and trading of adhesives | - | 100 | j |
| | Nan Pao New Materials (Huaian) Co., Ltd. | Production and trading business of carbon fiber | 95.24 | 100 | i |
| | Nan Pao Optoelectronic Materials (Kunshan) Co., Ltd. | Production and trading business of adhesives and chemical substances | 100 | 100 | c |
| | Nan Pao Fine Chemical Materials (Anhui) Co., Ltd. | Production and trading of construction materials and chemical substances | 100 | - | k |

- 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%.
- g. The Group short-form merge its subsidiaries, Nan Pao Electronic Materials Co., Ltd. and Progroups

Technology Co., Ltd., which were approved by the Company's board of directors on November 9, 2022. The base date of the short-form merger was December 31, 2022. The Company was the surviving company and Nan Pao Electronic Materials Co., Ltd. and Progroups Technology Co., Ltd. was the dissolved company. The company completed the amendment registration in February 2023.

- h. The Group repurchased and retired 32.32% shareholdings of Greatwill Materials (HK) Ltd. in September 2022, resulting in an increase in Nan Pao Group Holdings Ltd.' s shareholding ratio from 67.68% to 100%. In addition, Greatwill Materials (HK) Ltd. transferred 28.45% shareholdings of Foshan Nan Pao Advanced Materials Co., Ltd. to external shareholder, resulting in an decrease in the shareholding ratio from 88.03% to 59.58%. The amount received and paid for the transaction is the same, and the change have not affect the shareholding ratio of Foshan Nan Pao Advanced Materials Co., Ltd. by the Group (refer to Note 33).
- i. In January 2022, Nan Pao New Materials (Huaian) Co., Ltd. processed a cash capital increase, which was not subscribed by the Group, resulting in a decrease in shareholding from 100% to 95.24% (refer to Note 33).
- j. Nan Pao Resins (Yunan) Co., Ltd. had been liquidated in June 2022.
- k. The Group invested in and established Nan Pao Fine Chemical Materials (Anhui) Co., Ltd. in China in August 2022. In December 2022, the group have invested capital in the subsidiary.
- l. Nantong Nan Pao Resins Materials Co., Ltd. had been liquidated in December 2022.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | <u>December 31</u> | |
|---|--------------------|-------------|
| | 2022 | 2021 |
| Investments in associates | | |
| Associates that are not individually material | \$ <u>39,286</u> | \$ <u>-</u> |

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

| | <u>For the Year Ended December 31</u> | |
|---|---------------------------------------|------------------|
| | 2022 | 2021 |
| The Group's share of: | | |
| Net income and total comprehensive (loss) income for the year | \$ <u>(714)</u> | \$ <u>33,224</u> |

- a. The Group has significant influence on the Company due to the Group acquired 25.93% of the shares of Perfect & Outstanding Technology Inc. for a total of \$40,000 thousand in cash in August and December 2022.
- b. The Group 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 11 for the detailed information of changes in property, plant and equipment.

No impairment assessment was performed for the years ended December 31, 2022 and 2021 as there were no indications of impairment.

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 37.

17. LEASE ARRANGEMENTS

a. Right-of-use assets

| | December 31 | |
|---|---------------------------------------|---------------------|
| | 2022 | 2021 |
| <u>Carrying amounts</u> | | |
| Land (Note) | \$ 675,456 | \$ 709,038 |
| Buildings | 459,620 | 298,960 |
| Transportation equipment | 41,454 | 28,709 |
| Miscellaneous equipment | 3,068 | 3,272 |
| Machinery | <u>75</u> | <u>178</u> |
| | <u>\$ 1,179,673</u> | <u>\$ 1,040,157</u> |
| | | |
| | For the Year Ended December 31 | |
| | 2022 | 2021 |
| Additions to right-of-use assets | <u>\$ 256,510</u> | <u>\$ 79,197</u> |
| | | |
| Depreciation charge for right-of-use assets | | |
| Buildings | \$ 52,352 | \$ 38,830 |
| Land | 19,115 | 19,843 |
| Transportation equipment | 15,175 | 13,966 |
| Miscellaneous equipment | 567 | 321 |
| Machinery | <u>103</u> | <u>142</u> |
| | <u>\$ 87,312</u> | <u>\$ 73,102</u> |

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, 2022 and 2021.

b. Lease liabilities

| | December 31 | |
|-------------------------|--------------------|-------------|
| | 2022 | 2021 |
| <u>Carrying amounts</u> | | |
| Current | \$ 87,235 | \$ 78,256 |
| Non-current | \$ 656,265 | \$ 471,967 |

Range of discount rate for lease liabilities was as follows:

| | December 31 | |
|--------------------------|--------------------|---------------|
| | 2022 | 2021 |
| Land | 1.56% | 1.56% |
| Buildings | 0.77% - 5.53% | 0.77% - 5.37% |
| Machinery | 0.76% - 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

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------|
| | 2022 | 2021 |
| Expenses relating to short-term leases | \$ 58,398 | \$ 47,624 |
| Expenses relating to low-value asset leases | \$ 2,148 | \$ 1,197 |
| Total cash outflow for leases | \$ 129,957 | \$ 114,809 |

The Group leases buildings and 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

| | Land |
|---------------------------------------|-------------|
| Balance at December 31, 2022 and 2021 | \$ 17,760 |

Investment properties measured at fair value were both \$78,764 thousand for the years ended December 31, 2022 and 2021. 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

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2022 | 2021 |
| <u>Cost</u> | | |
| Balance at January 1 | \$ 241,175 | \$ 120,809 |
| Acquisition from business combination during the year (Note 32) | - | 139,382 |
| Effect of foreign currency exchange differences, net | <u>8,504</u> | <u>(19,016)</u> |
| Balance at December 31 | <u>\$ 249,679</u> | <u>\$ 241,175</u> |
| <u>Accumulated Impairment Losses</u> | | |
| Balance at January 1 | \$ 2,798 | \$ 2,879 |
| Effect of foreign currency exchange differences, net | <u>306</u> | <u>(81)</u> |
| Balance at December 31 | <u>\$ 3,104</u> | <u>\$ 2,798</u> |
| Carrying amounts at December 31, net | <u>\$ 246,575</u> | <u>\$ 238,377</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

| | Client Relationships | Computer Software | Others | Total |
|--|-----------------------------|--------------------------|------------------|-------------------|
| <u>Cost</u> | | | | |
| Balance at January 1, 2022 | \$ 117,759 | \$ 61,168 | \$ 78,209 | \$ 257,136 |
| Additions | - | 10,381 | - | 10,381 |
| Effect of foreign currency exchange differences, net | <u>4,399</u> | <u>166</u> | <u>2,407</u> | <u>6,972</u> |
| Balance at December 31, 2022 | <u>\$ 122,158</u> | <u>\$ 71,715</u> | <u>\$ 80,616</u> | <u>\$ 274,489</u> |
| <u>Accumulated amortization and impairment</u> | | | | |
| Balance at January 1, 2022 | \$ 52,408 | \$ 47,778 | \$ 18,468 | \$ 118,654 |
| Amortization expenses | 11,467 | 6,716 | 10,799 | 28,982 |
| Effect of foreign currency exchange differences, net | <u>2,047</u> | <u>165</u> | <u>2,608</u> | <u>4,820</u> |
| Balance at December 31, 2022 | <u>\$ 65,922</u> | <u>\$ 54,659</u> | <u>\$ 31,875</u> | <u>\$ 152,456</u> |
| Carrying amount at December 31, 2022, net | <u>\$ 56,236</u> | <u>\$ 17,056</u> | <u>\$ 48,741</u> | <u>\$ 122,033</u> |

(Continued)

| | Client Relationships | Computer Software | Others | Total |
|--|---------------------------------|------------------------------|-------------------|-------------------|
| <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 | (10,084) | (42) | (4,490) | (14,616) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </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) |
| Effect of foreign currency exchange differences, net | (4,444) | (34) | 1,928 | (2,550) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| 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> |

(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

| | December 31 | |
|---|--------------------|-------------------|
| | 2022 | 2021 |
| <u>Current</u> | | |
| Input tax | \$ 254,824 | \$ 299,665 |
| Prepayments | 105,116 | 121,663 |
| Prepaid expenses | 72,447 | 70,902 |
| Overpaid tax retained for offsetting the future tax payable | 242,511 | 34,287 |
| Others | <u>30,773</u> | <u>13,085</u> |
| | <u>\$ 705,671</u> | <u>\$ 539,602</u> |

(Continued)

| | December 31 | |
|---------------------------|--------------------|-------------------|
| | 2022 | 2021 |
| <u>Non-Current</u> | | |
| Prepayments for equipment | \$ 83,943 | \$ 108,311 |
| Others | <u>6,941</u> | <u>6,705</u> |
| | <u>\$ 90,884</u> | <u>\$ 115,016</u> |
| | | (Concluded) |

22. BORROWINGS

a. Short-term borrowings

| | December 31 | |
|------------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| Secured bank loans (Note 37) | \$ 30,000 | \$ 97,843 |
| Unsecured bank loans | <u>1,824,293</u> | <u>2,059,831</u> |
| | <u>\$ 1,854,293</u> | <u>\$ 2,157,674</u> |

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

| | December 31 | |
|----------------------|--------------------|--------------|
| | 2022 | 2021 |
| Secured bank loans | 1.9% | 1.27% - 4.9% |
| Unsecured bank loans | 1.45% - 5.69% | 0.72% - 4.9% |

b. Long-term borrowings

| | December 31 | |
|---|---------------------|---------------------|
| | 2022 | 2021 |
| Secured bank loans (1) | \$ 330,921 | \$ 362,062 |
| Unsecured bank loans (2) | <u>1,031,655</u> | <u>1,766,159</u> |
| | 1,362,576 | 2,128,221 |
| Decrease: Current portion of long-term borrowings | <u>138,721</u> | <u>193,146</u> |
| | <u>\$ 1,223,855</u> | <u>\$ 1,935,075</u> |

1) As of December 31, 2022 and 2021, the ranges of weighted average effective interest rates of the bank borrowings secured by the Group's freehold land, buildings, and deposit certificates (see Note 37), were 1.95%- 2.06% and 1.26%- 1.35% 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, 2022 and 2021, the ranges of weighted average effective interest rates of credit bank loans were 1.03%- 4.5% and 0.38%- 4.45% 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> | |
|-------------------------|---------------------|---------------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Notes Payable</u> | | |
| Operating | \$ <u>463</u> | \$ <u>1,036</u> |
| <u>Accounts Payable</u> | | |
| Operating | \$ <u>2,658,505</u> | \$ <u>2,590,168</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> | |
|--------------------|--------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Current</u> | | |
| Other liabilities | | |
| Refund liabilities | \$ 172,906 | \$ 138,571 |
| Others | <u>29,714</u> | <u>67,153</u> |
| | <u>\$ 202,620</u> | <u>\$ 205,724</u> |
| <u>Non-current</u> | | |
| Other liabilities | | |
| Guarantee deposits | \$ 2,677 | \$ 4,198 |
| Others | <u>7,071</u> | <u>46,194</u> |
| | <u>\$ 9,748</u> | <u>\$ 50,392</u> |

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:

| | December 31 | |
|---|--------------------|------------------|
| | 2022 | 2021 |
| Present value of defined benefit obligation | \$ 339,876 | \$ 382,247 |
| Fair value of plan assets | <u>(361,939)</u> | <u>(330,431)</u> |
| Net defined benefit (assets) liabilities | <u>\$ (22,063)</u> | <u>\$ 51,816</u> |

Movements in net defined benefit liabilities (assets) were as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities (Assets) |
|--|--|--|---|
| Balance at January 1, 2021 | \$ 431,592 | \$ (335,891) | \$ 95,701 |
| Service cost | | | |
| Past service cost and loss on settlements | (3,238) | - | (3,238) |
| Current service cost | 4,872 | - | 4,872 |
| Net interest expense (income) | <u>2,680</u> | <u>(1,037)</u> | <u>1,643</u> |
| 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 | <u>(2,528)</u> | <u>-</u> | <u>(2,528)</u> |
| Recognized in other comprehensive income | <u>(9,334)</u> | <u>(4,873)</u> | <u>(14,207)</u> |

(Continued)

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities (Assets) |
|---|--|--|---|
| Contributions from the employer | \$ - | \$ (22,872) | \$ (22,872) |
| Benefits paid | (43,797) | 34,242 | (9,555) |
| Exchange differences on foreign plans, net | (528) | - | (528) |
| Balance at December 31, 2021 | <u>382,247</u> | <u>(330,431)</u> | <u>51,816</u> |
| Service cost | | | |
| Past service cost and gain on settlements | (5,427) | - | (5,427) |
| Current service cost | 3,911 | - | 3,911 |
| Net interest expense (income) | <u>3,808</u> | <u>(2,338)</u> | <u>1,470</u> |
| Recognized in profit or loss | <u>2,292</u> | <u>(2,338)</u> | <u>(46)</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (26,269) | (26,269) |
| Actuarial gain - changes in financial assumptions | (14,379) | - | (14,379) |
| Actuarial loss - experience adjustments | 2,588 | - | 2,588 |
| Actuarial gain - others | <u>(491)</u> | <u>-</u> | <u>(491)</u> |
| Recognized in other comprehensive income | <u>(12,282)</u> | <u>(26,269)</u> | <u>(38,551)</u> |
| Contributions from the employer | <u>-</u> | <u>(21,534)</u> | <u>(21,534)</u> |
| Benefits paid | <u>(32,424)</u> | <u>18,633</u> | <u>(13,791)</u> |
| Exchange differences on foreign plans, net | <u>43</u> | <u>-</u> | <u>43</u> |
| Balance at December 31, 2022 | <u>\$ 339,876</u> | <u>\$ (361,939)</u> | <u>\$ (22,063)</u> (Concluded) |

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

| | For the Year Ended December 31 | |
|-------------------------------------|---------------------------------------|-----------------|
| | 2022 | 2021 |
| Operating costs | \$ 93 | \$ 1,957 |
| Selling and marketing expenses | (131) | 278 |
| General and administrative expenses | (65) | 654 |
| Research and development expenses | <u>57</u> | <u>388</u> |
| | <u>\$ (46)</u> | <u>\$ 3,277</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:

| | <u>December 31</u> | |
|-----------------------------------|--------------------|-------------|
| | <u>2022</u> | <u>2021</u> |
| Discount rates | 1.25% - 7.5% | 0.6% - 7.5% |
| 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:

| | <u>December 31</u> | |
|-----------------------------------|--------------------|-------------|
| | <u>2022</u> | <u>2021</u> |
| Discount rates | | |
| 0.25% increase | \$ (7,572) | \$ (8,869) |
| 0.25% decrease | \$ 8,154 | \$ 9,524 |
| Expected rates of salary increase | | |
| 0.25% increase | \$ 8,046 | \$ 9,352 |
| 0.25% decrease | \$ (7,520) | \$ (8,764) |

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> | |
|---|--------------------|-----------------|
| | <u>2022</u> | <u>2021</u> |
| Expected contributions to the plans for the next year | \$ 18,437 | \$ 19,056 |
| Average duration of the defined benefit obligation | 7 to 16.4 years | 8 to 16.4 years |

26. EQUITY

- a. Share capital

Ordinary shares

| | <u>December 31</u> | |
|---|--------------------|--------------|
| | <u>2022</u> | <u>2021</u> |
| 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

| | December 31 | |
|---|---------------------|---------------------|
| | 2022 | 2021 |
| <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 | 10,854 | 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 ownership interests in subsidiaries (2) | <u>20,057</u> | <u>17,249</u> |
| | <u>\$ 2,115,333</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

The shareholders of the Company held their regular meeting on June 23, 2022, resolving the amendments to the Company's Articles of Incorporation (the "Articles") in the shareholders' meeting. The amendments explicitly stipulate the proposal for profit distribution or offsetting losses that should be made at the end of each quarter of the fiscal year. The profit distribution in cash shall be resolved by the board of directors in accordance with Article 228-1 and Article 240-5 of the Company Act which should be submitted in the shareholders' meeting.

Under the dividends policy as set forth in the Articles after the amendments, when the Company distributed profit, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit (This shall not apply if the accumulated legal reserve has reached the Company's paid-in capital), setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 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. The profit can be distributed as cash dividends or stock dividends, and the issuance of cash

dividends takes precedence over the payment of stock dividends. In principle, stock dividends are limited to 80% of the total dividends distributed.

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

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 2021 and 2020 which were approved in the shareholders' meetings in June 2022 and in July 2021 were as follows:

| | <u>Appropriations of earnings</u> | | <u>Dividends per share (NT\$)</u> | |
|----------------|-----------------------------------|------------|-----------------------------------|------|
| | 2021 | 2020 | 2021 | 2020 |
| Legal reserve | \$ 87,162 | \$ 122,139 | | |
| Cash dividends | 723,425 | 843,995 | \$ 6 | \$ 7 |

The appropriation of earnings for 2022 which had been proposed by the Company's board of directors on March 27, 2023 was as follows:

| | <u>Appropriation of Earnings</u> | <u>Dividends per share (NT\$)</u> |
|----------------|----------------------------------|-----------------------------------|
| Legal reserve | \$ 177,166 | |
| Cash dividends | 1,205,708 | \$ 10 |

The above cash dividends have been resolved by the board of directors and the rest are pending the resolution of the shareholder meeting scheduled to be held in June 2023.

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> | |
|--|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Balance at January 1 | \$ (644,475) | \$ (487,817) |
| Recognized for the year | | |
| Exchange differences on translating the financial statements of foreign operations | <u>304,176</u> | <u>(156,658)</u> |
| Balance at December 31 | <u>\$ (340,299)</u> | <u>\$ (644,475)</u> |

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

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Balance at January 1 | \$ 5,979,277 | \$ 838,995 |
| Recognized for the year | | |
| Unrealized (loss) gain - equity instruments | (2,091,887) | 5,125,642 |
| Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal | <u>-</u> | <u>14,640</u> |
| Balance at December 31 | <u>\$ 3,887,390</u> | <u>\$ 5,979,277</u> |

f. Non-controlling interests

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Balance at January 1 | \$ 992,192 | \$ 929,683 |
| Share in profit for the year | 121,269 | 53,573 |
| Other comprehensive income or loss during the year | | |
| Exchange differences on translating the financial statements of foreign operations | 18,055 | (7,574) |
| Remeasurement of defined benefit plans | 797 | 1,068 |
| Related income tax | (162) | (230) |
| Changes in ownership interests in subsidiaries (Note 33) | (774) | - |
| Issuance of employee share options by subsidiaries (Note 31) | 1,447 | - |
| Dividend payout from subsidiaries | (41,474) | (17,344) |
| Non-controlling interests arising from acquisition of subsidiaries (Note 32) | <u>-</u> | <u>33,016</u> |
| Balance at December 31 | <u>\$ 1,091,350</u> | <u>\$ 992,192</u> |

27. REVENUE

a. Please refer to Note 40 for disaggregation of revenue.

b. Contract balances

| | December 31, 2022 | December 31, 2021 | January 1, 2021 |
|---|------------------------------|------------------------------|----------------------------|
| Accounts receivable (including related parties) | <u>\$ 4,633,636</u> | <u>\$ 4,117,118</u> | <u>\$ 3,671,006</u> |
| Contract liabilities - current | | | |
| Sale of goods | <u>\$ 34,241</u> | <u>\$ 44,959</u> | <u>\$ 30,581</u> |

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

| | For the Year Ended December 31 | |
|---------------|---------------------------------------|------------------|
| | 2022 | 2021 |
| Bank deposits | \$ <u>34,892</u> | \$ <u>41,617</u> |

b. Other income

| | For the Year Ended December 31 | |
|--------------------------------|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Dividend income | \$ 477,714 | \$ 66,143 |
| Reversal of litigation reserve | 15,199 | - |
| Grant income | 11,604 | 39,886 |
| Rental income | 2,134 | 1,626 |
| Other income | <u>45,275</u> | <u>30,093</u> |
| | \$ <u>551,926</u> | \$ <u>137,748</u> |

c. Other gains and losses

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Net foreign exchange gain (loss) | \$ 71,780 | \$ (14,293) |
| Gain on disposal of associates | 26,523 | - |
| Gain on disposal of right-of-use assets (Note) | 1,374 | - |
| Fair value changes of financial assets - financial assets mandatorily classified as at FVTPL | (6,599) | 11,135 |
| Loss on disposal of property, plant and equipment (Note) | (21,270) | - |
| Others | <u>(10,558)</u> | <u>(4,287)</u> |
| | \$ <u>61,250</u> | \$ <u>(7,445)</u> |

Note: The gains or losses on disposal of assets of Nan Pao Resins (Yunan) Co., Ltd. is due to industrial restructuring by the government of China.

d. Finance costs

| | For the Year Ended December 31 | |
|-------------------------------|---------------------------------------|------------------|
| | 2022 | 2021 |
| Interest on bank loans | \$ 71,224 | \$ 41,800 |
| Interest on lease liabilities | <u>15,091</u> | <u>12,997</u> |
| | \$ <u>86,315</u> | \$ <u>54,797</u> |

e. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2022 | 2021 |
| An analysis of depreciation by function | | |
| Operating costs | \$ 343,555 | \$ 333,090 |
| Operating expenses | <u>138,268</u> | <u>107,079</u> |
| | <u>\$ 481,823</u> | <u>\$ 440,169</u> |
| An analysis of amortization by function | | |
| Operating costs | \$ 1,020 | \$ 1,051 |
| Operating expenses | <u>27,962</u> | <u>29,836</u> |
| | <u>\$ 28,982</u> | <u>\$ 30,887</u> |

f. Employee benefits expense

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Short-term employee benefits | | |
| Salaries | \$ 2,150,696 | \$ 1,935,550 |
| Labor and health insurance | 143,851 | 128,168 |
| Others | <u>170,843</u> | <u>149,737</u> |
| | <u>2,465,390</u> | <u>2,213,455</u> |
| Post-employment benefits | | |
| Defined contribution plans | 107,038 | 95,070 |
| Defined benefit plans (Note 25) | <u>(46)</u> | <u>3,277</u> |
| | <u>106,992</u> | <u>98,347</u> |
| | <u>\$ 2,572,382</u> | <u>\$ 2,311,802</u> |
| An analysis of employee benefits expense by function | | |
| Operating costs | \$ 930,399 | \$ 846,850 |
| Operating expenses | <u>1,641,983</u> | <u>1,464,952</u> |
| | <u>\$ 2,572,382</u> | <u>\$ 2,311,802</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, 2022 and 2021, which were approved by the Company's board of directors in March, 2023 and 2022, respectively, are as follows:

1) Accrual rate

| | For the Year Ended December 31 | |
|---------------------------|---------------------------------------|-------------|
| | 2022 | 2021 |
| Employees' compensation | 2.5% | 3.5% |
| Remuneration of directors | 1.06% | 1.5% |

2) Amount

| | For the Year Ended December 31 | |
|---------------------------|---------------------------------------|-------------|
| | 2022 | 2021 |
| | Cash | Cash |
| Employees' compensation | \$ 52,000 | \$ 36,960 |
| Remuneration of directors | 22,000 | 16,000 |

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

The appropriations of employees' compensation and remuneration of directors for 2021 and 2020 that were resolved by the board of directors in March 2022 and 2021, respectively, and the amounts of employees' compensation and remuneration of directors recognized in the consolidated financial statements, are as shown below:

| | For the Year Ended December 31 | | | |
|---|---------------------------------------|----------------------------------|--------------------------------|----------------------------------|
| | 2021 | | 2020 | |
| | Employees' compensation | Remuneration of directors | Employees' compensation | Remuneration of directors |
| The Board of Directors resolves the allocation amount | \$ 36,960 | \$ 16,000 | \$ 42,000 | \$ 20,000 |
| Amounts recognized in the annual financial statements | <u>36,960</u> | <u>17,600</u> | <u>42,000</u> | <u>20,000</u> |
| Differences | <u>\$ -</u> | <u>\$ (1,600)</u> | <u>\$ -</u> | <u>\$ -</u> |

