

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

## **2023 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, 2024**

**Notice to readers**

*This English version is only a translation of the Chinese version. If there is any inconsistency or discrepancy between the English version and Chinese version, the Chinese version shall prevail for all intents and purposes.*



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

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

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

Name	Transfer Agency, Chinatrust Commercial Bank
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Website	<a href="https://www.ctbcbank.com/">https://www.ctbcbank.com/</a>
Tel	886-2-6636-5566

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

Name of the CPA	Chao-Chin, Yang and Chi-Chen, Lee
Name of the Firm	Deloitte & Touche Taiwan
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Website	<a href="https://www.deloitte.com.tw/">https://www.deloitte.com.tw/</a>
Tel	886-6-213-9988

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

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



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## I. Letter to Shareholders

Dear Shareholders,

In 2023, factors such as high interest rates, inflation, and underperformance of the post-pandemic economy in mainland China have contributed to weak global demand for end products, resulting in a slowdown in manufacturing activities worldwide. Additionally, the expansion of the US-China chip ban, the Russia-Ukraine conflict, and ongoing tensions in the Middle East have led to geopolitical trends towards bloc confrontation, impacting economic development and social stability.

Overall, in the footwear adhesive business, inventory levels of sportswear brand customers have gradually decreased, and the momentum of inventory adjustment has slowed. More international brands have begun to establish long-term development partnerships with specified strategy suppliers, providing the Company with more opportunities to directly collaborate with brands to develop new material adhesion technologies. As the effects of R&D investment in new products and applications gradually become evident, it is expected to acquire new customers and orders, with the anticipation of further optimizing product structure and strengthening market position. Regarding adhesives for industrial and other consumer industries, global consumer market sentiment and economic activity are still sluggish, but there is a gradual recovery in customer demand, indicating that the trough has passed. The Company continues to focus on high-margin products, adjusts product structure, invests in R&D for advanced applications, and actively seizes growth opportunities in new products and applications. Additionally, there is ongoing implementation of product line simplification to enhance production efficiency. As for the construction and coatings business, initial results have been achieved in expanding the customer base, while gradually adjusting product prices with an expectation of continuous growth this year. In terms of coatings, there will be ongoing integration of product lines and services to provide better and more comprehensive solutions. Furthermore, there is a response to government initiatives promoting the transition to net-zero buildings by 2050, seizing transformation opportunities, focusing on sustainable low-carbon building materials research and promotion.

We hereby report the 2023 operating conditions and future prospects of the Company and its subsidiaries as follows:

### I. Review of 2023 Business Performance

#### 1. Results of Business Plan

The total consolidated revenue of 2023 was NT\$20.58 billion, a decrease of 6.47% from the previous year. The total gross profit was NT\$6.49 billion, an increase of 22.75% from the previous year. The operating profit was NT\$2.96 billion, an increase of 62.49% from the previous year. The net income was NT\$2.57 billion, an increase of 37.78% from the previous year. Earnings per share after taxes was NT\$20.14.

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

Item \ Year	2023		2022		Varieties	
	Amount	%	Amount	%	%	%
Net Operating Revenue	20,581,188	100	22,004,313	100	(1,423,125)	(6.47)
Gross Profit	6,490,460	32	5,287,537	24	1,202