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

Information on the 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

| | For the Year Ended December 31 | |
|-------------------------|---------------------------------------|--------------------|
| | 2022 | 2021 |
| | Foreign exchange gains | \$ 383,203 |
| Foreign exchange losses | <u>(311,423)</u> | <u>(134,828)</u> |
| | <u>\$ 71,780</u> | <u>\$ (14,293)</u> |

29. INCOME TAXES

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

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Current tax | | |
| In respect of the current year | \$ 462,518 | \$ 258,473 |
| Additional tax on unappropriated earnings | 57 | - |
| Adjustments for prior years | (38,656) | (22,464) |
| Repatriation of overseas funds | - | 41,976 |
| | <u>423,919</u> | <u>277,985</u> |
| Deferred tax | | |
| In respect of the current year | 98,767 | 6,503 |
| Adjustments for prior years | - | (11,300) |
| | <u>98,767</u> | <u>(4,797)</u> |
| | <u>\$ 522,686</u> | <u>\$ 273,188</u> |

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

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Profit before income tax | <u>\$ 2,385,414</u> | <u>\$ 1,202,541</u> |
| Income tax expense calculated at the statutory rate | \$ 690,299 | \$ 383,653 |
| Non-deductible expenses in determining taxable income | 3,374 | 1,745 |
| Tax-exempt income | (95,298) | (13,229) |
| Temporary differences | 23,538 | (77,337) |
| Permanent differences | (25,092) | (7,061) |
| Additional tax on unappropriated earnings | 57 | - |
| Adjustments for prior year | (38,656) | (33,764) |
| Tax relief | (35,536) | (22,795) |
| Repatriation of overseas funds | - | 41,976 |
| | <u>\$ 522,686</u> | <u>\$ 273,188</u> |

b. Income tax recognized in other comprehensive income

| | For the Year Ended December 31 | |
|--|---------------------------------------|------------------|
| | 2022 | 2021 |
| <u>Deferred tax</u> | | |
| In respect of the current year | | |
| Translation of foreign operations | \$ (76,044) | \$ 39,164 |
| Remeasurement of defined benefit plans | <u>(7,720)</u> | <u>(2,892)</u> |
| | <u>\$ (83,764)</u> | <u>\$ 36,272</u> |

c. Current tax assets and liabilities

| | December 31 | |
|-------------------------|--------------------|-------------|
| | 2022 | 2021 |
| Current tax assets | | |
| Tax refund receivable | \$ 3,936 | \$ 1,910 |
| Current tax liabilities | | |
| Income tax payable | \$ 275,853 | \$ 178,428 |

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, 2022

| | 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 | \$ 161,118 | \$ - | \$ (76,044) | \$ - | \$ 85,074 |
| Defined benefit obligations | 11,445 | (208) | (7,720) | 363 | 3,880 |
| Loss on decline in market price of inventories | 42,507 | (8,195) | - | 274 | 34,586 |
| Allowance for impairment loss | 4,042 | 6,015 | - | 195 | 10,252 |
| Payables for annual leave | 4,875 | 340 | - | (159) | 5,056 |
| Unrealized gross profit | 23,823 | 22,668 | - | - | 46,491 |
| Others | 49,338 | (19,019) | - | 1,382 | 31,701 |
| | 297,148 | 1,601 | (83,764) | 2,055 | 217,040 |
| Carryforwards | 49,361 | (11,689) | - | 1,572 | 39,244 |
| | <u>\$ 346,509</u> | <u>\$ (10,088)</u> | <u>\$ (83,764)</u> | <u>\$ 3,627</u> | <u>\$ 256,284</u> |
| <u>Deferred Tax Liabilities</u> | | | | | |
| Temporary differences | | | | | |
| Foreign investment income | \$ 522,521 | \$ 107,864 | \$ - | \$ 30 | \$ 630,415 |
| Defined benefit obligations | - | 6,347 | - | - | 6,347 |
| Provision for land appreciation tax | 235,087 | - | - | - | 235,087 |
| Others | 28,817 | (25,532) | - | 1,181 | 4,466 |
| | <u>\$ 786,425</u> | <u>\$ 88,679</u> | <u>\$ -</u> | <u>\$ 1,211</u> | <u>\$ 876,315</u> |

For the year ended December 31, 2021

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Business Combination | Exchange Differences | Closing Balance |
|--|-------------------|------------------------------|--|----------------------|----------------------|-------------------|
| <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 | 45,445 | 7,207 | - | 1,488 | (4,802) | 49,338 |
| | 266,214 | (1,613) | 36,272 | 1,488 | (5,213) | 297,148 |
| Carryforwards | 62,448 | (9,645) | - | - | (3,442) | 49,361 |
| | <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 | 35 | (24) | - | 30,350 | (1,544) | 28,817 |
| | <u>\$ 773,682</u> | <u>\$ (16,055)</u> | <u>\$ -</u> | <u>\$ 30,350</u> | <u>\$ (1,552)</u> | <u>\$ 786,425</u> |

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

As of December 31, 2022 and 2021, the taxable temporary differences related to the investment of subsidiaries and unrecognized deferred income tax liabilities were both of \$202,248 thousand.

- f. Unused loss carryforwards

Loss carryforwards as of December 31, 2022 comprised:

| Unused Amount | Expiry Year |
|-------------------|-------------|
| \$ 6,368 | 2023 |
| 6,962 | 2024 |
| 42,367 | 2025 |
| 87,037 | 2026 |
| 139,313 | 2027 |
| 25,301 | 2028 |
| 25,148 | 2029 |
| 26,602 | 2030 |
| 14,242 | 2031 |
| 5,983 | 2032 |
| <u>173,408</u> | Note |
| <u>\$ 552,731</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 ITLS International Development Co., Ltd. and Biorich Biotechnology Co., Ltd. through 2021 have been assessed by the tax authorities, the income tax returns of the Company and domestic subsidiaries through 2020 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

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Profit for the year attributable to owners of the Company | \$ <u>1,741,459</u> | \$ <u>875,780</u> |

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

| | For the Year Ended December 31 | |
|--|---------------------------------------|----------------|
| | 2022 | 2021 |
| 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>456</u> | <u>319</u> |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>121,027</u> | <u>120,890</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. SHARE-BASED PAYMENT ARRANGEMENTS

Qualified employees of the Company's subsidiary, Prince Pharmaceutical Co., Ltd. were granted 2,000 units of share options in September 2022 and 300 units of share options in October 2022 (cash capital increase reserved for employee stock options). Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Company. Except for cash capital increase reserved for employee stock options, the options exercisable at certain percentages after the first anniversary from the grant date.

Information on employee share options was as follows:

| | For the Year Ended December 31, 2022 | |
|--------------------------------------|---|--|
| | Numbers of Options (In Thousand) | Weighted- average Exercise Price (NT\$) |
| <u>Employee share options</u> | | |
| Balance at January 1 | - | \$ - |
| Options granted | 2,000 | 25 |
| Balance at December 31 | <u>2,000</u> | <u>25</u> |
| Options exercisable, end of the year | <u>-</u> | <u>-</u> |

Options granted in September and October 2022 are priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

| | September 2022 | October 2022 |
|-------------------------------|--------------------------|---------------------|
| Grant-date share price (NT\$) | \$ 32.5 | \$ 34.42 |
| Exercise price (NT\$) | \$ 25 | \$ 30 |
| Expected volatility | 34.85%-42.95% | 44.77% |
| Expected life (in years) | 3 years and one month | 0.09 years |
| Risk-free interest rate | 1.31%-1.41% | 1.11% |

Expected volatility is based on the volatility of stock returns over the expected duration. A period to the life of the options shall be in accordance with the regulations of each issuance by Prince Pharmaceutical Co., Ltd. The risk-free interest rate is based on the government yield rates of the bonds provided by the TPEX. The determination of fair value does not take into account the services and non-market performance conditions included in the transaction.

Compensation costs recognized was \$2,925 thousand for the year ended December 31, 2022.

32. BUSINESS COMBINATIONS

Acquisition of business

| | Principal Operating Activities | Date of Acquisition |
|--|--|--------------------------------|
| 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

| | Amount |
|---|-------------------|
| 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

| | Amount |
|-------------------------------|-------------------|
| 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

| | Amount |
|--|-------------------|
| 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

| | Principal Operating Activities | Date of Acquisition | Proportion of Voting Equity Interests Acquired (%) | Consideration Transferred |
|--|--|----------------------------|---|----------------------------------|
| 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

| | FlexUP Technologies Corp. | Earnest Wealth Co., Ltd. with its subsidiary | Total |
|-------------------------------|----------------------------------|---|------------------|
| 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

| | Amount |
|--|-----------------|
| 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.

33. EQUITY TRANSACTIONS WITH NON – CONTROLLING INTERESTS IN 2022

| | Nan Pao New Materials (Huaian) Co., Ltd (a) | Progroups Technology Co., Ltd (b) | Nan Pao Group Holding Ltd. (c) |
|---|--|--|---|
| Consideration received (paid) | \$ 13,908 | \$ (2,500) | \$ - |
| The proportionate share of the carrying amount of the net assets of the subsidiary transferred (from) to non-controlling interests | (12,578) | 5,591 | 7,761 |
| | <u> </u> | <u> </u> | <u> </u> |
| Differences recognized from equity transactions | <u>\$ 1,330</u> | <u>\$ 3,091</u> | <u>\$ 7,761</u> |
| <u>Line items adjusted for equity transactions</u> | | | |
| Capital surplus - difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition | \$ - | \$ 3,091 | \$ 7,761 |
| Capital surplus - changes in ownership interests in subsidiaries | 1,330 | - | - |
| | <u> </u> | <u> </u> | <u> </u> |
| | <u>\$ 1,330</u> | <u>\$ 3,091</u> | <u>\$ 7,761</u> |

- a. In January 2022, the Group did not subscribe the issuance of ordinary shares in the amount of RMB \$3,184 thousand for cash of Nan Pao New Materials (Huaian) Co., Ltd. in accordance with the shareholding ratio, decreasing its shareholding ratio from 100% to 95.24%.
- b. The Group acquired minority shareholdings of Progroups Technology Co., Ltd. in September 2022, resulting in an increase in the shareholding ratio from 91.99% to 100%.
- c. The Group repurchased and retired 32.32% shareholdings of Greatwill Materials (HK) Ltd. in September 2022, resulting in an increase in Nan Pao Group Holdings Ltd.' s shareholding ratio from 67.68% to 100%. In addition, Greatwill Materials (HK) Ltd. transferred 28.45% shareholdings to external shareholder of Foshan Nan Pao Advanced Materials Co., Ltd., resulting in an decrease in the shareholding ratio from 88.03% to 59.58%. The amount received and paid for the transaction is the same, and the change have not affect the shareholding ratio of Foshan Nan Pao Advanced Materials Co., Ltd. by the Group.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

34. 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.

35. 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, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|----------------------------------|----------------|----------------|----------------|--------------|
| <u>Financial assets at FVTPL</u> | | | | |
| Limited partnership | \$ _____ - | \$ _____ - | \$ 69,536 | \$ 69,536 |

Financial assets at FVTOCI

| | | | | |
|----------------------------------|------------|------------|--------------|--------------|
| Investment in equity instruments | | | | |
| Unlisted shares | \$ _____ - | \$ _____ - | \$ 4,206,459 | \$ 4,206,459 |

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 |

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

Financial assets at FVTPL

| | For the Year Ended December 31 | |
|------------------------------|---------------------------------------|------------------|
| | 2022 | 2021 |
| Balance at January 1 | \$ 36,135 | \$ - |
| Recognized in profit or loss | (6,599) | 11,135 |
| Purchases | <u>40,000</u> | <u>25,000</u> |
| Balance at December 31 | <u>\$ 69,536</u> | <u>\$ 36,135</u> |

Financial assets at FVTOCI

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Balance at January 1 | \$ 6,284,859 | \$ 1,109,267 |
| Recognized in other comprehensive (loss) income (included in unrealized valuation gain or loss on financial assets at FVTOCI) | (2,091,887) | 5,125,642 |
| Reclassification to the investments accounted for using the equity method | - | (360) |
| Purchases | 13,487 | 51,178 |
| Proceeds from capital reduction | <u>-</u> | <u>(868)</u> |
| Balance at December 31 | <u>\$ 4,206,459</u> | <u>\$ 6,284,859</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

| | December 31 | |
|--|--------------------|--------------|
| | 2022 | 2021 |
| <u>Financial assets</u> | | |
| Financial asset at amortized cost (1) | \$ 9,453,396 | \$ 8,909,346 |
| Financial asset at FVTPL - Mandatorily classified as at FVTPL | 69,536 | 36,135 |
| Financial asset at FVTOCI - Equity instrument | 4,206,459 | 6,284,859 |
| <u>Financial liabilities</u> | | |
| Amortized cost (2) | 6,958,775 | 7,793,827 |

- 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 39.

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.

| | USD Impact | |
|---------------|---------------------------------------|-------------|
| | For the Year Ended December 31 | |
| | 2022 | 2021 |
| Profit (loss) | \$ 16,889 | \$ 9,031 |

| | VND Impact | | | | |
|---------------|---------------------------------------|-------|-------------|-------|----|
| | For the Year Ended December 31 | | | | |
| | 2022 | | 2021 | | |
| Profit (loss) | \$ | 4,322 | \$ | 4,584 | 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 increased during the current year mainly due to the borrowings for purchasing materials in USD and decrease in accounts payable.

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 Group's sensitivity to foreign currency was not changed significantly during the current year.

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:

| | December 31 | | | | |
|-------------------------------|--------------------|-----------|-------------|-----------|--|
| | 2022 | | 2021 | | |
| Fair value interest rate risk | | | | | |
| Financial assets | \$ | 672,994 | \$ | 865,927 | |
| Financial liabilities | | 1,741,126 | | 623,484 | |
| Cash flow interest rate risk | | | | | |
| Financial assets | | 3,392,013 | | 3,371,404 | |
| Financial liabilities | | 2,219,243 | | 4,212,634 | |

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, 2022 and 2021 would increase/decrease by \$5,548 thousand and decrease /increase by \$10,532 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:

| | December 31 | | | |
|---------|--------------------|----------|---------------|----------|
| | 2022 | | 2021 | |
| | Amount | % | Amount | % |
| Group A | \$ 306,996 | 7 | \$ 322,182 | 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, 2022

| | Less than 1 Year | 1 - 5 Years | Over 5 Years |
|---|-----------------------------|---------------------|---------------------|
| <u>Non-derivative financial liabilities</u> | | | |
| Non-interest bearing liabilities | \$ 3,916,167 | \$ 2,677 | \$ - |
| Lease liabilities | 105,095 | 276,694 | 503,420 |
| Fixed interest rate liabilities | 961,047 | 52,768 | - |
| Variable interest rate liabilities | <u>1,058,155</u> | <u>1,002,140</u> | <u>233,650</u> |
| | <u>\$ 6,040,464</u> | <u>\$ 1,334,279</u> | <u>\$ 737,070</u> |

Additional information about the maturity analysis for lease liabilities:

| | Less than 1 Year | 1-5 Years | 6-10 Years | 11-20 Years | Over 21 Years |
|-------------------|-----------------------------|------------------|-------------------|--------------------|--------------------------|
| Lease liabilities | \$ 105,095 | \$ 276,694 | \$ 290,077 | \$ 112,735 | \$ 100,608 |

December 31, 2021

| | Less than 1 Year | 1 - 5 Years | Over 5 Years |
|---|-----------------------------|---------------------|---------------------|
| <u>Non-derivative financial liabilities</u> | | | |
| Non-interest bearing liabilities | \$ 3,642,305 | \$ 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>\$ 6,095,510</u> | <u>\$ 1,910,970</u> | <u>\$ 645,171</u> |

Additional information about the maturity analysis for lease liabilities:

| | Less than 1 Year | 1-5 Years | 6-10 Years | 11-20 Years | Over 21 Years |
|-------------------|-----------------------------|------------------|-------------------|--------------------|--------------------------|
| Lease liabilities | \$ 90,029 | \$ 179,462 | \$ 159,137 | \$ 138,767 | \$ 100,609 |

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

b) Financing facilities

| | December 31 | |
|---|----------------------|---------------------|
| | 2022 | 2021 |
| Unsecured bank overdraft facilities, reviewed annually and payable at call: | | |
| Amount used | \$ 2,962,893 | \$ 3,935,385 |
| Amount unused | <u>7,768,040</u> | <u>5,560,540</u> |
| | <u>\$ 10,730,933</u> | <u>\$ 9,495,925</u> |
| Secured bank overdraft facilities: | | |
| Amount used | \$ 394,189 | \$ 479,854 |
| Amount unused | <u>336,666</u> | <u>257,302</u> |
| | <u>\$ 730,855</u> | <u>\$ 737,156</u> |

36. 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 before January 2022 (Note 13) |
| Opulence Optronics Co., Ltd. | The Group is an executive of the Company |
| Pou Chen Corporation and Subsidiaries | Investors with significant influence |
| Apogee Optocom Co., Ltd. | Other related party |
| Shenglin Investment Co., Ltd. | Other related party |
| Kang Ming Senior High School, Tainan | Other related party |
| Nan Pao Resins Private Welfare Charity Foundation | Other related party |

b. Sales of goods

| Related Party Category | For the Year Ended December 31 | |
|--|--------------------------------|--------------|
| | 2022 | 2021 |
| Investors with significant influence | \$ 1,317,473 | \$ 1,034,962 |
| The Group is an executive of the Company | 7 | 40 |
| Other related party | 375 | 127 |
| | \$ 1,317,855 | \$ 1,035,129 |

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

| Related Party Category | For the Year Ended December 31 | |
|------------------------|--------------------------------|----------|
| | 2022 | 2021 |
| Associate | \$ - | \$ 4,348 |

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 | December 31 | |
|---------------------|---------------------------------------|-------------|------------|
| | | 2022 | 2021 |
| Accounts receivable | Investors with significant influence | | |
| | Pou Chen Corporation and Subsidiaries | \$ 306,996 | \$ 322,182 |
| | Other related party | 99 | - |
| | | \$ 307,095 | \$ 322,182 |

The outstanding accounts receivable from related parties are unsecured.

e. Payables to related parties

| Line Item | Related Party Category | December 31 | |
|------------------|--------------------------------------|--------------------|---------------|
| | | 2022 | 2021 |
| Other payables | Investors with significant influence | \$ <u>130</u> | \$ <u>129</u> |

The outstanding accounts payable to related parties are unsecured.

f. Others - refund liabilities

| Line Item | Related Party Category / Name | December 31 | |
|---|---|--------------------|------------------|
| | | 2022 | 2021 |
| Lease Liability (Other current liabilities) | Investors with significant influence Pou Chen Corporation and Subsidiaries | \$ <u>68,033</u> | \$ <u>62,274</u> |

g. Lease arrangements - the Group is lessee

| Line Item | Related Party Category / Name | For the Year Ended December 31 | |
|------------------|--------------------------------------|---------------------------------------|-----------------|
| | | 2022 | 2021 |
| Lease expense | Other related party | \$ <u>1,752</u> | \$ <u>1,371</u> |

h. Compensation of key management personnel

| | For the Year Ended December 31 | |
|------------------------------|---------------------------------------|------------------|
| | 2022 | 2021 |
| Short-term employee benefits | \$ 63,664 | \$ 55,541 |
| Post-employment benefits | <u>7,338</u> | <u>2,118</u> |
| | \$ <u>71,002</u> | \$ <u>57,659</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.

37. 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:

| | <u>December 31</u> | |
|---|--------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| Property, plant and equipment | \$ 662,903 | \$ 675,459 |
| Pledged time deposits (Financial assets measured at amortized cost) | <u>36,581</u> | <u>25,264</u> |
| | <u>\$ 699,484</u> | <u>\$ 700,723</u> |

38. 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, 2022 and 2021 were as follows:

- a. As of December 31, 2022 and 2021, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$139,120 thousand and \$127,133 thousand, respectively.
- b. Unrecognized commitments are as follows:

| | <u>December 31</u> | |
|--|--------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| Acquisition of property, plant and equipment | \$ 175,383 | \$ 357,452 |
| Acquisition of raw material | <u>50,787</u> | <u>84,066</u> |
| | <u>\$ 226,170</u> | <u>\$ 441,518</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. (recognized as other non-current liabilities). On May 18, 2022, the Changhua District Court ruled against Nan Pao Chemical Co., Ltd. in the first trial. Nan Pao Chemical Co., Ltd. should compensate He Kui Chemical Company \$15,267 thousand plus 5% interest of \$7,979 thousand from March 8, 2012 to the date of settlement, which was a total of \$23,246 thousand. On June 27, 2022, Nan Pao Chemical Co., Ltd. appealed the second trial and withdrew the aforementioned compensation amount in July 2022, and reversed the provision of \$15,199 thousand (recognized as other income) in accordance with the ruling of the first trial.

39. 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, 2022

| | Foreign Currency | Exchange Rate | Carrying Amount |
|------------------------------|-----------------------------|-----------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 52,277 | 30.71 (USD:NTD) | \$ 1,605,417 |
| USD | 9,648 | 6.9646 (USD:CNY) | 296,299 |
| USD | 11,329 | 15,510 (USD:IDR) | 347,916 |
| USD | 4,241 | 7.7985 (USD:HKD) | 130,232 |
| VND | 558,891,739 | 0.000042 (VND:USD) | 725,123 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 4,573 | 30.68 (USD:NTD) | 140,317 |
| USD | 3,088 | 6.9646 (USD:CNY) | 94,841 |
| USD | 4,218 | 7.7984 (USD:HKD) | 129,524 |
| USD | 7,850 | 15,510 (USD:IDR) | 241,081 |
| USD | 2,849 | 4.2911 (USD:MYR) | 85,176 |
| VND | 227,738,121 | 0.000042 (VND:USD) | 292,901 |

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 |

Financial liabilities

| | | | |
|----------------|-------------|-----------------------|---------|
| 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 |

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 | | | |
|------------------------|---------------------------------------|--|------------------|--|
| | 2022 | | 2021 | |
| | Exchange Rate | Net Foreign Exchange Gain (Loss) | Exchange Rate | Net Foreign Exchange Gain (Loss) |
| USD | 29.805(USD:NTD) | \$ (30,894) | 28.009(USD:NTD) | \$ 18,394 |
| NTD | 1(NTD:NTD) | 75,171 | 1(NTD:NTD) | (17,118) |
| CNY | 4.422(CNY:NTD) | 28,944 | 4.341(CNY:NTD) | (9,284) |
| SGD | 21.62(SGD:NTD) | (10) | 20.85(SGD:NTD) | 28 |
| AUD | 20.67(AUD:NTD) | (9,552) | 21.06(AUD:NTD) | (6,215) |
| IDR | 0.00201(IDR:NTD) | 11,930 | 0.00198(IDR:NTD) | (716) |
| VND | 0.0013(VND:NTD) | (4,242) | 0.0012(VND:NTD) | (208) |
| Others | | <u>433</u> | | <u>826</u> |
| | | <u>\$ 71,780</u> | | <u>\$ (14,293)</u> |

40. 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 (Table 3)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
 - 9) Trading in derivative instruments (None)
 - 10) Intercompany relationships and significant intercompany transactions (Table 9)
- b. Information on investees (Table 6)
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 7)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 8):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes

- e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
- f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- d. Information of major shareholders : List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

41. 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 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------------|----------------------|
| <u>For the year ended December 31, 2022</u> | | | | | | | |
| Revenue | | | | | | | |
| Revenue from external customers | \$ 4,009,332 | \$ 6,712,384 | \$ 6,463,712 | \$ 2,708,562 | \$ 2,110,323 | \$ - | \$ 22,004,313 |
| Inter segment revenue | <u>3,583,035</u> | <u>1,188,069</u> | <u>748,014</u> | <u>4,157</u> | <u>48,063</u> | <u>(5,571,338)</u> | <u>-</u> |
| Total revenue | <u>\$ 7,592,367</u> | <u>\$ 7,900,453</u> | <u>\$ 7,211,726</u> | <u>\$ 2,712,719</u> | <u>\$ 2,158,386</u> | <u>\$ (5,571,338)</u> | <u>\$ 22,004,313</u> |
| Segment income | <u>\$ 737,466</u> | <u>\$ 287,547</u> | <u>\$ 687,642</u> | <u>\$ 11,400</u> | <u>\$ 183,643</u> | <u>\$ (83,323)</u> | \$ 1,824,375 |
| Interest income | | | | | | | 34,892 |
| Other income | | | | | | | 551,926 |
| Other gains and losses | | | | | | | 61,250 |
| Finance costs | | | | | | | (86,315) |
| Share of profit of associates accounted for using the equity method | | | | | | | (714) |
| Profit before tax | | | | | | | <u>\$ 2,385,414</u> |
| <u>For the year ended December 31, 2021</u> | | | | | | | |
| 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> |

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.

| | For the Year Ended December 31 | |
|------------------------|---------------------------------------|----------------------|
| | 2022 | 2021 |
| Adhesives | \$ 16,067,488 | \$ 12,673,295 |
| Construction materials | 3,257,154 | 2,778,904 |
| Coatings | 1,654,275 | 1,753,614 |
| Others | <u>1,025,396</u> | <u>774,194</u> |
| | <u>\$ 22,004,313</u> | <u>\$ 17,980,007</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.

| | Revenue from External Customers | |
|---------|--|----------------------|
| | For the Year Ended December 31 | |
| | 2022 | 2021 |
| Asia | \$ 15,748,577 | \$ 12,388,596 |
| Taiwan | 3,023,490 | 2,980,570 |
| Oceania | 2,707,164 | 2,323,211 |
| America | 114,453 | 82,732 |
| Africa | 111,702 | 53,349 |
| Europe | <u>298,927</u> | <u>151,549</u> |
| | <u>\$ 22,004,313</u> | <u>\$ 17,980,007</u> |

| | Non-current Assets | |
|----------------|---------------------------|---------------------|
| | December 31 | |
| | 2022 | 2021 |
| Taiwan | \$ 3,994,306 | \$ 3,508,417 |
| Mainland China | 744,500 | 830,250 |
| Southeast Asia | 1,408,814 | 1,369,638 |
| Australia | <u>1,056,275</u> | <u>773,256</u> |
| | <u>\$ 7,203,895</u> | <u>\$ 6,481,561</u> |

Non-current assets exclude financial instruments (excluding investment for using the equity method), net defined benefit assets and deferred tax assets.

NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 2 & 3) | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period | Actual Amount Borrowed | Amount Endorsed/ Guaranteed by Collateral | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) | Aggregate Endorsement/ Guarantee Limit (Notes 2 & 3) | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China |
|-----|-----------------------------------|--|--------------------------|--|--|--|---------------------------|---|---|---|--|--|---|
| | | Name | Relationship (Note 1) | | | | | | | | | | |
| 0 | Nan Pao Resins Chemical Co., Ltd. | Nan Pao Philippines Export, Inc | 2 | \$ 2,910,405 | \$ 16,108 | \$ 15,355 | \$ - | \$ - | 0.11 | \$ 7,276,013 | Y | N | N |
| | | Nan Pao Resins Chemical Philippines Inc. | 2 | 2,910,405 | 32,215 | 30,710 | - | - | 0.21 | 7,276,013 | Y | N | N |
| | | Nan Pao Group Holdings Ltd. | 2 | 2,910,405 | 64,430 | 61,420 | - | - | 0.42 | 7,276,013 | Y | N | N |
| | | RLA Polymers (M) Sdn. Bhd. | 2 | 2,910,405 | 96,645 | 61,420 | - | - | 0.42 | 7,276,013 | Y | N | N |
| | | RLA Polymers Pty Ltd. | 2 | 2,910,405 | 257,720 | - | - | - | - | 7,276,013 | Y | N | N |
| | | RLA Polymers (M) Sdn. Bhd | 2 | 2,910,405 | 128,860 | 122,840 | 74,054 | - | 0.84 | 7,276,013 | Y | N | N |
| | | Nan Pao New Materials (Huaian) Co., Ltd. | 2 | 2,910,405 | 135,180 | 132,240 | 1,467 | - | 0.91 | 7,276,013 | Y | N | Y |
| | | Nan Pao New Materials (Huaian) Co., Ltd. | 2 | 2,910,405 | 225,300 | 220,400 | 1,762 | - | 1.51 | 7,276,013 | Y | N | Y |
| | | Nan Pao New Materials (Huaian) Co., Ltd. | 2 | 2,910,405 | 90,120 | 88,160 | 25,915 | - | 0.61 | 7,276,013 | Y | N | Y |
| | | Nan Pao New Materials (Huaian) Co., Ltd. | 2 | 2,910,405 | 135,180 | 88,160 | - | - | 0.61 | 7,276,013 | Y | N | Y |
| | | Nan Pao Fine Materials Co., Ltd. | 2 | 2,910,405 | 30,000 | 20,000 | - | - | 0.14 | 7,276,013 | Y | N | N |
| | | Nan Pao Fine Materials Co., Ltd. | 2 | 2,910,405 | 20,000 | 20,000 | 10,000 | - | 0.14 | 7,276,013 | Y | N | N |
| | | RLA Polymers Pty Ltd. | 2 | 2,910,405 | 214,200 | 208,300 | 104,150 | - | 1.43 | 7,276,013 | Y | N | N |

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

1. Companies with business relationship.
2. The Company directly and indirectly holds more than 50 percent of the voting rights in a company.
3. A company that directly and indirectly holds more than 50 percent of the voting rights in the Company.
4. The Company directly and indirectly holds more than 90 percent of the voting rights between companies.
5. Companies with the same industry or mutual project undertakers that have mutual guarantee based on contract agreements due to contractual project needs.
6. Due to joint venture, the company's shareholders' endorsement is based on their shareholding ratio.
7. The performance guarantee of the pre-sale house sales contract in the same industry in accordance with the Consumer Protection Law is jointly guaranteed.

Note 2: The limit on endorsement/guarantee given on behalf of individual corporation is 20% of the Company's net value at the end of the period, while the aggregate endorsement/guarantee limit is 50% of the Company's net value.

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

NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

FOR THE YEAR ENDED DECEMBER 31, 2022

(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, 2022 | | | | Note |
|-----------------------------------|---|---------------------------------------|---|-------------------|------------------|------------------|------------------|------|
| | | | | Number of Shares | Number of Shares | Number of Shares | Number of Shares | |
| Nan Pao Resins Chemical Co., Ltd. | CDIB -Innolux Limited Partnership | None | Financial assets at fair value through profit or loss - non-current | - | \$ 69,536 | 9 | \$ 69,536 | |
| Nan Pao Resins Chemical Co., Ltd. | Dairen Chemical Corp. - publicly owned company | None | Financial assets at fair value through other comprehensive income - non-current | 10,424,970 | \$ 4,161,054 | 2 | \$ 4,161,054 | |
| | Hua Chi Venture Capital Co., Ltd. - privately-issued equity | " | " | 7,895 | 1,478 | 1 | 1,478 | |
| | Opulence Optronics Co., Ltd. - privately-issued equity | " | " | 1,754,417 | 1,734 | 13 | 1,734 | |
| | Revivegen Environmental Technology Co., Ltd. - emerging stock | " | " | 422,126 | 13,951 | 2 | 13,951 | |
| | Contact Organics Pty Ltd- privately-issued equity | " | " | 2,902 | 7,862 | 17 | 7,862 | |
| | | | | | \$ 4,186,079 | | \$ 4,186,079 | |
| Nan Pao Chemical Company Ltd. | Ace Chemical Corp. -privately-issued equity | None | Financial assets at fair value through other comprehensive income - non-current | 1,148,015 | \$ 20,380 | 10 | \$ 20,380 | |

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

Note 2: Please refer to Tables 5 and 6 for information on investments in subsidiaries and associates.

TABLE 3**NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Buyer | Property | Event Date | Transaction Amount | Payment Status | Counterparty | Relationship | Information on Previous Title Transfer If Counterparty is a Related Party | | | | Pricing Reference | Purpose of Acquisition | Other Terms |
|-----------------------------------|-------------------|------------|--------------------|--|------------------------------------|--------------|---|--------------|------------------|-------------------------------------|----------------------------------|------------------------|-------------|
| | | | | | | | Property Owner | Relationship | Transaction Date | Amount | | | |
| Nan Pao Resins Chemical Co., Ltd. | Plant Engineering | Note | \$ 814,682 | Monthly payment, after reviewing the construction progress | Hong Kung construction Company etc | - | - | - | \$ - | In-house commissioned ,not suitable | R&D and Administrative Buildings | - | |

Note : The board of directors, which approved the proposal to engage others to build a factory on its own land on May 18, 2010, signed a contract with the contractors on June 14, 2019.

TABLE 4

NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(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 | \$ 1,496,339 | 24 | Payment within 90 days | Similar to general transactions | Similar to general transactions | \$ 503,276 | 29 | |
| | PT. Indo Nan Pao Resins Chemical Co., Ltd. | Subsidiary | Sale | 439,901 | 7 | Payment within 90 days | Similar to general transactions | Similar to general transactions | 123,868 | 7 | |
| | Nan Pao Materials Vietnam Co., Ltd. | Subsidiary | Sale | 320,221 | 5 | Payment within 90 days | Similar to general transactions | Similar to general transactions | 133,358 | 8 | |
| | Nan Pao Resins (HK) Limited | Subsidiary | Sale | 171,883 | 3 | Telegraphic transfer within 90 days | Similar to general transactions | Similar to general transactions | 45,106 | 3 | |
| | Nan Pao Resins (Foshan) Co., Ltd. | Subsidiary | Sale | 294,606 | 5 | Payment within 90 days | Similar to general transactions | Similar to general transactions | 81,613 | 5 | |
| | Nan Pao Advanced Materials Vietnam Co., Ltd. | Subsidiary | Sale | 306,907 | 5 | Payment within 90 days | Similar to general transactions | Similar to general transactions | 176,307 | 10 | |
| | Nan Pao Resins (Vietnam) Enterprise Ltd. | Nan Pao Resins International Ltd. | Same ultimate Parent Company | Sale | 237,380 | 6 | Payment within 90 days | Similar to general transactions | Similar to general transactions | 57,494 | 8 |
| Pou Chen Corporation and Subsidiaries | | Investors with significant influence | Sale | 131,969 | 4 | Payment within 45-105 days | Similar to general transactions | Similar to general transactions | 27,905 | 4 | |
| Nan Pao Resins (Dongguan) Co., Ltd. | Nan Pao Resins (HK) Limited | Same ultimate Parent Company | Processing Revenue | 336,431 | 100 | Payment within 90 days | No comparable produce sales for comparison | No third-party transaction for comparison | 83,142 | 100 | |
| Nan Pao Materials Vietnam Co., Ltd. | Nan Pao Resins International Ltd. | Same ultimate Parent Company | Sale | 160,806 | 8 | Payment within 90 days | Similar to general transactions | Similar to general transactions | 35,470 | 8 | |
| | Nan Pao Advanced Materials Vietnam Co., Ltd. | Same ultimate Parent Company | Sale | 108,058 | 5 | Payment within 90 days | Similar to general transactions | Similar to general transactions | 67,264 | 15 | |
| Nan Pao Resins (Foshan) Co., Ltd. | Fuqing Nan Pao Resins Co., Ltd. | Same ultimate Parent Company | Sale | 132,226 | 6 | Payment within 90 days | Similar to general transactions | Similar to general transactions | 29,003 | 5 | |
| | Pou Chen Corporation and Subsidiaries | Investors with significant influence | Sale | 129,501 | 6 | Payment within 45 days | Similar to general transactions | Similar to general transactions | 26,751 | 5 | |
| Nan Pao Resins International Ltd. | Pou Chen Corporation and Subsidiaries | Investors with significant influence | Sale | 399,381 | 100 | Payment within 60 days | Similar to general transactions | Similar to general transactions | 63,516 | 99 | |
| PT. Indo Nan Pao Resins Chemical Co., Ltd. | Pou Chen Corporation and Subsidiaries | Investors with significant influence | Sale | 424,271 | 28 | Telegraphic transfer within 90 days | Similar to general transactions | Similar to general transactions | 143,811 | 34 | |

Note: Except for investors with significant influence, they would be eliminated 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
FOR THE YEAR ENDED DECEMBER 31, 2022
(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 | \$ 503,276 | 3.52 | \$ - | Not applicable | \$ 271,023 | \$ - |
| | Nan Pao Materials Vietnam Co., Ltd. | Subsidiary | 133,358 | 2.75 | - | Not applicable | 80,683 | - |
| | Nan Pao Advanced Materials Vietnam Co., Ltd. | Subsidiary | 176,307 | 2.41 | - | Not applicable | 65,392 | - |
| | PT. Indo Nan Pao Resins Chemical Co., Ltd. | Subsidiary | 123,868 | 3.54 | - | Not applicable | 41,724 | - |
| PT. Indo Nan Pao Resins Chemical Co., Ltd. | Pou Chen Corporation and Subsidiaries | Investors with significant influence | 143,811 | 2.82 | - | Not applicable | 71,915 | 465 |

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

TABLE 6

NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (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, 2022 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) (Note 1) | Note |
|--|---|---|--|----------------------------|-------------------|-------------------------|-------|-----------------|-----------------------------------|---------------------------------|---|
| | | | | Ending Balance | Beginning Balance | Number of Shares | % | Carrying Amount | | | |
| Nan Pao Resins Chemical Co., Ltd. | Nan Pao Chemical Company Ltd. | No.519, Zhongshan Rd., Xigang Dist, Tainan City | Trading of chemical substances | \$ 300,000 | \$ 300,000 | 15,000,000 | 100 | \$ 182,125 | \$ 13,383 | \$ 13,383 | |
| | Nan Pao Application Material Co., Ltd. | No.519, Zhongshan Rd., Xigang Dist, Tainan City | Trading of chemical substances | 60,000 | 60,000 | 200,000 | 100 | 8,619 | (16) | (16) | |
| | Nan Pao Electronic Materials Co., Ltd. | No.510, Zhongshan Rd., Xigang Dist, Tainan City | Production and trading of electronic materials | - | 63,540 | - | - | - | - | (2,444) | |
| | ITLS International Development Co., Ltd. | 3F, No.356, Sec.1, NeiHu Rd., Taipei | Trading of construction materials and chemical substances | 696,000 | 755,000 | 24,600,000 | 100 | 253,385 | 19,974 | 19,124 | |
| | 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 | 365,372 | 51,553 | 26,040 | |
| | Phymed Bio-tec Co., Ltd. | No.519, Zhongshan Rd., Xigang Dist, Tainan City | R&D and trading of health food | 34,000 | 34,000 | 2,400,000 | 100 | 16,778 | (4,025) | (4,025) | |
| | Biorich Biotechnology Co., Ltd. | 3F, No.356, Sec.1, NeiHu Rd., Taipei | R&D, production, and trading of new high protein business and health food | 64,121 | 64,121 | 391,462 | 57.1 | 10,877 | 3,882 | 2,216 | |
| | 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 | 10,995 | 8,926 | 6,249 | |
| | Progroups Technology Co., Ltd. | No.519, Zhongshan Rd., Xigang Dist, Tainan City | Trading of waterborne PU resin | - | 70,814 | - | - | - | - | 6,654 | |
| | 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 | 21,418 | 16,154 | 10,493 | |
| | 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 | - | - | - | - | - | |
| | FlexUP Technologies Corp. | 5F., No. 5, Ln. 569, Bo'ai St., Zhubei City, Hsinchu County | Production and trading of polyimide materials | 19,546 | 21,094 | 16,352,173 | 96.87 | 4,284 | (229) | 276 | |
| | Perfect & Outstanding Technology Inc. | No.320-17 and 18, Xiaoxinying, Xiaoxin Vil., Shanhua Dist., Tainan City 741012, Taiwan (R.O.C.) | Production and trading of renewable energy | 40,000 | - | 2,500,000 | 25.93 | 39,286 | (15,224) | (714) | |
| | Fuqing Nan Pao Investment Ltd. | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. | General investment | 166,699 | 166,699 | 4,990,000 | 100 | 205,806 | 21,656 | 21,656 | |
| | Thai Nan Pao Investment Ltd. | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. | General investment | 169,909 | 169,909 | 5,282,000 | 100 | 180,082 | 762 | 762 | |
| | 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 | 26,290 | (763) | (763) | |
| | Nan Pao Materials Vietnam Co., Ltd. | LotA4, A5, A10, A11 Daden Industrial Park, Thu Dau Mot City, Binh Duong Province, Vietnam | Production and trading of adhesives and chemicals | 685,094 | 685,094 | - | 100 | 1,184,074 | 157,048 | 153,419 | |
| | 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 | 533,699 | 119,148 | 119,148 | |
| | Nan Pao Overseas Holdings Ltd. | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. | General investment | 2,386,015 | 2,363,585 | 78,056,502 | 100 | 4,197,273 | 258,315 | 251,160 | |
| | Profit Land Ltd. | Equity Trust Chambers, P.O. Box 3269, Apia, Samoa | General investment | 186,588 | 186,588 | 983,333 | 73.75 | 840,024 | 229,071 | 168,203 | Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares |
| | All Saints Enterprises Ltd. | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. | General investment | 143,375 | 143,375 | 5,452,549 | 54.53 | 214,432 | (15,690) | (8,556) | Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares |
| | Ongoing Profits Ltd. | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. | General investment | 46,426 | 46,426 | 1,560,000 | 32.18 | 233,246 | 313,469 | 99,979 | 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 | 237,621 | 133,448 | 65,390 | 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 | 14,952 | 2,360 | 2,360 | |
| | Nan Pao Resins Chemical (Bangladesh) Co., Ltd. | House No, 42 5 th floors, Lake drive Road, Sector 7, Ultara, Dhaka | Trading of adhesives | 4,193 | 4,193 | 125,000 | 100 | 752 | (3,173) | (3,173) | |
| | Earnest Wealth Co., Ltd. | Level 2, Lotenau Centre Building, Vaea Street, Apia, Samoa | General investment | 42,958 | 42,958 | 920,000 | 51.11 | 45,360 | 832 | 424 | |
| ITLS International Development Co., Ltd. | ITLS Holding Pte. Ltd. | Blk 1049, Eunos Avenue 6, #01-132, Singapore 409628 | General investment | 502,822 | 545,462 | 22,064,549 | 100 | 89,579 | (6,802) | | |
| | Aftek Materials Vietnam Co., Ltd. | No. 16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province | Production and trading of construction materials | 49,172 | 49,172 | - | 70 | 21,066 | (11,042) | | |

(Continued)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2022 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) (Note 1) | Note |
|--------------------------------|---|--|--|-------------------------------|-------------------------------|-------------------------|-------|-----------------|-----------------------------------|---|------|
| | | | | Ending Balance | Beginning Balance | Number of Shares | % | Carrying Amount | | | |
| Fuqing Nan Pao Investment Ltd. | Wealth Castle Development Ltd. | Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong | General investment | \$ 140,038 (USD 4,560,000) | \$ 140,038 (USD 4,560,000) | 10,000 | 100 | \$ 206,051 | \$ 21,741 | | |
| Thai Nan Pao Investment Ltd. | Thai Nanpao Resins Chemical Co., Ltd. | 412 Kor Soi, 1cBangpoo Industrial Tumbon Preaksa Ampur Muang Samutprakarn 10280, Thailand | Production and trading of adhesives | 171,326 (USD 5,578,821) | 171,326 (USD 5,578,821) | 21,197,000 | 100 | 132,585 | 726 | | |
| Earnest Wealth Co., Ltd. | Apex Polytech Co., Ltd. | Lot T29-15A Street 7, Protrade International Industrial Park, An Tay Commune, Ben Cat Town, Binh Duong, Vietnam. | Production and trading of adhesives | 66,027 (USD 2,150,000) | 66,027 (USD 2,150,000) | - | 100 | 64,775 | 1,064 | | |
| Nan Pao Overseas Holdings Ltd. | Nan Pao Group Holdings Ltd. | Vistra (Cayman) Limited P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road Grand Cayman, KY1-1205 Cayman Islands | General investment | 2,397,115 (USD 78,056,502) | 2,397,115 (USD 78,056,502) | 78,056,502 | 100 | 4,315,542 | 258,410 | | |
| ITLS Holding Pte. Ltd. | PT. ITLS Indonesia | Jl. Pajajaran Raya No. 44, Kel. Gandasari, Kec. Jatiuwung, Tangerang-15137 Indonesia | Production and trading of construction materials | 77,746 (USD 2,531,620) | 77,746 (USD 2,531,620) | 2,437,109 | 100 | 14,072 | (3,134) | | |
| | ITLS Vietnam Co., Ltd. | No.16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province | Production and trading of construction materials | 133,696 (USD 4,353,487) | 133,696 (USD 4,353,487) | - | 100 | 72,150 | (3,332) | | |
| Nan Pao Group Holdings Ltd. | Greatwill Materials (HK) Ltd. | Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong | General investment | 38,695 (USD 1,260,000) | 38,695 (USD 1,260,000) | 7,172 | 100 | 489,785 | 65,701 | | |
| | Profit Land Ltd. | Equity Trust Chambers, P.O. Box 3269, Apia, Samoa | General investment | 57,969 (USD 1,887,627) | 57,969 (USD 1,887,627) | 350,000 | 26.25 | 305,953 | 229,071 | Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares | |
| | Nan Pao Resins (Holdings) Ltd. | P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands | General investment | 646,571 (USD 21,054,073) | 646,571 (USD 21,054,073) | 10,000 | 100 | 363,143 | 26,813 | | |
| | All Saints Enterprises Ltd. | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. | General investment | 163,779 (USD 5,333,075) | 163,779 (USD 5,333,075) | 4,547,451 | 45.47 | 178,805 | (15,690) | 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 | 629,365 (AUD 30,214,354) | 629,365 (AUD 30,214,354) | 30,214,354 | 100 | 845,980 | 16,037 | | |
| | Ongoing Profits Ltd. | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. | General investment | 117,829 (USD 3,836,817) | 117,829 (USD 3,836,817) | 3,287,546 | 67.82 | 574,242 | 313,469 | Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares | |
| | Treasure Wealth (HK) Ltd. | Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong | General investment | 141,573 (USD 4,610,000) | 141,573 (USD 4,610,000) | 4,610 | 100 | 175,213 | 2,318 | | |
| | Goldford Investments Ltd. | Creque Building, P.O. Box 116, Road Town, Tortola, British Virgin Islands | General investment | 17,961 (USD 584,844) | 17,961 (USD 584,844) | 486,000 | 100 | 101,263 | 19,949 | | |
| | Nan Pao Resins Chemical Philippines, Inc. | Road 22 Phase 11, Cogeo Village, Antipolo City, Philippines | Trading of adhesives | 6,449 (USD 210,000) | 6,449 (USD 210,000) | 9,000 | 100 | 78,182 | 6,628 | | |
| | 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 | 788 (HKD 200,000) | 788 (HKD 200,000) | 1,000 | 100 | 8,009 | 1,420 | | |
| | Nan Pao Resins (HK) Limited | Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong | Production and trading of adhesives | 534,354 (USD 17,400,000) | 534,354 (USD 17,400,000) | 17,400,000 | 100 | 465,108 | (17,819) | | |
| Profit Land Ltd. | Giant Profit Development Ltd. | Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong | General investment | 245,680 (USD 8,000,000) | 245,680 (USD 8,000,000) | 10,000 | 100 | 1,156,027 | 229,055 | | |
| Nan Pao Resins (Holdings) Ltd. | Eastlion Enterprises Ltd. | P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands | General investment | 170,136 (USD 5,540,100) | 170,136 (USD 5,540,100) | 20,240 | 100 | 203,077 | 11,688 | | |
| | Nan Pao Resins Development Ltd. | P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands | General investment | 92,130 (USD 3,000,000) | 92,130 (USD 3,000,000) | 3,000 | 100 | 152,754 | 15,134 | | |
| All Saints Enterprises Ltd. | Great Mount Enterprises Ltd. | Unit 2102, 21/F The Broadway, No., 54-62 Lockhart, Road, Wanchai, Hong Kong | General investment | 307,100 (USD 10,000,000) | 307,100 (USD 10,000,000) | 10,000 | 100 | 389,046 | (15,649) | | |
| 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 | 444,394 (AUD 21,334,344) | 444,394 (AUD 21,334,344) | 16,552,080 | 100 | 725,072 | 19,129 | | |
| Ongoing Profits Ltd. | Rising Sun Associates Ltd. | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. | General investment | 148,868 (USD 4,847,546) | 148,868 (USD 4,847,546) | 3,000,000 | 100 | 845,204 | 313,554 | | |
| Treasure Wealth (HK) Ltd. | Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd. | Ken Nhon Trach II, Xa Hiep Phuoc, Huyen Nhon Trach, Tinh Dong Nai, Vietnam | Production and trading of coatings | 140,959 (USD 4,590,000) | 140,959 (USD 4,590,000) | - | 50 | 166,648 | 4,356 | | |
| 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 | 100,746 | 133,447 | 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 | 104,666 (USD 3,408,217) | 104,666 (USD 3,408,217) | - | 100 | 842,526 | 313,711 | | |
| 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 | 124,393 (AUD 5,971,801) | 124,393 (AUD 5,971,801) | 18,415,500 | 100 | 192,293 | 11,554 | | |

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

Note 2: Please refer to Table 6 for information on investees in mainland China.

(Continued)

TABLE 7

NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(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, 2022 (Note 4) | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022 (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, 2022 | Accumulated Repatriation of Investment Income as of December 31, 2022 |
|--|---|--------------------------------|--|--|---------------------|--------|--|-----------------------------------|--|---------------------------------|---|---|
| | | | | | Outward | Inward | | | | | | |
| Nan Pao Resins (China) Co., Ltd. | Production and trading of adhesives and coatings | \$ 307,100 (USD 10,000,000) | (2) Great Mount Enterprises Ltd. | \$ 331,359 (USD 10,789,932) | \$ - | \$ - | \$ 331,359 (USD 10,789,932) | \$ (15,649) | 100 | \$ (15,649) (2)B. | \$ 388,911 | \$ - |
| Fuqing Nan Pao Resins Co., Ltd. | Production and trading of adhesives | 140,038 (USD 4,560,000) | (2) Wealth Castle Development Ltd. | 153,243 (USD 4,990,000) | - | - | 153,243 (USD 4,990,000) | 21,923 | 100 | 21,923 (2)B. | 205,481 | 199,974 |
| Nan Pao Resins (Dongguan) Co., Ltd. | Processing of adhesive products | 82,917 (USD 2,700,000) | (2) Eastlion Enterprises Ltd. | 78,061 (USD 2,541,860) | - | - | 78,061 (USD 2,541,860) | 15,184 | 100 | 15,184 (2)B. | 153,438 | - |
| Dongguan Jiaqin Electronics Co., Ltd. | Production and trading of coatings and advanced resin | 92,130 (USD 3,000,000) | (2) Nan Pao Resins Development Ltd. | 94,116 (USD 3,064,683) | - | - | 94,116 (USD 3,064,683) | 15,134 | 100 | 15,134 (2)B. | 152,737 | - |
| Foshan Nan Pao Advanced Materials Co., Ltd. | Production and trading of adhesives | 51,805 (USD 1,686,900) | (2) Greatwill Materials (HK) Ltd. and Nan Pao Resins (Fo Shan) Co., Ltd. | - | - | - | - | 113,177 | 60.47 | 68,437 (2)B. | 493,340 | - |
| Nan Pao Resins (Foshan) Co., Ltd. | Production and trading of adhesives | 245,680 (USD 8,000,000) | (2) Giant Profit Development Ltd. | 239,158 (USD 7,787,627) | - | - | 239,158 (USD 7,787,627) | 229,057 | 100 | 229,057 (2)B. | 1,155,012 | 507,830 |
| Foshan Nan Pao Cheng Hung Advanced Material Technology Co., Ltd. | Trading of footwear materials | 22,040 (RMB 5,000,000) | (3) Nan Pao Resins (Foshan) Co., Ltd. | - | - | - | - | 737 | 51 | 376 (2)B. | 13,244 | - |
| Gangyi Electronic (Dongguan) Co., Ltd. (Note 5) | Production and trading of magnetic covers, magnetic rings, iron cores and electronic components | - | (2) Qang Yi Electronic Factory Company Ltd. | 12,284 (USD 400,000) | - | - | 12,284 (USD 400,000) | - | - | - | - | - |
| Nanpao Advanced Investment Co., Ltd. | General investment | 905,945 (USD 29,500,000) | (2) Nan Pao Group Holdings Ltd. | 905,945 (USD 29,500,000) | - | - | 905,945 (USD 29,500,000) | (79,247) | 100 | (79,247) (2)B. | 728,738 | - |
| Nan Pao (Kunshan) Electronic Commerce Co., Ltd. | Agency of online business and general merchandise | 46,065 (USD 1,500,000) | (3) Nanpao Advanced Investment Co., Ltd. | - | - | - | - | 1,204 | 100 | 1,204 (2)B. | 5,528 | - |
| Nantong Nanpao Resins Materials Co., Ltd. (Note 6) | Production and trading of adhesives | - | (3) Nanpao Advanced Investment Co., Ltd. | - | - | - | - | 5,698 | - | 5,698 (2)B. | - | - |
| Nan Pao Resins (Yunan) Co., Ltd. (Note 7) | Production and trading of adhesives | - | (3) Nanpao Advanced Investment Co., Ltd. | - | - | - | - | (19,094) | - | (19,094) (2)B. | - | - |
| Nan Pao New Materials (Huaian) Co., Ltd. | Production and trading of carbon fiber | 322,455 (USD 10,500,000) | (3) Nan Pao Advanced Investment Co., Ltd. | - | - | - | - | (58,542) | 95.24 | (56,028) (2)B. | 203,983 | - |
| Nan Pao Optoelectronic Materials (Kunshan) Co., Ltd. | Production and trading of adhesives and chemical substances | 24,568 (USD 800,000) | (3) Nanpao Advanced Investment Co., Ltd. | - | - | - | - | (5,981) | 100 | (5,981) (2)B. | 15,316 | - |
| Nan Pao Fine Chemical Materials (Anhui) Co., Ltd. | Production and trading of coatings and chemical substances | 151,194 (USD 4,923,267) | (3) Nanpao Advanced Investment Co., Ltd. | - | - | - | - | (132) | 100 | (132) (2)B. | 154,199 | - |

| Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022 (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) |
|---|--|---|
| \$ 1,814,166 (USD 59,074,102) | \$ 3,234,822 (USD 105,334,490) | \$ 8,731,216 |

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:
 $\$14,552,026 \times 60\% = \$8,731,216$

Note 4: Relevant amounts are calculated based on the exchange rate of US\$1 = NT\$30.71 at the end of the period.
Relevant amounts are calculated based on the exchange rate of CNY 1 = NT\$4.408 at the end of the period.

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

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

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

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, 2022

(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 | \$ (294,606) | (5) | Payment within 90 days | Similar to general transactions | Similar to general transactions | \$ 81,613 | 5 | \$ 21,246 |
| | Dongguan Jiaqin Electronics Co., Ltd. | Subsidiary | Sales | (33,485) | (1) | Payment within 90 days | Similar to general transactions | Similar to general transactions | 3,293 | - | 967 |
| Foshan Nan Pao Advanced Materials Co., Ltd. | Greatwill Material (HK) Ltd. | Same ultimate Parent Company | Sales | (29,034) | (1) | Payment within 90 days | Similar to general transactions | Similar to general transactions | - | - | - |
| | Nan Pao Resins India Pvt Ltd. | Same ultimate Parent Company | Sales | (21,856) | (1) | Payment within 90 days | Similar to general transactions | Similar to general transactions | 1,828 | - | - |
| | Nan Pao Resins (Foshan) Co., Ltd. | Same ultimate Parent Company | Sales | (70,099) | (3) | Payment within 90 days | Similar to general transactions | Similar to general transactions | 16,847 | 2 | - |
| Nan Pao Resins (Dongguan) Co., Ltd. | Nan Pao Resins (HK) Limited | Same ultimate Parent Company | Processing Revenue | (336,431) | (100) | Payment within 90 days | No comparable product sales for comparison | No third-party transaction for comparison | 83,142 | 100 | - |
| Nan Pao Resins (Foshan) Co., Ltd. | Fuqing Nan Pao Resins Co., Ltd. | Same ultimate Parent Company | Sales | (132,226) | (6) | Payment within 90 days | Similar to general transactions | Similar to general transactions | 29,003 | 5 | - |
| | Nan Pao Resins (China) Co., Ltd. | Same ultimate Parent Company | Sales | (21,980) | (1) | Payment within 90 days | Similar to general transactions | Similar to general transactions | 4,168 | 1 | - |
| | Pou Chen Corporation and Subsidiaries | Investors with significant influence | Sales | (129,501) | (6) | Payment within 45 days | Similar to general transactions | Similar to general transactions | 26,751 | 5 | - |
| Fuqing Nan Pao Resins Co., Limited | Nan Pao Resins (China) Co., Ltd. | Same ultimate Parent Company | Sales | (93,284) | (18) | Payment within 90 days | Similar to general transactions | Similar to general transactions | 21,138 | 19 | - |

Note: The amounts, ending balances and unrealized gains were eliminated 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, 2022
(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 | \$ 503,276 | Calculated based on general transaction prices, telegraphic transfer within 90 days | 2 |
| | | | | Sales revenue | 1,496,339 | | 7 |
| | | Nan Pao Resins (Foshan) Co., Ltd. | 1 | Accounts receivable - related parties | 81,613 | Calculated based on general transaction prices, telegraphic transfer within 90 days | - |
| | | | | Sales revenue | 294,606 | | 1 |
| | | PT. Indo Nan Pao Resins Chemical Co., Ltd. | 1 | Accounts receivable - related parties | 123,868 | Calculated based on general transaction prices, telegraphic transfer within 90 days | 1 |
| | | | | Sales revenue | 439,901 | | 2 |
| | | Nan Pao Resins (HK) Limited | 1 | Accounts receivable - related parties | 45,106 | Calculated based on general transaction prices, telegraphic transfer within 90 days | - |
| | | | | Sales revenue | 171,883 | | 1 |
| | | | | Purchase | 12,864 | Calculated based on general transaction prices, telegraphic transfer within 90 days | - |
| | | Nan Pao Materials Vietnam Co., Ltd. | 1 | Accounts receivable - related parties | 133,358 | | 1 |
| | | | | Sales revenue | 320,221 | Calculated based on general transaction prices, telegraphic transfer within 90 days | 1 |
| | | ITLS International Development Co., Ltd. | 1 | Accounts receivable - related parties | 25,473 | | - |
| | | | | Sales revenue | 93,811 | Calculated based on general transaction prices, telegraphic transfer within 90 days | - |
| | | Nan Pao Advanced Materials Co., Ltd. | 1 | Accounts receivable - related parties | 29,290 | | - |
| | | Sales revenue | 60,795 | Calculated based on general transaction prices, telegraphic transfer within 90 days | - | | |
| Nan Pao Advanced Materials Vietnam Co., Ltd. | 1 | Accounts receivable - related parties | 176,307 | | 1 | | |
| | | Sales revenue | 306,907 | Calculated based on general transaction prices, telegraphic transfer within 90 days | 1 | | |
| Dongguan Jiaqin Electronics Co., Ltd. | 1 | Sales revenue | 33,485 | | - | | |
| Nan Pao Chemical Co., Ltd. | 1 | Purchase | 14,930 | Calculated based on general transaction prices, telegraphic transfer within 90 days | - | | |
| Thai Nan Pao Resins Chemical Co., Ltd. | 1 | Sales | 18,936 | | - | | |
| Nan Pao Resins Chemical Philippines, Inc. | 1 | Sales | 17,733 | Calculated based on general transaction prices, telegraphic transfer within 90 days | - | | |
| PT. Indo Nan Pao Resins Chemical Co., Ltd. | 3 | Accounts receivable - related parties | 29,160 | | - | | |
| 1 | Nan Pao Resins (Vietnam) Enterprise Ltd. | | | Sales revenue | 86,919 | Calculated based on general transaction prices, telegraphic transfer within 90 days | - |
| | | | | Accounts receivable - related parties | 57,494 | | - |
| | | Nan Pao Resins International Ltd. | 3 | Sales revenue | 237,380 | Calculated based on general transaction prices, telegraphic transfer within 90 days | 1 |
| | | | | Purchase | 55,138 | | - |
| | | Nan Pao Resins (HK) Limited | 3 | Purchase | 14,612 | Calculated based on general transaction prices, telegraphic transfer within 90 days | - |
| | | Nan Pao Materials Vietnam Co., Ltd. | 3 | Purchase | 19,616 | | - |
| | | ITLS International Development Co., Ltd. | 3 | Sales revenue | 29,034 | Calculated based on general transaction prices, telegraphic transfer within 90 days | - |
| | | Greatwill Materials (HK) Ltd. | 3 | Accounts receivable - related parties | 16,847 | | - |
| | | Nan Pao Resins (Foshan) Co., Ltd. | 3 | Sales revenue | 70,099 | Calculated based on general transaction prices, telegraphic transfer within 90 days | - |
| | | | | Purchase | 16,983 | | - |
| 2 | Foshan Nan Pao Advanced Materials Co., Ltd. | Nan Pao Resins India Pvt Ltd. | 3 | Sales revenue | 21,856 | Calculated based on general transaction prices, telegraphic transfer within 90 days | - |
| | | Fuqing Nan Pao Resins Co., Ltd. | 3 | Accounts receivable - related parties | 29,003 | | - |
| | | | | Sales revenue | 132,226 | Calculated based on general transaction prices, telegraphic transfer within 90 days | 1 |
| | | | | Purchase | 40,728 | | - |
| 3 | Nan Pao Resins (Foshan) Co., Ltd. | Nan Pao Resins (China) Co., Ltd. | 3 | Sales revenue | 21,980 | Calculated based on general transaction prices, telegraphic transfer within 90 days | - |
| | | Nan Pao Resins (Dongguan) Co., Ltd. | 3 | Other accounts payables - related parties | 83,142 | | - |
| | | | | Processing fee | 336,431 | No prices for similar products available for comparison, payment made 90 days from the date of the invoice | 2 |
| | | | | Accounts receivable - related parties | 13,388 | | - |
| | | | | Sales revenue | 70,102 | Calculated based on general transaction prices, telegraphic transfer within 90 days | - |
| | | | | Accounts receivable - related parties | 18,727 | | - |
| | | | | Sales revenue | 63,179 | Calculated based on general transaction prices, telegraphic transfer within 90 days | - |
| | | | | Accounts receivable - related parties | 14,637 | | - |
| | | | | Sales revenue | 85,739 | Calculated based on general transaction prices, telegraphic transfer within 90 days | - |
| | | | | Accounts receivable - related parties | 26,911 | | - |
| | | Sales revenue | 69,715 | Calculated based on general transaction prices, telegraphic transfer within 90 days | - | | |
| | | Management Fee | 18,341 | | - | | |
| 4 | Nan Pao Resins (China) Co., Ltd. | Fuqing Nan Pao Resins Co., Ltd. | 3 | Accounts payable - related parties | 21,138 | No prices for similar products available for comparison, payment made 90 days from the date of the invoice | - |
| | | | | Purchase | 93,284 | | - |
| | | | | Accounts receivable - related parties | 35,470 | Calculated based on general transaction prices, telegraphic transfer within 90 days | - |
| | | Sales revenue | 160,806 | 1 | | | |
| 5 | Nan Pao Materials Vietnam Co., Ltd. | PT. Indo Nan Pao Resins Chemical Co., Ltd. | 3 | Accounts receivable - related parties | 29,650 | Calculated based on general transaction prices, telegraphic transfer within 90 days | - |
| | | | | Sales revenue | 99,429 | | - |
| | | Nan Pao Advanced Materials Vietnam Co., Ltd. | 3 | Accounts receivable - related parties | 67,264 | Calculated based on general transaction prices, telegraphic transfer within 90 days | - |
| | | | | Sales revenue | 108,058 | | - |
| | | ITLS International Development Co., Ltd. | 3 | Accounts payable - related parties | 29,103 | Calculated based on general transaction prices, telegraphic transfer within 90 days | - |
| | | | | Purchase | 97,168 | | - |
| 6 | PT. Indo Nan Pao Resins Chemical Co., Ltd. | Nan Pao Fine Materials Co., Ltd. | 3 | Purchase | 31,030 | Calculated based on general transaction prices, telegraphic transfer within 30 days | - |
| | | PT. ITLS Indonesia | 3 | Sales revenue | 25,728 | | - |
| | | | | Purchase | 15,554 | Calculated based on general transaction prices, telegraphic transfer within 30 days | - |
| 8 | Nan Pao Advanced Materials Vietnam Co., Ltd | 3 | Purchase | 15,554 | - | | |
| 9 | RLA Polymers | Thai Nanpao Resins Chemical Co., Ltd. | 3 | Purchase | 14,801 | Calculated based on general transaction prices, telegraphic transfer 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: The amounts were eliminated during the preparation of the consolidated financial statements

TABLE 10**NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES****II INFORMATION OF MAJOR SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2022**

| Name of Major Shareholder | Shares | |
|--------------------------------------|------------------|-----------------------------|
| | Number of Shares | Percentage of Ownership (%) |
| Ding-Feng Investment Co., Ltd | 11,118,947 | 9.22% |
| Pou Chien Enterprise Co., Ltd. | 10,920,248 | 9.05% |
| 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. | 7,828,068 | 6.49% |

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

Note 2: If a shareholder delivers 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 YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

| | Land | Land Improvement | Buildings | Machinery and equipment | Transportation equipment | Miscellaneous equipment | Construction in progress | Total |
|--|--------------|------------------|--------------|-------------------------|--------------------------|-------------------------|--------------------------|--------------|
| <u>Cost</u> | | | | | | | | |
| Balance at January 1, 2022 | \$ 1,184,606 | \$ 22,507 | \$ 2,438,160 | \$ 2,989,104 | \$ 247,785 | \$ 1,024,245 | \$ 616,723 | \$ 8,523,130 |
| Additions | - | 2,428 | 836,154 | 331,064 | 13,349 | 189,014 | (465,035) | 906,974 |
| Disposals | - | - | (1,179) | (87,289) | (4,032) | (16,643) | (21,398) | (130,541) |
| Reclassification | - | - | - | - | 4,103 | - | - | 4,103 |
| Effects of foreign currency exchange differences | 694 | - | 92,487 | 69,968 | 6,276 | 6,980 | 3,806 | 180,211 |
| Balance at December 31, 2022 | \$ 1,185,300 | \$ 24,935 | \$ 3,365,622 | \$ 3,302,847 | \$ 267,481 | \$ 1,203,596 | \$ 134,096 | \$ 9,483,877 |
| <u>Accumulated depreciation and impairment</u> | | | | | | | | |
| Balance at January 1, 2022 | \$ - | \$ 8,148 | \$ 853,757 | \$ 1,910,496 | \$ 173,425 | \$ 645,535 | \$ - | \$ 3,591,361 |
| Depreciation | - | 2,230 | 71,281 | 206,191 | 21,031 | 93,778 | - | 394,511 |
| Disposals | - | - | (806) | (73,557) | (3,842) | (16,453) | - | (94,658) |
| Reclassification | - | - | - | - | 1,836 | - | - | 1,836 |
| Effects of foreign currency exchange differences | - | - | 30,320 | 44,233 | 4,010 | 4,580 | - | 83,143 |
| Balance at December 31, 2022 | \$ - | \$ 10,378 | \$ 954,552 | \$ 2,087,363 | \$ 196,460 | \$ 727,440 | \$ - | \$ 3,976,193 |
| Carrying amount at December 31, 2022 and January 1, 2022 | \$ 1,185,300 | \$ 14,557 | \$ 2,411,070 | \$ 1,215,484 | \$ 71,021 | \$ 476,156 | \$ 134,096 | \$ 5,507,684 |
| <u>Cost</u> | | | | | | | | |
| 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 | \$ 1,184,606 | \$ 22,507 | \$ 2,438,160 | \$ 2,989,104 | \$ 247,785 | \$ 1,024,245 | \$ 616,723 | \$ 8,523,130 |
| <u>Accumulated depreciation and impairment</u> | | | | | | | | |
| 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 | \$ - | \$ 8,148 | \$ 853,757 | \$ 1,910,496 | \$ 173,425 | \$ 645,535 | \$ - | \$ 3,591,361 |
| Carrying amount at December 31, 2021 | \$ 1,184,606 | \$ 14,359 | \$ 1,584,403 | \$ 1,078,608 | \$ 74,360 | \$ 378,710 | \$ 616,723 | \$ 4,931,769 |

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, 2022 and 2021, 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, 2022 and 2021, 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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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, 2022. 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, 2022 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. The sales amount of part of customers changed largely or with other specific characteristics in 2022. 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 customers as a key audit matter.

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

1. We understood the design of the internal controls related to revenue recognition and tested on a sample basis its operating effectiveness.
2. We selected appropriate samples from the sales receipts of the customers mentioned above, and inspected the sales orders signed by 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.

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\$1,716,366 thousand and NT\$1,295,650 thousand as of December 31, 2022 and 2021, respectively, and both accounting for 9% and 6% of total assets, respectively. The comprehensive income in using equity method was NT\$134,332 thousand and NT\$59,100 thousand as of December 31, 2022 and 2021, respectively, accounting for 7% and 6% of total comprehensive income, respectively.

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

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

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

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

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is

not a guarantee that an audit conducted in accordance with the Standards on Auditing of 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 Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the 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, 2022 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 27, 2023

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, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

| ASSETS | December 31, 2022 | | December 31, 2021 | |
|---|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash (Notes 4 and 6) | \$ 664,615 | 4 | \$ 473,941 | 3 |
| Financial assets at amortized cost - current (Notes 4, 9 and 10) | 21,078 | - | 509,655 | 3 |
| Notes receivable (Notes 4 and 11) | 184,664 | 1 | 237,855 | 1 |
| Accounts receivable (Notes 4, 11 and 25) | 398,911 | 2 | 398,621 | 2 |
| Accounts receivable - related parties (Notes 4, 11, 25 and 33) | 1,155,050 | 6 | 878,398 | 4 |
| Other receivables (Notes 4, 11 and 33) | 18,080 | - | 17,848 | - |
| Inventories (Notes 4 and 12) | 579,674 | 3 | 677,416 | 3 |
| Non-current assets held for sale (Notes 4 and 13) | - | - | 378,477 | 2 |
| Other current assets (Note 19) | 17,823 | - | 23,849 | - |
| Total current assets | <u>3,039,895</u> | <u>16</u> | <u>3,596,060</u> | <u>18</u> |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through profit or loss - non-current (Notes 4 and 7) | 69,536 | 1 | 36,135 | - |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8) | 4,186,079 | 22 | 6,254,904 | 31 |
| Financial assets at amortized cost - non-current (Notes 4, 9 and 10) | 14,332 | - | 13,699 | - |
| Investments accounted for using the equity method (Notes 4 and 14) | 8,826,750 | 46 | 8,096,299 | 39 |
| Property, plant and equipment (Notes 4 and 15) | 2,662,699 | 14 | 2,170,973 | 11 |
| Right-of-use assets (Notes 4 and 16) | 37,124 | - | 26,151 | - |
| Investment properties (Notes 4 and 17) | 17,760 | - | 17,760 | - |
| Other intangible assets (Notes 4 and 18) | 26,656 | - | 24,541 | - |
| Deferred tax assets (Notes 4 and 27) | 165,551 | 1 | 231,717 | 1 |
| Net defined benefit assets - non-current (Notes 4 and 23) | 31,736 | - | - | - |
| Other non-current assets (Note 19) | 48,904 | - | 58,613 | - |
| Total non-current assets | <u>16,087,127</u> | <u>84</u> | <u>16,930,792</u> | <u>82</u> |
| TOTAL | <u>\$ 19,127,022</u> | <u>100</u> | <u>\$ 20,526,852</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Note 20) | \$ 1,210,866 | 6 | \$ 1,326,699 | 6 |
| Contract liabilities - current (Note 25) | 5,517 | - | 14,650 | - |
| Notes payable (Note 21) | 317 | - | 284 | - |
| Accounts payable (Notes 21 and 33) | 725,328 | 4 | 841,927 | 4 |
| Other payables (Notes 22 and 33) | 490,922 | 3 | 416,461 | 2 |
| Current tax liabilities (Note 27) | 224,166 | 1 | 135,500 | 1 |
| Lease liabilities - current (Notes 4 and 16) | 10,378 | - | 6,362 | - |
| Current portion of long-term borrowing (Note 20) | 104,318 | 1 | 104,800 | 1 |
| Other current liabilities (Notes 22 and 33) | 23,144 | - | 25,693 | - |
| Total current liabilities | <u>2,794,956</u> | <u>15</u> | <u>2,872,376</u> | <u>14</u> |
| NON-CURRENT LIABILITIES | | | | |
| Long - term borrowings (Note 20) | 885,819 | 5 | 1,564,020 | 8 |
| Deferred tax liabilities (Notes 4 and 27) | 865,911 | 4 | 752,046 | 4 |
| Lease liabilities - non-current (Notes 4 and 16) | 27,217 | - | 20,152 | - |
| Net defined benefit liabilities - non-current (Notes 4 and 23) | - | - | 38,201 | - |
| Other non-current liabilities | 1,093 | - | 2,210 | - |
| Total non-current liabilities | <u>1,780,040</u> | <u>9</u> | <u>2,376,629</u> | <u>12</u> |
| Total liabilities | <u>4,574,996</u> | <u>24</u> | <u>5,249,005</u> | <u>26</u> |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 24) | | | | |
| Share capital - ordinary shares | 1,205,707 | 6 | 1,205,707 | 6 |
| Capital surplus | 2,115,333 | 11 | 2,101,673 | 10 |
| Retained earnings | | | | |
| Legal reserve | 1,388,123 | 7 | 1,300,961 | 6 |
| Special reserve | 313,321 | 2 | 313,321 | 2 |
| Unappropriated earnings | 5,982,451 | 31 | 5,021,383 | 24 |
| Total retained earnings | <u>7,683,895</u> | <u>40</u> | <u>6,635,665</u> | <u>32</u> |
| Other equity | 3,547,091 | 19 | 5,334,802 | 26 |
| Total equity | <u>14,552,026</u> | <u>76</u> | <u>15,277,847</u> | <u>74</u> |
| TOTAL | <u>\$ 19,127,022</u> | <u>100</u> | <u>\$ 20,526,852</u> | <u>100</u> |

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

(With Deloitte & Touche auditors' report dated March 27, 2023)

NAN PAO RESINS CHEMICAL CO., LTD. and Subsidiaries

STANDALONE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2022 | | 2021 | |
|---|------------------|-----------|------------------|-----------|
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 4, 25 and 33) | \$ 6,212,303 | 100 | \$ 5,359,550 | 100 |
| OPERATING COSTS (Notes 12, 23 and 33) | <u>4,539,629</u> | <u>73</u> | <u>4,137,788</u> | <u>77</u> |
| GROSS PROFIT | 1,672,674 | 27 | 1,221,762 | 23 |
| UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES | (232,454) | (4) | (119,117) | (2) |
| REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES | <u>119,117</u> | <u>2</u> | <u>183,462</u> | <u>3</u> |
| REALIZED GROSS PROFIT | <u>1,559,337</u> | <u>25</u> | <u>1,286,107</u> | <u>24</u> |
| OPERATING EXPENSES (Notes 26 and 33) | | | | |
| Selling and marketing expenses | 533,725 | 9 | 457,914 | 9 |
| General and administrative expenses | 307,303 | 5 | 288,199 | 5 |
| Research and development expenses | 184,224 | 3 | 186,859 | 4 |
| Estimated credit loss | <u>9,475</u> | <u>-</u> | <u>270</u> | <u>-</u> |
| Total operating expenses | <u>1,034,727</u> | <u>17</u> | <u>933,242</u> | <u>18</u> |
| PROFIT FROM OPERATIONS | <u>524,610</u> | <u>8</u> | <u>352,865</u> | <u>6</u> |
| NON-OPERATING INCOME AND EXPENSES (Notes 4 and 26) | | | | |
| Interest income | 1,962 | - | 179 | - |
| Other income | 487,686 | 8 | 77,483 | 1 |
| Other gains and losses | 82,487 | 1 | (1,651) | - |
| Finance costs | (37,176) | - | (21,816) | - |
| Share of profit of subsidiaries and associates | <u>947,245</u> | <u>15</u> | <u>588,582</u> | <u>11</u> |
| Total non-operating income and expenses | <u>1,482,204</u> | <u>24</u> | <u>642,777</u> | <u>12</u> |
| PROFIT BEFORE INCOME TAX | 2,006,814 | 32 | 995,642 | 18 |
| INCOME TAX EXPENSE (Notes 4 and 27) | <u>265,355</u> | <u>4</u> | <u>119,862</u> | <u>2</u> |
| NET PROFIT FOR THE YEAR | <u>1,741,459</u> | <u>28</u> | <u>875,780</u> | <u>16</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, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2022 | | 2021 | |
|--|--------------------|-------------|---------------------|------------|
| | Amount | % | Amount | % |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans | 36,772 | 1 | 11,181 | - |
| Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income | (2,082,312) | (34) | 5,124,424 | 96 |
| Share of other comprehensive income (loss) of subsidiaries accounted for using equity method | (8,796) | - | 2,750 | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | (7,355) | - | (2,236) | - |
| | <u>(2,061,691)</u> | <u>(33)</u> | <u>5,136,119</u> | <u>96</u> |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating the financial statements of foreign operations | 371,345 | 6 | (191,403) | (4) |
| Share of other comprehensive income (loss) of subsidiaries accounted for using the equity method | 8,875 | - | (4,419) | - |
| Income tax relating to items may be reclassified subsequently to profit or loss | (76,044) | (1) | 39,164 | 1 |
| | <u>304,176</u> | <u>5</u> | <u>(156,658)</u> | <u>(3)</u> |
| Other comprehensive income (loss) for the year, net of income tax | <u>(1,757,515)</u> | <u>(28)</u> | <u>4,979,461</u> | <u>93</u> |
| TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR | <u>\$ (16,056)</u> | <u>-</u> | <u>\$ 5,855,241</u> | <u>109</u> |
| EARNINGS PER SHARE (Note 28) | | | | |
| Basic | <u>\$ 14.44</u> | | <u>\$ 7.26</u> | |
| Diluted | <u>\$ 14.39</u> | | <u>\$ 7.24</u> | |

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

(With Deloitte & Touche auditors' report dated March 27, 2023)

(Concluded)

NAN PAO RESINS CHEMICAL CO., LTD.

STANDALONE STANDALONE STATEMENTS OF CHANGES IN EQUITY YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

| | Retained Earnings | | | | | Other Equity | | Total Other Equity | Total Equity |
|--|-------------------|-----------------|---------------|-----------------|-------------------------|--|---|--------------------|---------------|
| | Ordinary Shares | 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, 2021 | \$ 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 |
| Appropriation of the 2021 earnings (Note 24) | | | | | | | | | |
| Legal reserve | - | - | 87,162 | - | (87,162) | - | - | - | - |
| Cash dividends distributed by the Company - \$6 per share | - | - | - | - | (723,425) | - | - | - | (723,425) |
| Difference between consideration received or paid and the carrying amount of the subsidiaries net assets during actual disposal or acquisition | - | 10,852 | - | - | - | - | - | - | 10,852 |
| Changes in ownership interests in subsidiaries | - | 1,330 | - | - | - | - | - | - | 1,330 |
| Issuance of employee share options by subsidiaries | - | 1,478 | - | - | - | - | - | - | 1,478 |
| Net profit for the year ended December 31, 2022 | - | - | - | - | 1,741,459 | - | - | - | 1,741,459 |
| Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax | - | - | - | - | 30,196 | 304,176 | (2,091,887) | (1,787,711) | (1,757,515) |
| Total comprehensive income (loss) for the year ended December 31, 2022 | - | - | - | - | 1,771,655 | 304,176 | (2,091,887) | (1,787,711) | (16,056) |
| BALANCE AT DECEMBER 31, 2022 | \$ 1,205,707 | \$ 2,115,333 | \$ 1,388,123 | \$ 313,321 | \$ 5,982,451 | \$ (340,299) | \$ 3,887,390 | \$ 3,547,091 | \$ 14,552,026 |

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

(With Deloitte & Touche audit report dated March 27, 2023)

NAN PAO RESINS CHEMICAL CO., LTD.

STANDALONE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

| | 2022 | 2021 |
|--|-----------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | \$ 2,006,814 | \$ 995,642 |
| Adjustments for: | | |
| Depreciation expenses | 154,871 | 148,124 |
| Amortization expenses | 7,795 | 9,828 |
| Estimated credit loss recognized on trade receivables | 9,475 | 270 |
| Net gain (loss) on fair value changes of financial assets at fair value through profit or loss | 6,599 | (11,135) |
| Finance costs | 37,176 | 21,816 |
| Interest income | (1,962) | (179) |
| Dividend income | (476,491) | (65,735) |
| Share of profit of subsidiaries and associates | (947,245) | (588,582) |
| Net gain on disposal of property, plant and equipment | - | (410) |
| Gain on disposal of associates | (26,523) | - |
| Write-downs of inventories | - | 59,895 |
| Unrealized gain on the transactions with subsidiaries | 232,454 | 119,117 |
| Realized gain on the transaction with subsidiaries | (119,117) | (183,462) |
| Changes in operating assets and liabilities | | |
| Notes receivable | 53,191 | (47,074) |
| Accounts receivable | (3,882) | 11,741 |
| Accounts receivable - related parties | (276,047) | 32,358 |
| Other receivables | 1,772 | (4,692) |
| Inventories | 102,206 | (270,465) |
| Other current assets | 8,465 | (5,319) |
| Contract liabilities | (9,133) | 8,871 |
| Notes payable | 33 | (5,615) |
| Accounts payable | (119,528) | 195,080 |
| Other payables | 40,268 | 21,409 |
| Other current liabilities | (2,619) | (4,196) |
| Net defined benefit plans | (33,165) | (28,116) |
| Cash generated from operations | <u>645,407</u> | <u>409,171</u> |
| Interest received | 1,962 | 179 |
| Interest paid | (34,671) | (21,577) |
| Income tax paid | <u>(79,862)</u> | <u>(176,510)</u> |
| Net cash generated from operating activities | <u>532,836</u> | <u>211,263</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at fair value through other comprehensive income | (13,487) | (29,878) |
| Refunded capital of financial assets at fair value through other comprehensive income | - | 868 |
| Net decrease of financial assets at amortized cost | 488,595 | 25,458 |
| Purchase of financial assets at fair value through profit or loss | (40,000) | (25,000) |

(Continued)

NAN PAO RESINS CHEMICAL CO., LTD.

STANDALONE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

| | 2022 | 2021 |
|--|--------------------|-------------------|
| Acquisitions of investments accounted for using the equity method | (40,000) | (51,696) |
| Proceeds from capital reduction of investments accounted for using the equity method | 59,000 | - |
| Proceeds from disposal of non-current assets held for sale | 405,000 | - |
| Payments for property, plant and equipment | (567,361) | (391,167) |
| Proceeds from disposal of property, plant and equipment | 976 | 461 |
| Payments for intangible assets | (9,910) | (2,634) |
| Dividends received | <u>820,529</u> | <u>658,319</u> |
| Net cash generated from investing activities | <u>1,103,342</u> | <u>184,731</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowings | 8,187,339 | 6,340,312 |
| Repayments of short-term borrowings | (8,303,172) | (5,948,787) |
| Proceeds from long-term borrowings | 2,975,000 | 2,720,000 |
| Repayments of long-term borrowings | (3,654,800) | (2,318,268) |
| Repayment of the principal portion of lease liabilities | (6,495) | (6,473) |
| Cash dividends paid | (723,425) | (843,995) |
| Acquisition of additional interest in subsidiaries | (2,500) | (151,905) |
| Cash inflows from simple consolidation | <u>82,549</u> | <u>-</u> |
| Net cash used in financing activities | <u>(1,445,504)</u> | <u>(209,116)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 190,674 | 186,878 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>473,941</u> | <u>287,063</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 664,615</u> | <u>\$ 473,941</u> |

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

(With Deloitte & Touche auditors' report dated March 27, 2023)

(Concluded)

NAN PAO RESINS CHEMICAL CO., LTD.

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The standalone financial statements were approved and authorized for issue by the Company’s board of directors on March 27, 2023.

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 2023

| New IFRSs | Effective Date Announced by IASB |
|---|-------------------------------------|
| Amendments to IAS 1 “Disclosure of Accounting Policies” | January 1, 2023 (Note 1) |
| Amendments to IAS 8 “Definition of Accounting Estimates” | January 1, 2023 (Note 2) |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” | January 1, 2023 (Note 3) |

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

Note 2: The amendments will be 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 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were 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 has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

- c. The 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 |
| Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback" | January 1, 2024 (Note 2) |
| 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, 2024 |
| Amendments to IAS 1 "Non-current Liabilities with Covenants" | January 1, 2024 |

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

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, net defined benefit liabilities and net defined benefit assets which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

- 3) Level 3 inputs are unobservable inputs for the assets or liabilities.

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, 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 measured at cost. Cost includes

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

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation 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 Company 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 Company 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 Company ceases to have significant influence or joint control over the investment after the disposal takes place, the Company 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 rereasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur or when the plan amendment or curtailment occurs. Rereasurement, 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. Rereasurement 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

| | <u>December 31</u> | |
|---------------------------------------|--------------------|-------------------|
| | 2022 | 2021 |
| Cash on hand | \$ 1,097 | \$ 1,053 |
| Checking accounts and demand deposits | <u>663,518</u> | <u>472,888</u> |
| | <u>\$ 664,615</u> | <u>\$ 473,941</u> |

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | <u>December 31</u> | |
|--|--------------------|------------------|
| | 2022 | 2021 |
| <u>Financial assets at FVTPL - non-current</u> | | |
| Financial assets mandatorily classified as a FVTPL | | |
| Non-derivative financial assets | | |
| Limited partnership | <u>\$ 69,536</u> | <u>\$ 36,135</u> |

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

| | <u>December 31</u> | |
|----------------------|---------------------|---------------------|
| | 2022 | 2021 |
| Domestic investments | | |
| Unlisted stocks | <u>\$ 4,186,079</u> | <u>\$ 6,254,904</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> | |
|--------------------------------|--------------------|------------|
| | 2022 | 2021 |
| <u>Current</u> | | |
| Restricted demand deposits (a) | \$ 21,078 | \$ 509,655 |
| <u>Non-current</u> | | |
| Refundable deposits | \$ 14,332 | \$ 13,699 |

- a. Restricted demand deposits as of December 31, 2022 and 2021 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> | |
|--|--------------------|-------------------|
| | 2022 | 2021 |
| Financial assets at amortized cost - current | \$ 21,078 | \$ 509,655 |
| Financial assets at amortized cost - non-current | <u>14,332</u> | <u>13,699</u> |
| | <u>\$ 35,410</u> | <u>\$ 523,354</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, 2022 and 2021.

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

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Notes receivable</u> | | |
| At amortized cost | | |
| Notes receivable - operating | \$ <u>184,664</u> | \$ <u>237,855</u> |
| <u>Accounts receivable (including related parties)</u> | | |
| Amortized cost | | |
| Gross carrying amount | \$ 1,564,011 | \$ 1,277,776 |
| Less: Allowance for impairment loss | <u>10,050</u> | <u>757</u> |
| | <u>\$ 1,553,961</u> | <u>\$ 1,277,019</u> |
| <u>Other receivables</u> | | |
| Gross carrying amount | <u>\$ 18,080</u> | <u>\$ 17,848</u> |

a. Notes receivable

As of December 31, 2022 and 2021, the notes receivable analyzed by the Company based on the past due days were not overdue, and the Company did not measure any loss allowance for notes receivable.

b. Accounts receivable (including related parties)

The average credit period of sales of goods was 15 days to 150 days, and no interest was charged on accounts receivable. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for 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.

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

December 31, 2022

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

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> |

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

| | <u>For the Year Ended December 31</u> | |
|---------------------------|---------------------------------------|---------------|
| | <u>2022</u> | <u>2021</u> |
| Balance at January 1 | \$ 757 | \$ 527 |
| Add: Net remeasurement | 9,475 | 270 |
| Less: Amounts written off | <u>(182)</u> | <u>(40)</u> |
| Balance at December 31 | <u>\$ 10,050</u> | <u>\$ 757</u> |

12. INVENTORIES

| | <u>December 31</u> | |
|--|--------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| Goods | \$ 4,058 | \$ 8,597 |
| Finished goods and semi-finished goods | 266,691 | 294,544 |
| Work in process | 38,213 | 49,297 |
| Raw materials and supplies | <u>270,712</u> | <u>324,978</u> |
| | <u>\$ 579,674</u> | <u>\$ 677,416</u> |

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$4,539,629 thousand and \$4,138,198 thousand, respectively. The cost of goods sold included inventory write-downs of \$59,895 thousand for the years ended December 31, 2021.

13. NON-CURRENT ASSETS HELD FOR SALE – DECEMBER 31, 2021

| | <u>Amount</u> |
|----------------------------------|-------------------|
| Non-current assets 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

| | December 31 | |
|-----------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| Investments in subsidiaries | \$ 8,787,464 | \$ 8,096,299 |
| Investments in associates | <u>39,286</u> | <u>-</u> |
| | <u>\$ 8,826,750</u> | <u>\$ 8,096,299</u> |

a. Investments in subsidiaries

| Name of Subsidiaries | December 31 | |
|--|---------------------|---------------------|
| | 2022 | 2021 |
| Nan Pao Overseas Holdings Ltd. | \$ 4,197,273 | \$ 3,883,200 |
| Fuqing Nan Pao Investment Ltd. | 205,806 | 215,925 |
| Thai Nan Pao Investment Ltd. | 180,082 | 166,634 |
| Nan Pao Resins India Pvt. Ltd. | 26,290 | 26,945 |
| Nan Pao Materials Vietnam Co., Ltd. | 1,184,074 | 926,258 |
| Nan Pao Advanced Materials Vietnam Co., Ltd. | 533,699 | 401,110 |
| Nan Pao Electronic Material Co., Ltd. | - | 52,608 |
| Nan Pao Chemical Co., Ltd. | 182,125 | 178,317 |
| ITLS International Development Co., Ltd. | 253,385 | 284,781 |
| Phymed Bio-Tec Co., Ltd. | 16,778 | 20,803 |
| Nan Pao Application Material Co., Ltd. | 8,619 | 8,635 |
| Biorich Biotechnology Co., Ltd. | 10,877 | 8,661 |
| Prince Pharmaceutical Co., Ltd. | 365,372 | 337,334 |
| Nan Pao Advanced Materials Co., Ltd. | 10,995 | 7,392 |
| Progroups Technology Co., Ltd. | - | 69,628 |
| PT. Indo Nan Pao Resins Chemical Co., Ltd. | 237,621 | 230,510 |
| All Saints Enterprises Ltd. | 214,432 | 219,589 |
| Ongoing Profits Ltd. | 233,246 | 180,455 |
| Profit Land Ltd. | 840,024 | 800,321 |
| Nan Pao Philippines Export Inc. | 14,952 | 12,579 |
| Nan Pao Fine Materials Co., Ltd. | 21,418 | 13,852 |
| Nan Pao Resins Chemical (Bangladesh) Co., Ltd. | 752 | 4,063 |
| FlexUP Technologies Corp. | 4,284 | 4,008 |
| Earnest Wealth Co., Ltd. | <u>45,360</u> | <u>42,691</u> |
| | <u>\$ 8,787,464</u> | <u>\$ 8,096,299</u> |

| Name of Subsidiaries | Proportion of Ownership and Voting Rights | |
|--|--|-------------|
| | December 31 | |
| | 2022 | 2021 |
| 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% |
| 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% |
| 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 Fine Materials Co., Ltd. | 55% | 55% |
| Nan Pao Resins Chemical (Bangladesh) Co., Ltd. | 100% | 100% |
| FlexUP Technologies Corp. | 97% | 97% |
| Earnest Wealth Co., Ltd. | 51% | 51% |

The Company summarily merge its subsidiaries, Nan Pao Electronic Materials Co., Ltd. and Progroups Technology Co., Ltd., which were approved by the Company's board of directors on November 9, 2022. The base date of the simplified merger was December 31, 2022. The Company was the surviving company and Nan Pao Electronic Materials Co., Ltd. and Progroups Technology Co., Ltd. was the dissolved company. The company completed the amendment registration in February 2023.

| | Amount |
|-------------------------------|----------------|
| Assets | |
| Cash | \$ 82,549 |
| Accounts receivable | 6,488 |
| Other receivables | 2,004 |
| Inventories | 4,464 |
| Other current assets | 2,438 |
| Property, plant and equipment | 39,734 |
| Right-of-use assets | 16,439 |
| Deferred tax assets | 235 |
| Refundable deposits | 650 |
| | <u>155,001</u> |
| | (Continued) |

| | Amount |
|-------------------|-------------------|
| Liabilities | |
| Accounts payable | \$ 2,928 |
| Tax liabilities | 40 |
| Other payables | 7,436 |
| Lease liabilities | 16,524 |
| Other liabilities | <u>70</u> |
| | <u>26,998</u> |
| Net assets | <u>\$ 128,003</u> |
| | (Concluded) |

Refer to Note 36 for details of the indirect investments in subsidiaries.

b. Investment in associates

| | December 31 | |
|---|--------------------|-------------|
| | 2022 | 2021 |
| Investments in associates | | |
| Associates that are not individually material | <u>\$ 39,286</u> | <u>\$ -</u> |

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

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2022 | 2021 |
| The Company's share of: | | |
| Net income and total comprehensive income (loss) for the year | <u>\$ (714)</u> | <u>\$ 33,224</u> |

- 1) The Company has significant influence on the Company due to the Company acquired 25.93% of the shares of Perfect & Outstanding Technology Inc. for a total of \$40,000 thousand in cash in August and December 2022.
- 2) 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 | 3 - 15 years |
| Buildings | 2 - 55 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 year ended December 31, 2022 and 2021 as there were no indications of impairment.

As of December 31, 2022 and 2021, all of the Company's property, plant and equipment were not pledged as collateral.

16. LEASE ARRANGEMENTS

a. Right-of-use assets

| | Buildings | Machinery | Total |
|--|------------------|------------------|------------------|
| <u>Cost</u> | | | |
| Balance at January 1, 2022 | \$ 43,485 | \$ 341 | \$ 43,826 |
| Acquired by summary consolidation | 20,351 | 263 | 20,614 |
| Additions | 1,052 | - | 1,052 |
| Disposition | <u>(1,916)</u> | <u>(462)</u> | <u>(2,378)</u> |
| Balance at December 31, 2022 | <u>\$ 62,972</u> | <u>\$ 142</u> | <u>\$ 63,114</u> |
| <u>Accumulated Depreciation</u> | | | |
| Balance at January 1, 2022 | \$ 17,389 | \$ 286 | \$ 17,675 |
| Acquired by summary consolidation | 3,988 | 187 | 4,175 |
| Depreciation expenses | 6,462 | 56 | 6,518 |
| Disposition | <u>(1,916)</u> | <u>(462)</u> | <u>(2,378)</u> |
| Balance at December 31, 2022 | <u>\$ 25,923</u> | <u>\$ 67</u> | <u>\$ 25,990</u> |
| Carrying amount at December 31, 2022, net | <u>\$ 37,049</u> | <u>\$ 75</u> | <u>\$ 37,124</u> |
| <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 Depreciation</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> |

b. Lease liabilities

| | December 31, 2022 | December 31, 2021 |
|-------------------------|------------------------------|------------------------------|
| <u>Carrying amounts</u> | | |
| Current | \$ 10,378 | \$ 6,362 |
| Non-current | \$ 27,217 | \$ 20,152 |

Range of discount rate for lease liabilities was as follows:

| | December 31, 2022 | December 31, 2021 |
|-----------|------------------------------|------------------------------|
| Buildings | 0.77% - 1.14% | 0.77% - 1.05% |
| Machinery | 0.76% | 1.05% |

c. Other lease information

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------|
| | 2022 | 2021 |
| Expenses relating to short-term leases | \$ 126 | \$ 1,209 |
| Expenses relating to low-value asset leases | \$ 1,709 | \$ 613 |
| Total cash outflow for leases | \$ 8,578 | \$ 8,605 |

The Company leases buildings and 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

| | Land |
|---------------------------------------|-------------|
| Balance at December 31, 2022 and 2021 | \$ 17,760 |

Investment properties measured at fair value were both \$78,764 thousand for the years ended December 31, 2022 and 2021. 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

| | Computer Software | Others | Total |
|---|------------------------------|------------------|------------------|
| <u>Cost</u> | | | |
| Balance at January 1, 2022 | \$ 49,086 | \$ 22,300 | \$ 71,386 |
| Additions | 9,910 | - | 9,910 |
| Disposition | <u>(729)</u> | <u>-</u> | <u>(729)</u> |
| Balance at December 31, 2022 | <u>\$ 58,267</u> | <u>\$ 22,300</u> | <u>\$ 80,567</u> |
| <u>Accumulated amortization</u> | | | |
| Balance at January 1, 2022 | \$ 40,402 | \$ 6,443 | \$ 46,845 |
| Amortization expenses | 5,565 | 2,230 | 7,795 |
| Disposition | <u>(729)</u> | <u>-</u> | <u>(729)</u> |
| Balance at December 31, 2022 | <u>\$ 45,238</u> | <u>\$ 8,673</u> | <u>\$ 53,911</u> |
| Carrying amount at December 31, 2022, net | <u>\$ 13,029</u> | <u>\$ 13,627</u> | <u>\$ 26,656</u> |
| <u>Cost</u> | | | |
| Balance at January 1, 2021 | \$ 44,006 | \$ 22,300 | \$ 66,306 |
| Additions | <u>5,080</u> | <u>-</u> | <u>5,080</u> |
| Balance at December 31, 2021 | <u>\$ 49,086</u> | <u>\$ 22,300</u> | <u>\$ 71,386</u> |
| <u>Accumulated amortization</u> | | | |
| Balance at January 1, 2021 | \$ 32,804 | \$ 4,213 | \$ 37,017 |
| Amortization expenses | <u>7,598</u> | <u>2,230</u> | <u>9,828</u> |
| Balance at December 31, 2021 | <u>\$ 40,402</u> | <u>\$ 6,443</u> | <u>\$ 46,845</u> |
| Carrying amount at December 31, 2021, net | <u>\$ 8,684</u> | <u>\$ 15,857</u> | <u>\$ 24,541</u> |

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

| | |
|-------------------|-------------|
| Computer software | 2 - 5 years |
| Others | 10 years |

19. OTHER ASSETS

| | <u>December 31</u> | |
|---------------------------|--------------------|------------------|
| | 2022 | 2021 |
| <u>Current</u> | | |
| Prepaid expenses | \$ 14,335 | \$ 17,002 |
| Prepayments | 1,815 | 4,916 |
| Others | <u>1,673</u> | <u>1,931</u> |
| | <u>\$ 17,823</u> | <u>\$ 23,849</u> |
| <u>Non-Current</u> | | |
| Prepayments for equipment | <u>\$ 48,904</u> | <u>\$ 58,613</u> |

20. BORROWINGS

a. Short-term borrowings

| | <u>December 31</u> | |
|-----------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| <u>Unsecured borrowings</u> | | |
| Unsecured bank loans | <u>\$ 1,210,866</u> | <u>\$ 1,326,699</u> |

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

| | <u>December 31</u> | |
|----------------------|--------------------|---------------|
| | 2022 | 2021 |
| Unsecured bank loans | 1.45% - 1.90% | 0.72% - 1.27% |

b. Long-term borrowings

| | <u>December 31</u> | |
|---|--------------------|---------------------|
| | 2022 | 2021 |
| Unsecured bank loans (Note) | \$ 990,137 | \$ 1,668,820 |
| Decrease: Current portion of long-term borrowings | <u>104,318</u> | <u>104,800</u> |
| | <u>\$ 885,819</u> | <u>\$ 1,564,020</u> |

Note: As of December 31, 2022 and 2021, the range of weighted average effective interest rates of unsecured bank loans was 1.03%- 1.85% and 0.38%-0.8% 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>2022</u> | <u>2021</u> |
| <u>Notes Payable</u> | | |
| Operating | \$ 317 | \$ 284 |
| <u>Accounts Payable</u> | | |
| Operating | \$ 725,328 | \$ 841,927 |

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>2022</u> | <u>2021</u> |
| Other payables | | |
| Payables for salaries and bonuses | \$ 193,050 | \$ 165,694 |
| Payables for compensation of employees | 52,000 | 36,960 |
| Payables for purchases of equipment | 42,161 | 17,910 |
| Payables for annual leave | 24,674 | 22,947 |
| Payables for remuneration of directors | 22,000 | 17,600 |
| Payables for repair expenses | 16,025 | 16,786 |
| Payables for export and import expenses | 11,986 | 15,420 |
| Payables for hydro and gas | 11,369 | 9,845 |
| Payables for professional service fees | 11,025 | 7,762 |
| Payables for commission | 10,852 | 24,204 |
| Payables for labor and health insurance | 9,731 | 4,561 |
| Payables for shipping expenses | 7,768 | 6,550 |
| Others | <u>78,281</u> | <u>70,222</u> |
| | \$ 490,922 | \$ 416,461 |
| Other liabilities | | |
| Refund liabilities | \$ 20,509 | \$ 23,310 |
| Others | <u>2,635</u> | <u>2,383</u> |
| | \$ 23,144 | \$ 25,693 |

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:

| | December 31 | |
|---|--------------------|------------------|
| | 2022 | 2021 |
| Present value of defined benefit obligation | \$ 319,949 | \$ 359,179 |
| Fair value of plan assets | <u>(351,685)</u> | <u>(320,978)</u> |
| Net defined benefit liabilities (assets) | <u>\$ (31,736)</u> | <u>\$ 38,201</u> |

Movements in net defined benefit liabilities (assets) were as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities (Assets) |
|---|--|--|---|
| Balance at January 1, 2021 | \$ 404,102 | \$ (326,604) | \$ 77,498 |
| 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> |
| 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 | <u>4,919</u> | <u>-</u> | <u>4,919</u> |
| 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> |

(Continued)

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities (Assets) |
|---|--|--|---|
| Service cost | | | |
| Past service cost | \$ (1,832) | \$ - | \$ (1,832) |
| Current service cost | 2,029 | - | 2,029 |
| Net interest expense (income) | <u>2,479</u> | <u>(2,278)</u> | <u>201</u> |
| Recognized in profit or loss | <u>2,676</u> | <u>(2,278)</u> | <u>398</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (25,528) | (25,528) |
| Actuarial gain - changes in financial assumptions | (13,762) | - | (13,762) |
| Actuarial gain - changes in demographic assumptions | (1) | - | (1) |
| Actuarial loss - experience adjustments | <u>2,519</u> | <u>-</u> | <u>2,519</u> |
| Recognized in other comprehensive income | <u>(11,244)</u> | <u>(25,528)</u> | <u>(36,772)</u> |
| Contributions from the employer | <u>-</u> | <u>(21,534)</u> | <u>(21,534)</u> |
| Benefits paid | <u>(30,662)</u> | <u>18,633</u> | <u>(12,029)</u> |
| Balance at December 31, 2022 | <u>\$ 319,949</u> | <u>\$ (351,685)</u> | <u>\$ (31,736)</u> (Concluded) |

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

| | For the Year Ended December 31 | |
|-------------------------------------|---------------------------------------|-----------------|
| | 2022 | 2021 |
| Operating costs | \$ 200 | \$ 1,930 |
| Selling and marketing expenses | 70 | 266 |
| General and administrative expenses | 57 | 645 |
| Research and development expenses | <u>71</u> | <u>388</u> |
| | <u>\$ 398</u> | <u>\$ 3,229</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:

| | December 31 | |
|-----------------------------------|--------------------|-------------|
| | 2022 | 2021 |
| Discount rates | 1.25% | 0.7% |
| Expected rates of salary increase | 2.5% | 2.5% |

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

| | December 31 | |
|-----------------------------------|--------------------|-------------|
| | 2022 | 2021 |
| Discount rates | | |
| 0.25% increase | \$ (5,937) | \$ (7,272) |
| 0.25% decrease | \$ 6,109 | \$ 7,495 |
| Expected rates of salary increase | | |
| 0.25% increase | \$ 6,019 | \$ 7,343 |
| 0.25% decrease | \$ (5,879) | \$ (7,163) |

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.

| | December 31 | |
|---|--------------------|-------------|
| | 2022 | 2021 |
| Expected contributions to the plans for the next year | \$ 18,437 | \$ 19,065 |
| Average duration of the defined benefit obligation | 7 years | 8 years |

24. EQUITY

a. Share capital

Ordinary shares

| | December 31 | |
|---|--------------------|--------------|
| | 2022 | 2021 |
| 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> | |
|---|---------------------|---------------------|
| | 2022 | 2021 |
| <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 | 10,854 | 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 ownership interests in subsidiaries (2) | <u>20,057</u> | <u>17,249</u> |
| | <u>\$ 2,115,333</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

The shareholders of the Company held their regular meeting on June 23, 2022, resolving the amendments to the Company's Articles of Incorporation (the "Articles") in the shareholders' meeting. The amendments explicitly stipulate the proposal for profit distribution or offsetting losses that should be made at the end of each quarter of the fiscal year. The profit distribution in cash shall be resolved by the board of directors in accordance with Article 228-1 and Article 240-5 of the Company Act which should be submitted in the shareholders' meeting.

Under the dividends policy as set forth in the Articles after the amendments, when the Company distributed profit, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit (This shall not apply if the accumulated legal reserve has reached the Company's paid-in capital), setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 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. The profit can be distributed as cash dividends or stock dividends, and the issuance of cash dividends takes precedence over the payment of stock dividends. In principle, stock dividends are limited to 80% of the total dividends distributed.

The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has

exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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 2021 and 2020 which were approved in the shareholders' meetings in June 2022 and July 2021, respectively, were as follows:

| | Appropriation of Earnings | | Dividends per share (NT\$) | |
|----------------|---------------------------------------|-------------|---------------------------------------|-------------|
| | For the Year Ended December 31 | | For the Year Ended December 31 | |
| | 2021 | 2020 | 2021 | 2020 |
| Legal reserve | \$ 87,162 | \$ 122,139 | | |
| Cash dividends | 723,425 | 843,995 | \$ 6 | \$ 7 |

The appropriation of earnings for 2022 which had been proposed by the Company's board of directors in March 2023 was as follows:

| | Appropriation of Earnings | Dividends per share (NT\$) |
|----------------|----------------------------------|-----------------------------------|
| Legal reserve | \$ 177,166 | |
| Cash dividends | 1,205,708 | \$ 10 |

The above cash dividends have been resolved by the board of directors and the rest are pending the resolution of the shareholder meeting scheduled to be held in June 2023.

d. Special reserve

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

e. Other equity items

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

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Balance at January 1 | \$ (644,475) | \$ (487,817) |
| Recognized for the year | | |
| Exchange differences on translating the financial statements of foreign operations | 295,301 | (152,239) |
| Share from subsidiaries accounted for using the equity method | <u>8,875</u> | <u>(4,419)</u> |
| Balance at December 31 | <u>\$ (340,299)</u> | <u>\$ (644,475)</u> |

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

| | For the Year Ended December 31 | |
|---|---------------------------------------|--------------|
| | 2022 | 2021 |
| Balance at January 1 | \$ 5,979,277 | \$ 838,995 |
| Recognized for the year | | |
| Unrealized gain (loss) - equity instruments | (2,082,312) | 5,124,424 |
| Share from subsidiaries accounted for using the equity method | (9,575) | 1,218 |
| Other comprehensive income (loss) for the year | (2,091,887) | 5,125,642 |
| Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal | - | 14,640 |
| Balance at December 31 | \$ 3,887,390 | \$ 5,979,277 |

25. REVENUE

a. Disaggregation of revenue

| | For the Year Ended December 31 | |
|-----------|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Adhesives | \$ 5,162,363 | \$ 4,258,025 |
| Paint | 579,253 | 675,866 |
| Others | 470,687 | 425,659 |
| | <u>\$ 6,212,303</u> | <u>\$ 5,359,550</u> |

b. Contract balances

| | December 31, 2022 | December 31, 2021 | January 1, 2021 |
|---|------------------------------|------------------------------|----------------------------|
| Accounts receivable (including related parties) | \$ 1,564,011 | \$ 1,277,776 | \$ 1,321,915 |
| Contract liabilities - current | | | |
| Sale of goods | \$ 5,517 | \$ 14,650 | \$ 5,779 |

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

| | For the Year Ended December 31 | |
|---------------|---------------------------------------|-------------|
| | 2022 | 2021 |
| Bank deposits | \$ 1,962 | \$ 179 |

b. Other income

| | For the Year Ended December 31 | |
|-----------------|---------------------------------------|------------------|
| | 2022 | 2021 |
| Dividend income | \$ 476,491 | \$ 65,735 |
| Grant income | - | 1,156 |
| Rental income | 1,488 | 1,409 |
| Other income | <u>9,707</u> | <u>9,183</u> |
| | <u>\$ 487,686</u> | <u>\$ 77,483</u> |

c. Other gains and losses

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Net foreign exchange gain (loss) | \$ 62,726 | \$ (12,778) |
| Fair value changes of financial assets mandatorily classified as at FVTPL | (6,599) | 11,135 |
| Gain on disposal of associates | 26,523 | - |
| Others | <u>(163)</u> | <u>(8)</u> |
| | <u>\$ 82,487</u> | <u>\$ (1,651)</u> |

d. Finance costs

| | For the Year Ended December 31 | |
|-------------------------------|---------------------------------------|------------------|
| | 2022 | 2021 |
| Interest on bank loans | \$ 36,928 | \$ 21,506 |
| Interest on lease liabilities | <u>248</u> | <u>310</u> |
| | <u>\$ 37,176</u> | <u>\$ 21,816</u> |

e. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2022 | 2021 |
| An analysis of depreciation by function | | |
| Operating costs | \$ 125,843 | \$ 115,898 |
| Operating expenses | <u>29,028</u> | <u>32,226</u> |
| | <u>\$ 154,871</u> | <u>\$ 148,124</u> |
| An analysis of amortization by function | | |
| Operating costs | \$ 420 | \$ 373 |
| Operating expenses | <u>7,375</u> | <u>9,455</u> |
| | <u>\$ 7,795</u> | <u>\$ 9,828</u> |

f. Employee benefits expense

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Short-term employee benefits | | |
| Salaries | \$ 783,911 | \$ 706,822 |
| Labor and health insurance | 59,702 | 58,852 |
| Others | <u>50,560</u> | <u>47,335</u> |
| | <u>894,173</u> | <u>813,009</u> |
| Post-employment benefits | | |
| Defined contribution plans | 22,224 | 21,542 |
| Defined benefit plans (Note 23) | <u>398</u> | <u>3,229</u> |
| | <u>22,622</u> | <u>24,771</u> |
| | <u>\$ 916,795</u> | <u>\$ 837,780</u> |
| An analysis of employee benefits expense by function | | |
| Operating costs | \$ 281,200 | \$ 277,351 |
| Operating expenses | <u>635,595</u> | <u>560,429</u> |
| | <u>\$ 916,795</u> | <u>\$ 837,780</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, 2022 and 2021, which were approved by the Company's board of directors in March 2023 and 2022, respectively, are as follows:

1) Accrual rate

| | For the Year Ended December 31 | |
|---------------------------|---------------------------------------|-------------|
| | 2022 | 2021 |
| Employees' compensation | 2.5% | 3.5% |
| Remuneration of directors | 1.06% | 1.5% |

2) Amount

| | For the Year Ended December 31 | |
|---------------------------|---------------------------------------|-------------|
| | 2022 | 2021 |
| | Cash | Cash |
| Employees' compensation | \$ 52,000 | \$ 36,960 |
| Remuneration of directors | 22,000 | 16,000 |

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.

The appropriations of employees' compensation and remuneration of directors for 2021 and 2020 that were resolved by the board of directors in March 2022 and 2021, respectively, and the amounts of employees' compensation and remuneration of directors recognized in the standalone financial statements, are as shown below:

| | For the Year Ended December 31 | | | |
|---|---------------------------------------|----------------------------------|--------------------------------|----------------------------------|
| | 2021 | | 2020 | |
| | Employees' compensation | Remuneration of directors | Employees' compensation | Remuneration of directors |
| The Board of Directors resolves the allocation amount | \$ 36,960 | \$ 16,000 | \$ 42,000 | \$ 20,000 |
| Amounts recognized in the annual financial statements | <u>36,960</u> | <u>17,600</u> | <u>42,000</u> | <u>20,000</u> |
| Differences | <u>\$ -</u> | <u>\$ (1,600)</u> | <u>\$ -</u> | <u>\$ -</u> |

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

Information on the 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

| | For the Year Ended December 31 | |
|-------------------------|---------------------------------------|--------------------|
| | 2022 | 2021 |
| Foreign exchange gains | \$ 206,208 | \$ 46,866 |
| Foreign exchange losses | <u>(143,482)</u> | <u>(59,644)</u> |
| | <u>\$ 62,726</u> | <u>\$ (12,778)</u> |

27. INCOME TAXES

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

| | For the Year Ended December 31 | |
|--------------------------------|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Current tax | | |
| In respect of the current year | \$ 207,863 | \$ 109,347 |
| Adjustments for prior years | (39,375) | (25,883) |
| Repatriation of overseas funds | - | 41,976 |
| | <u>168,488</u> | <u>125,440</u> |
| Deferred tax | | |
| In respect of the current year | 96,867 | 5,722 |
| Adjustments for prior years | - | (11,300) |
| | <u>96,867</u> | <u>(5,578)</u> |
| | <u>\$ 265,355</u> | <u>\$ 119,862</u> |

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

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Profit before income tax | \$ 2,006,814 | \$ 995,642 |
| Income tax expense calculated at the statutory rate | \$ 401,363 | \$ 199,128 |
| Non-deductible expenses in determining taxable income | 13,710 | 22,180 |
| Unrecognizable income in determining taxable income | (15,045) | (9,140) |
| Tax-exempt income | (95,298) | (13,147) |
| Adjustments for prior year | (39,375) | (37,183) |
| Repatriation of overseas funds | - | 41,976 |
| Temporary differences | - | (83,952) |
| | <u>\$ 265,355</u> | <u>\$ 119,862</u> |

b. Income tax recognized in other comprehensive income

| | For the Year Ended December 31 | |
|--|---------------------------------------|------------------|
| | 2022 | 2021 |
| <u>Deferred tax</u> | | |
| In respect of the current year | | |
| Translation of foreign operations | \$ (76,044) | \$ 39,164 |
| Remeasurement of defined benefit plans | (7,355) | (2,236) |
| | <u>\$ (83,399)</u> | <u>\$ 36,928</u> |

c. Current tax liabilities

| | December 31 | |
|--------------------|--------------------|-------------|
| | 2022 | 2021 |
| Income tax payable | \$ 224,166 | \$ 135,500 |

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, 2022

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Loss | Closing Balance |
|-----------------------------|------------------------|-------------------------------------|---|------------------------|
| <u>Deferred Tax Assets</u> | | | | |
| Temporary differences | | | | |
| Write-downs of inventories | \$ 29,729 | \$ (7,507) | \$ - | \$ 22,222 |
| Refund liabilities | 4,662 | (560) | - | 4,102 |
| Payables for annual leave | 4,589 | 346 | - | 4,935 |
| Defined benefit obligations | 7,641 | (286) | (7,355) | - |
| Unrealized gross profit | 23,823 | 22,667 | - | 46,490 |

(Continued)

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Loss | Closing Balance |
|--|------------------------|-------------------------------------|---|----------------------------------|
| Exchange differences on translating the financial statements of foreign operations | \$ 161,118 | \$ - | \$ (76,044) | \$ 85,074 |
| Others | <u>155</u> | <u>2,573</u> | <u>-</u> | <u>2,728</u> |
| | <u>\$ 231,717</u> | <u>\$ 17,233</u> | <u>\$ (83,399)</u> | <u>\$ 165,551</u> |
| <u>Deferred Tax Liabilities</u> | | | | |
| Temporary differences | | | | |
| Foreign investment income | \$ 520,277 | \$ 107,518 | \$ - | \$ 627,795 |
| Provision for land appreciation tax | 231,769 | - | - | 231,769 |
| Defined benefit obligations | <u>-</u> | <u>6,347</u> | <u>-</u> | <u>6,347</u> |
| | <u>\$ 752,046</u> | <u>\$ 113,865</u> | <u>\$ -</u> | <u>\$ 865,911</u> (Concluded) |

For the year ended December 31, 2021

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Closing Balance |
|--|------------------------|-------------------------------------|---|------------------------|
| <u>Deferred Tax Assets</u> | | | | |
| Temporary differences | | | | |
| Write-downs of inventories | \$ 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> |

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

As of December 31, 2022 and 2021, the taxable temporary differences related to the investment of subsidiaries and unrecognized deferred income tax liabilities are both of \$202,248 thousand.

- f. Income tax assessments

The income tax returns of the Company through 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

| | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Profit for the year of the Company | \$ <u>1,741,459</u> | \$ <u>875,780</u> |

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

| | For the Year Ended December 31 | |
|--|---------------------------------------|----------------|
| | 2022 | 2021 |
| 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>456</u> | <u>319</u> |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>121,027</u> | <u>120,890</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 32 "Business Combinations" of consolidated financial reports in 2022.

30. PARTIAL ACQUISITION OR DISPOSAL OF SUBSIDIARY INVESTMENTS – NOT AFFECT CONTROL

- In January 2022, the Company did not subscribe the issuance of ordinary shares in the amount of RMB \$3,184 thousand for cash of Nan Pao New Materials (Huaian) Co., Ltd. in accordance with the shareholding ratio, decreasing its shareholding ratio from 100% to 95.24%.
- The Company acquired minority shareholdings of Progroups Technology Co., Ltd. in September 2022, resulting in an increase in the shareholding ratio from 91.99% to 100%.
- The Company repurchased and retired 32.32% shareholdings of Greatwill Materials (HK) Ltd. in September 2022, resulting in an increase in Nan Pao Group Holdings Ltd.'s shareholding ratio from 67.68% to 100%. In addition, Greatwill Materials (HK) Ltd. transferred 28.45% shareholdings to external shareholder of Foshan Nan Pao Advanced Materials Co., Ltd., resulting in an decrease in the

shareholding ratio from 88.03% to 59.58%. The amount received and paid for the transaction is the same, and the change have not affect the shareholding ratio of Foshan Nan Pao Advanced Materials Co., Ltd. by the Company.

The above a. to c. transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries. Refer to Note 33 of the consolidated financial report in 2022 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, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|------------|------------|--------------|--------------|
| <u>Financial assets at FVTPL</u> | | | | |
| Limited partnership | \$ _____ - | \$ _____ - | \$ 69,536 | \$ 69,536 |
| <u>Financial assets at FVTOCI</u> | | | | |
| Investment in equity instruments | | | | |
| Unlisted shares | \$ _____ - | \$ _____ - | \$ 4,186,079 | \$ 4,186,079 |

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 |

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

Financial assets at FVTPL

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2022 | 2021 |
| Balance at January 1 | \$ 36,135 | \$ - |
| Recognized in profit or loss (included in unrealized valuation gain or loss on financial assets at FVTPL) | (6,599) | 11,135 |
| Purchases | <u>40,000</u> | <u>25,000</u> |
| Balance at December 31 | <u>\$ 69,536</u> | <u>\$ 36,135</u> |

Financial assets at FVTOCI

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Balance at January 1 | \$ 6,254,904 | \$ 1,080,530 |
| Recognized in other comprehensive income (loss) (included in unrealized valuation gain or loss on financial assets at FVTOCI) | (2,082,312) | 5,124,424 |
| Purchases | 13,487 | 51,178 |
| Reclassification | - | (360) |
| Proceeds from capital reduction | <u>-</u> | <u>(868)</u> |
| Balance at December 31 | <u>\$ 4,186,079</u> | <u>\$ 6,254,904</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

| | December 31 | |
|---|--------------------|--------------|
| | 2022 | 2021 |
| <u>Financial assets</u> | | |
| Financial asset at amortized cost (1) | \$ 2,456,730 | \$ 2,530,017 |
| Financial asset at FVTPL - mandatorily classified as at FVTPL | 69,536 | 36,135 |
| Financial asset at FVTOCI - investment in equity instruments | 4,186,079 | 6,254,904 |
| <u>Financial liabilities</u> | | |
| Amortized cost (2) | 3,417,570 | 4,254,191 |

- 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 (including current portion of long-term borrowings).

d. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, 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.

| | USD Impact | |
|---------------|---------------------------------------|-------------|
| | For the Year Ended December 31 | |
| | 2022 | 2021 |
| Profit (loss) | \$ 13,891 | \$ 6,867 |

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 Company's sensitivity to foreign currency increased during the current year mainly due to the borrowings for purchasing materials in USD and decrease in accounts payable.

b) Interest rate risk

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

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

| | December 31 | |
|-------------------------------|--------------------|-------------|
| | 2022 | 2021 |
| Fair value interest rate risk | | |
| Financial assets | \$ 14,332 | \$ 13,699 |
| Financial liabilities | 587,595 | 26,514 |
| Cash flow interest rate risk | | |
| Financial assets | 648,289 | 449,050 |
| Financial liabilities | 1,651,003 | 2,995,519 |

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, 2022 and 2021 would decrease/increase by \$4,128 thousand and \$7,489 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, 2022 and 2021, the maximum amount of credit risk that the Company provides endorsements / guarantees is \$217,348 thousand and \$252,025 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, 2022

| | Less than 1 Year | 1 - 5 Years | Over 5 Years |
|---|-----------------------------|--------------------|---------------------|
| <u>Non-derivative financial liabilities</u> | | | |
| Non-interest bearing liabilities | \$ 1,216,567 | \$ - | \$ - |
| Lease liabilities | 10,787 | 27,190 | 476 |
| Fixed interest rate | 503,939 | 51,182 | - |
| Variable interest rate liabilities | 821,606 | 856,897 | - |
| Financial guarantee contracts | <u>217,348</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 2,770,247</u> | <u>\$ 935,269</u> | <u>\$ 476</u> |

Additional information about the maturity analysis for lease liabilities:

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

December 31, 2021

| | Less than 1 Year | 1 - 5 Years | Over 5 Years |
|---|-----------------------------|---------------------|---------------------|
| <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>252,025</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 2,954,326</u> | <u>\$ 1,602,461</u> | <u>\$ 3,333</u> |

Additional information about the maturity analysis for lease liabilities:

| | Less than 1 Year | 1 - 5 Years | 5 - 10 Years |
|-------------------|-----------------------------|--------------------|---------------------|
| Lease liabilities | <u>\$ 6,653</u> | <u>\$ 17,226</u> | <u>\$ 3,333</u> |

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

b) Financing facilities

| | December 31 | |
|---|---------------------|---------------------|
| | 2022 | 2021 |
| Unsecured bank overdraft facilities, reviewed annually and payable at call: | | |
| Amount used | \$ 2,334,792 | \$ 3,115,040 |
| Amount unused | <u>5,483,714</u> | <u>3,869,741</u> |
| | <u>\$ 7,818,506</u> | <u>\$ 6,984,781</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

| Name of Related Party | Related Party Category |
|---|--|
| Nan Pao Chemical Co. Ltd. | Subsidiary |
| Nan Pao Fine Materials Co., Ltd. | Subsidiary |
| ITLS International Development Co., Ltd. | Subsidiary |
| Nan Pao Philippiness 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 |
| Foshan Nan Pao Advanced Materials Co., Ltd. | Subsidiary |
| Nan Pao Resins (Foshan) Co., Ltd. | Subsidiary |
| Foshan Nan Pao Cheng Hung Advanced Materials Technology Co., Ltd. | Subsidiary |
| Nan Pao Resins (HK) Limited | Subsidiary |
| Dongguan Jia Chin Electronics Co., Ltd. | Subsidiary |
| Nan Pao Resins (China) 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 Group Holdings Ltd. | Subsidiary |
| Nan Pao Resins Chemical Philippines, Inc. | Subsidiary |
| Nan Pao Resins International Ltd. | Subsidiary |
| RLA Polymers (M) SDN BHD | Subsidiary |
| Prince Pharmaceutical Co., Ltd. | Subsidiary |
| Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd. | Subsidiary |
| Total Acrylic Polymer Industry (Tapi) Corporation | Associate before January 2022 (Note 13) |
| Pou Chen Corporation and Subsidiaries | Investors with significant influence |
| Opulence Optronics Co., Ltd. | The Group is an executive of the Company |
| Apogee Optocom Co., Ltd. | Other related party |
| Kang Ming Senior High School, Tainan | Other related party |
| Nan Pao Resins Private Social Welfare Charity Foundation | Other related party |

b. Sales of goods

| Related Party Category/Name | For the Year Ended December 31 | |
|--|--------------------------------|---------------------|
| | 2022 | 2021 |
| Subsidiary | | |
| Nan Pao Resins (Vietnam) Enterprise Ltd. | \$ 1,496,339 | \$ 1,038,355 |
| PT. Indo Nan Pao Resins Chemical Co., Ltd. | 439,901 | 388,591 |
| Others | 1,364,669 | 1,006,826 |
| Investors with significant influence | 53,522 | 37,390 |
| Other related party | 94 | - |
| | <u>\$ 3,354,525</u> | <u>\$ 2,471,162</u> |

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

c. Purchases of goods

| Related Party Category | For the Year Ended December 31 | |
|------------------------|--------------------------------|-------------------|
| | 2022 | 2021 |
| Subsidiary | \$ 66,760 | \$ 100,478 |
| Associate | - | 2,994 |
| | <u>\$ 66,760</u> | <u>\$ 103,472</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 | |
|-------------------------------------|---|---------------------|-------------------|
| | | 2022 | 2021 |
| Accounts receivable - related party | Subsidiary | | |
| | Nan Pao Resins (Vietnam) Enterprise Ltd. | \$ 503,276 | \$ 347,247 |
| | Nan Pao Advanced Material Vietnam Co., Ltd. | 176,307 | 78,517 |
| | Nan Pao Materials Vietnam Co., Ltd. | 133,358 | 99,402 |
| | PT. Indo Nan Pao Resins Chemical Co., Ltd. | 123,868 | 124,559 |
| | Others | 207,112 | 221,763 |
| | Investors with significant influence | 11,030 | 6,910 |
| | Other related party | 99 | - |
| | | <u>\$ 1,155,050</u> | <u>\$ 878,398</u> |
| Other receivables | Subsidiary | \$ 205 | \$ 270 |

The outstanding accounts receivable from related parties are unsecured.

e. Payables to related parties

| Line Item | Related Party Category | December 31 | |
|------------------|------------------------|-------------|-----------|
| | | 2022 | 2021 |
| Accounts payable | Subsidiary | \$ 18,167 | \$ 22,030 |
| Other payables | Subsidiary | \$ 1,159 | \$ 519 |

The outstanding accounts payable to related parties are unsecured.

f. Others - refund liabilities

| Line Item | Related Party Category / Name | December 31 | |
|--|---|-------------|----------|
| | | 2022 | 2021 |
| Refund liabilities (Other current liabilities) | Investors with significant influence Pou Chen Corporation and Subsidiaries | \$ 4,121 | \$ 1,823 |

g. Endorsements and guarantees

Endorsements and guarantees provided by the Company

| Related Party Category | December 31 | |
|------------------------|--------------|--------------|
| | 2022 | 2021 |
| Subsidiary | | |
| Amount endorsed | \$ 1,069,005 | \$ 1,197,280 |
| Amount utilized | \$ 217,348 | \$ 252,025 |

h. Compensation of key management personnel

| | For the Year Ended December 31 | |
|------------------------------|--------------------------------|-----------|
| | 2022 | 2021 |
| Short-term employee benefits | \$ 63,664 | \$ 55,541 |
| Post-employment benefits | 7,338 | 2,118 |
| | \$ 71,002 | \$ 57,659 |

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, 2022 and 2021 were as follows:

- a. As of December 31, 2022 and 2021, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$132,695 thousand and \$117,310 thousand, respectively.
- b. Unrecognized commitments are as follows:

| | <u>December 31</u> | |
|--|--------------------|-------------|
| | <u>2022</u> | <u>2021</u> |
| Acquisition of property, plant and equipment | \$ 114,091 | \$ 352,666 |

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, 2022

| | Foreign Currency | Exchange Rate | Carrying Amount |
|--|-----------------------------|----------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 46,200 | 30.71 | \$ 1,418,812 |
| <u>Non-monetary items</u> | | | |
| Investment accounted for using equity method | | | |
| USD (Note) | 236,188 | 30.71 | 7,253,324 |
| IDR | 134,768,050 | 0.00198 | 266,841 |
| VND | 431,537,461 | 0.00130 | 561,549 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 973 | 30.71 | 29,751 |

December 31, 2021

| | Foreign Currency | Exchange Rate | Carrying Amount |
|--|-----------------------------|----------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 49,801 | 27.68 | \$ 1,378,522 |
| <u>Non-monetary items</u> | | | |
| Investment accounted for using equity method | | | |
| USD (Note) | 235,141 | 27.68 | 6,508,702 |
| IDR | 121,105,893 | 0.00198 | 239,790 |
| VND | 338,144,575 | 0.00121 | 410,664 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 24,992 | 27.68 | 691,792 |

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:

| | For the Year Ended December 31 | | | |
|--------------------------------|---------------------------------------|--------------------------------------|----------------------|---|
| | 2022 | | 2021 | |
| Functional Currency | Exchange Rate | Net Foreign Exchange Gain | Exchange Rate | Net Foreign Exchange Gain (Loss) |
| USD | 29.805 (USD:NTD) | \$ 61,567 | 28.009(USD:NTD) | \$ (13,109) |
| Others | | <u>1,159</u> | | <u>331</u> |
| | | <u>\$ 62,726</u> | | <u>\$ (12,778)</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 (Table 3)

- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
 - 9) Trading in derivative instruments (None)
- b. Information on invests (Table 6)
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 7)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 8):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- d. Information of major shareholders : List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 2 & 3) | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period | Actual Amount Borrowed | Amount Endorsed/ Guaranteed by Collateral | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) | Aggregate Endorsement/ Guarantee Limit (Notes 2 & 3) | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China |
|-----|--------------------------------------|--|--------------------------|--|--|--|---------------------------|---|---|---|--|--|---|
| | | Name | Relationship (Note 1) | | | | | | | | | | |
| 0 | Nan Pao Resins Chemical Co., Ltd. | Nan Pao Philippines Export, Inc | 2 | \$ 2,910,405 | \$ 16,108 | \$ 15,355 | \$ - | \$ - | 0.11 | \$ 7,276,013 | Y | N | N |
| | | Nan Pao Resins Chemical Philippines Inc. | 2 | 2,910,405 | 32,215 | 30,710 | - | - | 0.21 | 7,276,013 | Y | N | N |
| | | Nan Pao Group Holdings Ltd. | 2 | 2,910,405 | 64,430 | 61,420 | - | - | 0.42 | 7,276,013 | Y | N | N |
| | | RLA Polymers (M) Sdn. Bhd. | 2 | 2,910,405 | 96,645 | 61,420 | - | - | 0.42 | 7,276,013 | Y | N | N |
| | | RLA Polymers Pty Ltd. | 2 | 2,910,405 | 257,720 | - | - | - | - | 7,276,013 | Y | N | N |
| | | RLA Polymers (M) Sdn. Bhd | 2 | 2,910,405 | 128,860 | 122,840 | 74,054 | - | 0.84 | 7,276,013 | Y | N | N |
| | | Nan Pao New Materials (Huaian) Co., Ltd. | 2 | 2,910,405 | 135,180 | 132,240 | 1,467 | - | 0.91 | 7,276,013 | Y | N | Y |
| | | Nan Pao New Materials (Huaian) Co., Ltd. | 2 | 2,910,405 | 225,300 | 220,400 | 1,762 | - | 1.51 | 7,276,013 | Y | N | Y |
| | | Nan Pao New Materials (Huaian) Co., Ltd. | 2 | 2,910,405 | 90,120 | 88,160 | 25,915 | - | 0.61 | 7,276,013 | Y | N | Y |
| | | Nan Pao New Materials (Huaian) Co., Ltd. | 2 | 2,910,405 | 135,180 | 88,160 | - | - | 0.61 | 7,276,013 | Y | N | Y |
| | | Nan Pao Fine Materials Co., Ltd. | 2 | 2,910,405 | 30,000 | 20,000 | - | - | 0.14 | 7,276,013 | Y | N | N |
| | | Nan Pao Fine Materials Co., Ltd. | 2 | 2,910,405 | 20,000 | 20,000 | 10,000 | - | 0.14 | 7,276,013 | Y | N | N |
| | | RLA Polymers Pty Ltd. | 2 | 2,910,405 | 214,200 | 208,300 | 104,150 | - | 1.43 | 7,276,013 | Y | N | N |

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

1. Companies with business relationship.
2. The Company directly and indirectly holds more than 50 percent of the voting rights in a company.
3. A company that directly and indirectly holds more than 50 percent of the voting rights in the Company.
4. The Company directly and indirectly holds more than 90 percent of the voting rights between companies.
5. Companies with the same industry or mutual project undertakers that have mutual guarantee based on contract agreements due to contractual project needs.
6. Due to joint venture, the company's shareholders' endorsement is based on their shareholding ratio.
7. The performance guarantee of the pre-sale house sales contract in the same industry in accordance with the Consumer Protection Law is jointly guaranteed.

Note 2: The limit on endorsement/guarantee given on behalf of individual corporation is 20% of the Company's net value at the end of the period, while the aggregate endorsement/guarantee limit is 50% of the Company's net value.

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

NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

FOR THE YEAR ENDED DECEMBER 31, 2022

(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, 2022 | | | | Note |
|-----------------------------------|---|---------------------------------------|---|-------------------|---------------------|------------------|---------------------|------|
| | | | | Number of Shares | Number of Shares | Number of Shares | Number of Shares | |
| Nan Pao Resins Chemical Co., Ltd. | CDIB -Innolux Limited Partnership | None | Financial assets at fair value through profit or loss -non-current | - | \$ 69,536 | 9 | \$ 69,536 | |
| Nan Pao Resins Chemical Co., Ltd. | Dairen Chemical Corp. - publicly owned company | None | Financial assets at fair value through other comprehensive income - non-current | 10,424,970 | \$ 4,161,054 | 2 | \$ 4,161,054 | |
| | Hua Chi Venture Capital Co., Ltd. - privately-issued equity | " | " | 7,895 | 1,478 | 1 | 1,478 | |
| | Opulence Optronics Co., Ltd. - privately-issued equity | " | " | 1,754,417 | 1,734 | 13 | 1,734 | |
| | Revivegen Environmental Technology Co., Ltd. - emerging stock | " | " | 422,126 | 13,951 | 2 | 13,951 | |
| | Contact Organics Pty Ltd - privately-issued equity | " | " | 2,902 | 7,862 | 17 | 7,862 | |
| | | | | | <u>\$ 4,186,079</u> | | <u>\$ 4,186,079</u> | |
| Nan Pao Chemical Company Ltd. | Ace Chemical Corp. -privately-issued equity | None | Financial assets at fair value through other comprehensive income - non-current | 1,148,015 | \$ 20,380 | 10 | \$ 20,380 | |

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

Note 2: Please refer to Tables 5 and 6 for information on investments in subsidiaries and associates.

TABLE 3**NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Buyer | Property | Event Date | Transaction Amount | Payment Status | Counterparty | Relationship | Information on Previous Title Transfer If Counterparty is a Related Party | | | | Pricing Reference | Purpose of Acquisition | Other Terms |
|-----------------------------------|-------------------|------------|--------------------|--|------------------------------------|--------------|---|--------------|------------------|-------------------------------------|----------------------------------|------------------------|-------------|
| | | | | | | | Property Owner | Relationship | Transaction Date | Amount | | | |
| Nan Pao Resins Chemical Co., Ltd. | Plant Engineering | Note | \$ 814,682 | Monthly payment, after reviewing the construction progress | Hong Kung construction Company etc | - | - | - | \$ - | In-house commissioned, not suitable | R&D and Administrative Buildings | - | |

Note : The board of directors, which approved the proposal to engage others to build a factory on its own land on May 18, 2010, signed a contract with the contractors on June 14, 2019.

TABLE 4

NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(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 | \$ 1,496,339 | 24 | Payment within 90 days | Similar to general transactions | Similar to general transactions | \$ 503,276 | 29 | |
| | PT. Indo Nan Pao Resins Chemical Co., Ltd. | Subsidiary | Sale | 439,901 | 7 | Payment within 90 days | Similar to general transactions | Similar to general transactions | 123,868 | 7 | |
| | Nan Pao Materials Vietnam Co., Ltd. | Subsidiary | Sale | 320,221 | 5 | Payment within 90 days | Similar to general transactions | Similar to general transactions | 133,358 | 8 | |
| | Nan Pao Resins (HK) Limited | Subsidiary | Sale | 171,883 | 3 | Telegraphic transfer within 90 days | Similar to general transactions | Similar to general transactions | 45,106 | 3 | |
| | Nan Pao Resins (Foshan) Co., Ltd. | Subsidiary | Sale | 294,606 | 5 | Payment within 90 days | Similar to general transactions | Similar to general transactions | 81,613 | 5 | |
| | Nan Pao Advanced Materials Vietnam Co., Ltd. | Subsidiary | Sale | 306,907 | 5 | Payment within 90 days | Similar to general transactions | Similar to general transactions | 176,307 | 10 | |
| | Nan Pao Resins (Vietnam) Enterprise Ltd. | Nan Pao Resins International Ltd. | Same ultimate Parent Company | Sale | 237,380 | 6 | Payment within 90 days | Similar to general transactions | Similar to general transactions | 57,494 | 8 |
| | Pou Chen Corporation and Subsidiaries | Investors with significant influence | Sale | 131,969 | 4 | Payment within 45-105 days | Similar to general transactions | Similar to general transactions | 27,905 | 4 | |
| Nan Pao Resins (Dongguan) Co., Ltd. | Nan Pao Resins (HK) Limited | Same ultimate Parent Company | Processing Revenue | 336,431 | 100 | Payment within 90 days | No comparable produce sales for comparison | No third-party transaction for comparison | 83,142 | 100 | |
| Nan Pao Materials Vietnam Co., Ltd. | Nan Pao Resins International Ltd. | Same ultimate Parent Company | Sale | 160,806 | 8 | Payment within 90 days | Similar to general transactions | Similar to general transactions | 35,470 | 8 | |
| | Nan Pao Advanced Materials Vietnam Co., Ltd. | Same ultimate Parent Company | Sale | 108,058 | 5 | Payment within 90 days | Similar to general transactions | Similar to general transactions | 67,264 | 15 | |
| Nan Pao Resins (Foshan) Co., Ltd. | Fuqing Nan Pao Resins Co., Ltd. | Same ultimate Parent Company | Sale | 132,226 | 6 | Payment within 90 days | Similar to general transactions | Similar to general transactions | 29,003 | 5 | |
| | Pou Chen Corporation and Subsidiaries | Investors with significant influence | Sale | 129,501 | 6 | Payment within 45 days | Similar to general transactions | Similar to general transactions | 26,751 | 5 | |
| Nan Pao Resins International Ltd. | Pou Chen Corporation and Subsidiaries | Investors with significant influence | Sale | 399,381 | 100 | Payment within 60 days | Similar to general transactions | Similar to general transactions | 63,516 | 99 | |
| PT. Indo Nan Pao Resins Chemical Co., Ltd. | Pou Chen Corporation and Subsidiaries | Investors with significant influence | Sale | 424,271 | 28 | Telegraphic transfer within 90 days | Similar to general transactions | Similar to general transactions | 143,811 | 34 | |

Note: Except for investors with significant influence, they would be eliminated 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
FOR THE YEAR ENDED DECEMBER 31, 2022
(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 | \$ 503,276 | 3.52 | \$ - | Not applicable | \$ 271,023 | \$ - |
| | Nan Pao Materials Vietnam Co., Ltd. | Subsidiary | 133,358 | 2.75 | - | Not applicable | 80,683 | - |
| | Nan Pao Advanced Materials Vietnam Co., Ltd. | Subsidiary | 176,307 | 2.41 | - | Not applicable | 65,392 | - |
| | PT. Indo Nan Pao Resins Chemical Co., Ltd. | Subsidiary | 123,868 | 3.54 | - | Not applicable | 41,724 | - |
| PT. Indo Nan Pao Resins Chemical Co., Ltd. | Pou Chen Corporation and Subsidiaries | Investors with significant influence | 143,811 | 2.82 | - | Not applicable | 71,915 | 465 |

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

TABLE 6

NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (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, 2022 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) (Note 1) | Note |
|--|---|---|--|----------------------------|-------------------|-------------------------|-------|-----------------|-----------------------------------|---------------------------------|---|
| | | | | Ending Balance | Beginning Balance | Number of Shares | % | Carrying Amount | | | |
| Nan Pao Resins Chemical Co., Ltd. | Nan Pao Chemical Company Ltd. | No.519, Zhongshan Rd., Xigang Dist, Tainan City | Trading of chemical substances | \$ 300,000 | \$ 300,000 | 15,000,000 | 100 | \$ 182,125 | \$ 13,383 | \$ 13,383 | |
| | Nan Pao Application Material Co., Ltd. | No.519, Zhongshan Rd., Xigang Dist, Tainan City | Trading of chemical substances | 60,000 | 60,000 | 200,000 | 100 | 8,619 | (16) | (16) | |
| | Nan Pao Electronic Materials Co., Ltd. | No.510, Zhongshan Rd., Xigang Dist, Tainan City | Production and trading of electronic materials | - | 63,540 | - | - | - | - | (2,444) | |
| | ITLS International Development Co., Ltd. | 3F, No.356, Sec.1, NeiHu Rd., Taipei | Trading of construction materials and chemical substances | 696,000 | 755,000 | 24,600,000 | 100 | 253,385 | 19,974 | 19,124 | |
| | 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 | 365,372 | 51,553 | 26,040 | |
| | Phymed Bio-tec Co., Ltd. | No.519, Zhongshan Rd., Xigang Dist, Tainan City | R&D and trading of health food | 34,000 | 34,000 | 2,400,000 | 100 | 16,778 | (4,025) | (4,025) | |
| | Biorich Biotechnology Co., Ltd. | 3F, No.356, Sec.1, NeiHu Rd., Taipei | R&D, production, and trading of new high protein business and health food | 64,121 | 64,121 | 391,462 | 57.1 | 10,877 | 3,882 | 2,216 | |
| | 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 | 10,995 | 8,926 | 6,249 | |
| | Progroups Technology Co., Ltd. | No.519, Zhongshan Rd., Xigang Dist, Tainan City | Trading of waterborne PU resin | - | 70,814 | - | - | - | - | 6,654 | |
| | 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 | 21,418 | 16,154 | 10,493 | |
| | 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 | - | - | - | - | - | |
| | FlexUP Technologies Corp. | 5F., No. 5, Ln. 569, Bo'ai St., Zhubei City, Hsinchu County | Production and trading of polyimide materials | 19,546 | 21,094 | 16,352,173 | 96.87 | 4,284 | (229) | 276 | |
| | Perfect & Outstanding Technology Inc. | No.320-17 and 18, Xiaoxinying, Xiaoxin Vil., Shanhua Dist., Tainan City 741012, Taiwan (R.O.C.) | Production and trading of renewable energy | 40,000 | - | 2,500,000 | 25.93 | 39,286 | (15,224) | (714) | |
| | Fuqing Nan Pao Investment Ltd. | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. | General investment | 166,699 | 166,699 | 4,990,000 | 100 | 205,806 | 21,656 | 21,656 | |
| | Thai Nan Pao Investment Ltd. | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. | General investment | 169,909 | 169,909 | 5,282,000 | 100 | 180,082 | 762 | 762 | |
| | 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 | 26,290 | (763) | (763) | |
| | Nan Pao Materials Vietnam Co., Ltd. | LotA4, A5, A10, A11 Daden Industrial Park, Thu Dau Mot City, Binh Duong Province, Vietnam | Production and trading of adhesives and chemicals | 685,094 | 685,094 | - | 100 | 1,184,074 | 157,048 | 153,419 | |
| | 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 | 533,699 | 119,148 | 119,148 | |
| | Nan Pao Overseas Holdings Ltd. | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. | General investment | 2,386,015 | 2,363,585 | 78,056,502 | 100 | 4,197,273 | 258,315 | 251,160 | |
| | Profit Land Ltd. | Equity Trust Chambers, P.O. Box 3269, Apia, Samoa | General investment | 186,588 | 186,588 | 983,333 | 73.75 | 840,024 | 229,071 | 168,203 | Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares |
| | All Saints Enterprises Ltd. | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. | General investment | 143,375 | 143,375 | 5,452,549 | 54.53 | 214,432 | (15,690) | (8,556) | Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares |
| | Ongoing Profits Ltd. | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. | General investment | 46,426 | 46,426 | 1,560,000 | 32.18 | 233,246 | 313,469 | 99,979 | 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 | 237,621 | 133,448 | 90 | 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 | 14,952 | 2,360 | 2,360 | |
| | Nan Pao Resins Chemical (Bangladesh) Co., Ltd. | House No, 42 5 th floors, Lake drive Road, Sector 7, Ultara, Dhaka | Trading of adhesives | 4,193 | 4,193 | 125,000 | 100 | 752 | (3,173) | (3,173) | |
| | Earnest Wealth Co., Ltd. | Level 2, Lotenau Centre Building, Vaea Street, Apia, Samoa | General investment | 42,958 | 42,958 | 920,000 | 51.11 | 45,360 | 832 | 424 | |
| ITLS International Development Co., Ltd. | ITLS Holding Pte. Ltd. | Blk 1049, Eunos Avenue 6, #01-132, Singapore 409628 | General investment | 502,822 | 545,462 | 22,064,549 | 100 | 89,579 | (6,802) | | |
| | Aftek Materials Vietnam Co., Ltd. | No. 16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province | Production and trading of construction materials | 49,172 | 49,172 | - | 70 | 21,066 | (11,042) | | |

(Continued)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2022 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) (Note 1) | Note |
|--------------------------------|---|--|--|-------------------------------|-------------------------------|-------------------------|-------|-----------------|-----------------------------------|---|------|
| | | | | Ending Balance | Beginning Balance | Number of Shares | % | Carrying Amount | | | |
| Fuqing Nan Pao Investment Ltd. | Wealth Castle Development Ltd. | Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong | General investment | \$ 140,038 (USD 4,560,000) | \$ 140,038 (USD 4,560,000) | 10,000 | 100 | \$ 206,051 | \$ 21,741 | | |
| Thai Nan Pao Investment Ltd. | Thai Nanpao Resins Chemical Co., Ltd. | 412 Kor Soi, 1cBangpoo Industrial Tumbon Preaksa Ampur Muang Samutprakarn 10280, Thailand | Production and trading of adhesives | 171,326 (USD 5,578,821) | 171,326 (USD 5,578,821) | 21,197,000 | 100 | 132,585 | 726 | | |
| Earnest Wealth Co., Ltd. | Apex Polytech Co., Ltd. | Lot T29-15A Street 7, Protrade International Industrial Park, An Tay Commune, Ben Cat Town, Binh Duong, Vietnam. | Production and trading of adhesives | 66,027 (USD 2,150,000) | 66,027 (USD 2,150,000) | - | 100 | 64,775 | 1,064 | | |
| Nan Pao Overseas Holdings Ltd. | Nan Pao Group Holdings Ltd. | Vistra (Cayman) Limited P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road Grand Cayman, KY1-1205 Cayman Islands | General investment | 2,397,115 (USD 78,056,502) | 2,397,115 (USD 78,056,502) | 78,056,502 | 100 | 4,315,542 | 258,410 | | |
| ITLS Holding Pte. Ltd. | PT. ITLS Indonesia | Jl. Pajajaran Raya No. 44, Kel. Gandasari, Kec. Jatiuwung, Tangerang-15137 Indonesia | Production and trading of construction materials | 77,746 (USD 2,531,620) | 77,746 (USD 2,531,620) | 2,437,109 | 100 | 14,072 | (3,134) | | |
| | ITLS Vietnam Co., Ltd. | No.16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province | Production and trading of construction materials | 133,696 (USD 4,353,487) | 133,696 (USD 4,353,487) | - | 100 | 72,150 | (3,332) | | |
| Nan Pao Group Holdings Ltd. | Greatwill Materials (HK) Ltd. | Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong | General investment | 38,695 (USD 1,260,000) | 38,695 (USD 1,260,000) | 7,172 | 100 | 489,785 | 65,701 | | |
| | Profit Land Ltd. | Equity Trust Chambers, P.O. Box 3269, Apia, Samoa | General investment | 57,969 (USD 1,887,627) | 57,969 (USD 1,887,627) | 350,000 | 26.25 | 305,953 | 229,071 | Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares | |
| | Nan Pao Resins (Holdings) Ltd. | P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands | General investment | 646,571 (USD 21,054,073) | 646,571 (USD 21,054,073) | 10,000 | 100 | 363,143 | 26,813 | | |
| | All Saints Enterprises Ltd. | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. | General investment | 163,779 (USD 5,333,075) | 163,779 (USD 5,333,075) | 4,547,451 | 45.47 | 178,805 | (15,690) | 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 | 629,365 (AUD 30,214,354) | 629,365 (AUD 30,214,354) | 30,214,354 | 100 | 845,980 | 16,037 | | |
| | Ongoing Profits Ltd. | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. | General investment | 117,829 (USD 3,836,817) | 117,829 (USD 3,836,817) | 3,287,546 | 67.82 | 574,242 | 313,469 | Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares | |
| | Treasure Wealth (HK) Ltd. | Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong | General investment | 141,573 (USD 4,610,000) | 141,573 (USD 4,610,000) | 4,610 | 100 | 175,213 | 2,318 | | |
| | Goldford Investments Ltd. | Creque Building, P.O. Box 116, Road Town, Tortola, British Virgin Islands | General investment | 17,961 (USD 584,844) | 17,961 (USD 584,844) | 486,000 | 100 | 101,263 | 19,949 | | |
| | Nan Pao Resins Chemical Philippines, Inc. | Road 22 Phase 11, Cogeo Village, Antipolo City, Philippines | Trading of adhesives | 6,449 (USD 210,000) | 6,449 (USD 210,000) | 9,000 | 100 | 78,182 | 6,628 | | |
| | 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 | 788 (HKD 200,000) | 788 (HKD 200,000) | 1,000 | 100 | 8,009 | 1,420 | | |
| | Nan Pao Resins (HK) Limited | Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong | Production and trading of adhesives | 534,354 (USD 17,400,000) | 534,354 (USD 17,400,000) | 17,400,000 | 100 | 465,108 | (17,819) | | |
| Profit Land Ltd. | Giant Profit Development Ltd. | Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong | General investment | 245,680 (USD 8,000,000) | 245,680 (USD 8,000,000) | 10,000 | 100 | 1,156,027 | 229,055 | | |
| Nan Pao Resins (Holdings) Ltd. | Eastlion Enterprises Ltd. | P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands | General investment | 170,136 (USD 5,540,100) | 170,136 (USD 5,540,100) | 20,240 | 100 | 203,077 | 11,688 | | |
| | Nan Pao Resins Development Ltd. | P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands | General investment | 92,130 (USD 3,000,000) | 92,130 (USD 3,000,000) | 3,000 | 100 | 152,754 | 15,134 | | |
| All Saints Enterprises Ltd. | Great Mount Enterprises Ltd. | Unit 2102, 21/F The Broadway, No., 54-62 Lockhart, Road, Wanchai, Hong Kong | General investment | 307,100 (USD 10,000,000) | 307,100 (USD 10,000,000) | 10,000 | 100 | 389,046 | (15,649) | | |
| 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 | 444,394 (AUD 21,334,344) | 444,394 (AUD 21,334,344) | 16,552,080 | 100 | 725,072 | 19,129 | | |
| Ongoing Profits Ltd. | Rising Sun Associates Ltd. | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. | General investment | 148,868 (USD 4,847,546) | 148,868 (USD 4,847,546) | 3,000,000 | 100 | 845,204 | 313,554 | | |
| Treasure Wealth (HK) Ltd. | Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd. | Ken Nhon Trach II, Xa Hiep Phuoc, Huyen Nhon Trach, Tinh Dong Nai, Vietnam | Production and trading of coatings | 140,959 (USD 4,590,000) | 140,959 (USD 4,590,000) | - | 50 | 166,648 | 4,356 | | |
| 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 | 100,746 | 133,447 | 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 | 104,666 (USD 3,408,217) | 104,666 (USD 3,408,217) | - | 100 | 842,526 | 313,711 | | |
| 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 | 124,393 (AUD 5,971,801) | 124,393 (AUD 5,971,801) | 18,415,500 | 100 | 192,293 | 11,554 | | |

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

Note 2: Please refer to Table 6 for information on investees in mainland China.

(Concluded)

NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA FOR THE YEAR ENDED DECEMBER 31, 2022 (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, 2022 (Note 4) | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022 (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, 2022 | Accumulated Repatriation of Investment Income as of December 31, 2022 |
|--|---|--------------------------------|--|---|---------------------|--------|--|--------------------------------------|---|---------------------------------------|--|---|
| | | | | | Outward | Inward | | | | | | |
| Nan Pao Resins (China) Co., Ltd. | Production and trading of adhesives and coatings | \$ 307,100 (USD 10,000,000) | (2) Great Mount Enterprises Ltd. | \$ 331,359 (USD 10,789,932) | \$ - | \$ - | \$ 331,359 (USD 10,789,932) | \$ (15,649) | 100 | \$ (15,649) (2)B. | \$ 388,911 | \$ - |
| Fuqing Nan Pao Resins Co., Ltd. | Production and trading of adhesives | 140,038 (USD 4,560,000) | (2) Wealth Castle Development Ltd. | 153,243 (USD 4,990,000) | - | - | 153,243 (USD 4,990,000) | 21,923 | 100 | 21,923 (2)B. | 205,481 | 199,974 |
| Nan Pao Resins (Dongguan) Co., Ltd. | Processing of adhesive products | 82,917 (USD 2,700,000) | (2) Eastlion Enterprises Ltd. | 78,061 (USD 2,541,860) | - | - | 78,061 (USD 2,541,860) | 15,184 | 100 | 15,184 (2)B. | 153,438 | - |
| Dongguan Jiaqin Electronics Co., Ltd. | Production and trading of coatings and advanced resin | 92,130 (USD 3,000,000) | (2) Nan Pao Resins Development Ltd. | 94,116 (USD 3,064,683) | - | - | 94,116 (USD 3,064,683) | 15,134 | 100 | 15,134 (2)B. | 152,737 | - |
| Foshan Nan Pao Advanced Materials Co., Ltd. | Production and trading of adhesives | 51,805 (USD 1,686,900) | (2) Greatwill Materials (HK) Ltd. and Nan Pao Resins (Fo Shan) Co., Ltd. | - | - | - | - | 113,177 | 60.47 | 68,437 (2)B. | 493,340 | - |
| Nan Pao Resins (Foshan) Co., Ltd. | Production and trading of adhesives | 245,680 (USD 8,000,000) | (2) Giant Profit Development Ltd. | 239,158 (USD 7,787,627) | - | - | 239,158 (USD 7,787,627) | 229,057 | 100 | 229,057 (2)B. | 1,155,012 | 507,830 |
| Foshan Nan Pao Cheng Hung Advanced Material Technology Co., Ltd. | Trading of footwear materials | 22,040 (RMB 5,000,000) | (3) Nan Pao Resins (Foshan) Co., Ltd. | - | - | - | - | 737 | 51 | 376 (2)B. | 13,244 | - |
| Gangyi Electronic (Dongguan) Co., Ltd. (Note 5) | Production and trading of magnetic covers, magnetic rings, iron cores and electronic components | - | (2) Qang Yi Electronic Factory Company Ltd. | 12,284 (USD 400,000) | - | - | 12,284 (USD 400,000) | - | - | - | - | - |
| Nanpao Advanced Investment Co., Ltd. | General investment | 905,945 (USD 29,500,000) | (2) Nan Pao Group Holdings Ltd. | 905,945 (USD 29,500,000) | - | - | 905,945 (USD 29,500,000) | (79,247) | 100 | (79,247) (2)B. | 728,738 | - |
| Nan Pao (Kunshan) Electronic Commerce Co., Ltd. | Agency of online business and general merchandise | 46,065 (USD 1,500,000) | (3) Nanpao Advanced Investment Co., Ltd. | - | - | - | - | 1,204 | 100 | 1,204 (2)B. | 5,528 | - |
| Nantong Nanpao Resins Materials Co., Ltd. (Note 6) | Production and trading of adhesives | - | (3) Nanpao Advanced Investment Co., Ltd. | - | - | - | - | 5,698 | - | 5,698 (2)B. | - | - |
| Nan Pao Resins (Yunan) Co., Ltd. (Note 7) | Production and trading of adhesives | - | (3) Nanpao Advanced Investment Co., Ltd. | - | - | - | - | (19,094) | - | (19,094) (2)B. | - | - |
| Nan Pao New Materials (Huaian) Co., Ltd. | Production and trading of carbon fiber | 322,455 (USD 10,500,000) | (3) Nan Pao Advanced Investment Co., Ltd. | - | - | - | - | (58,542) | 95.24 | (56,028) (2)B. | 203,983 | - |
| Nan Pao Optoelectronic Materials (Kunshan) Co., Ltd. | Production and trading of adhesives and chemical substances | 24,568 (USD 800,000) | (3) Nanpao Advanced Investment Co., Ltd. | - | - | - | - | (5,981) | 100 | (5,981) (2)B. | 15,316 | - |
| Nan Pao Fine Chemical Materials (Anhui) Co., Ltd. | Production and trading of coatings and chemical substances | 151,194 (USD 4,923,267) | (3) Nanpao Advanced Investment Co., Ltd. | - | - | - | - | (132) | 100 | (132) (2)B. | 154,199 | - |

| Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022 (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) |
|---|--|---|
| \$ 1,814,166 (USD 59,074,102) | \$ 3,234,822 (USD 105,334,490) | \$ 8,731,216 |

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:
 $\$14,552,026 \times 60\% = \$8,731,216$

Note 4: Relevant amounts are calculated based on the exchange rate of US\$1 = NT\$30.71 at the end of the period.
Relevant amounts are calculated based on the exchange rate of CNY 1 = NT\$4.408 at the end of the period.

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

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

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

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, 2022

(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 | \$ (294,606) | (5) | Payment within 90 days | Similar to general transactions | Similar to general transactions | \$ 81,613 | 5 | \$ 21,246 |
| | Dongguan Jiaqin Electronics Co., Ltd. | Subsidiary | Sales | (33,485) | (1) | Payment within 90 days | Similar to general transactions | Similar to general transactions | 3,293 | - | 967 |
| Foshan Nan Pao Advanced Materials Co., Ltd. | Greatwill Material (HK) Ltd. | Same ultimate Parent Company | Sales | (29,034) | (1) | Payment within 90 days | Similar to general transactions | Similar to general transactions | - | - | - |
| | Nan Pao Resins India Pvt Ltd. | Same ultimate Parent Company | Sales | (21,856) | (1) | Payment within 90 days | Similar to general transactions | Similar to general transactions | 1,828 | - | - |
| | Nan Pao Resins (Foshan) Co., Ltd. | Same ultimate Parent Company | Sales | (70,099) | (3) | Payment within 90 days | Similar to general transactions | Similar to general transactions | 16,847 | 2 | - |
| Nan Pao Resins (Dongguan) Co., Ltd. | Nan Pao Resins (HK) Limited | Same ultimate Parent Company | Processing Revenue | (336,431) | (100) | Payment within 90 days | No comparable product sales for comparison | No third-party transaction for comparison | 83,142 | 100 | - |
| Nan Pao Resins (Foshan) Co., Ltd. | Fuqing Nan Pao Resins Co., Ltd. | Same ultimate Parent Company | Sales | (132,226) | (6) | Payment within 90 days | Similar to general transactions | Similar to general transactions | 29,003 | 5 | - |
| | Nan Pao Resins (China) Co., Ltd. | Same ultimate Parent Company | Sales | (21,980) | (1) | Payment within 90 days | Similar to general transactions | Similar to general transactions | 4,168 | 1 | - |
| | Pou Chen Corporation and Subsidiaries | Investors with significant influence | Sales | (129,501) | (6) | Payment within 45 days | Similar to general transactions | Similar to general transactions | 26,751 | 5 | - |
| Fuqing Nan Pao Resins Co., Limited | Nan Pao Resins (China) Co., Ltd. | Same ultimate Parent Company | Sales | (93,284) | (18) | Payment within 90 days | Similar to general transactions | Similar to general transactions | 21,138 | 19 | - |

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

TABLE 9**NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES****II INFORMATION OF MAJOR SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2022**

| Name of Major Shareholder | Shares | |
|--------------------------------------|------------------|-----------------------------|
| | Number of Shares | Percentage of Ownership (%) |
| Ding-Feng Investment Co., Ltd | 11,118,947 | 9.22% |
| Pou Chien Enterprise Co., Ltd. | 10,920,248 | 9.05% |
| 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. | 7,828,068 | 6.49% |

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

Note 2: If a shareholder delivers 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 YEAR ENDED DECEMBER 31, 2022**
(In Thousands of New Taiwan Dollars)

| | Land | Land Improvement | Buildings | Machinery and equipment | Transportation equipment | Miscellaneous equipment | Construction in progress | Total |
|--|------------|------------------|--------------|-------------------------|--------------------------|-------------------------|--------------------------|--------------|
| <u>Cost</u> | | | | | | | | |
| Balance at January 1, 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 | \$ 970,170 | \$ 21,735 | \$ 454,216 | \$ 1,141,494 | \$ 115,027 | \$ 596,817 | \$ 500,258 | \$ 3,799,717 |
| <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 | \$ - | \$ 7,999 | \$ 260,590 | \$ 830,678 | \$ 85,368 | \$ 444,109 | \$ - | \$ 1,628,744 |
| Carrying amount at December 31, 2021 and January 1, 2021 | \$ 970,170 | \$ 13,736 | \$ 193,626 | \$ 310,816 | \$ 29,659 | \$ 152,708 | \$ 500,258 | \$ 2,170,973 |
| <u>Cost</u> | | | | | | | | |
| Balance at January 1, 2022 | \$ 970,170 | \$ 21,735 | \$ 454,216 | \$ 1,141,494 | \$ 115,027 | \$ 596,817 | \$ 500,258 | \$ 3,799,717 |
| Acquired by summary consolidation | - | - | 693 | 41,365 | 1,476 | 16,863 | - | 60,397 |
| Additions | - | 2,428 | 826,558 | 89,514 | 270 | 112,313 | (429,762) | 601,321 |
| Disposals | - | - | (82) | (23,427) | (103) | (9,449) | - | (33,061) |
| Balance at December 31, 2022 | \$ 970,170 | \$ 24,163 | \$ 1,281,385 | \$ 1,248,946 | \$ 116,670 | \$ 716,544 | \$ 70,496 | \$ 4,428,374 |
| <u>Accumulated depreciation and impairment</u> | | | | | | | | |
| Balance at January 1, 2022 | \$ - | \$ 7,999 | \$ 260,590 | \$ 830,678 | \$ 85,368 | \$ 444,109 | \$ - | \$ 1,628,744 |
| Acquired by summary consolidation | - | - | 142 | 15,795 | 525 | 4,201 | - | 20,663 |
| Depreciation | - | 2,200 | 12,458 | 80,878 | 8,554 | 44,263 | - | 148,353 |
| Disposals | - | - | (82) | (22,452) | (103) | (9,448) | - | (32,085) |
| Balance at December 31, 2022 | \$ - | \$ 10,199 | \$ 273,108 | \$ 904,899 | \$ 94,344 | \$ 483,125 | \$ - | \$ 1,765,675 |
| Carrying amount at December 31, 2022 | \$ 970,170 | \$ 13,964 | \$ 1,008,277 | \$ 344,047 | \$ 22,326 | \$ 233,419 | \$ 70,496 | \$ 2,662,699 |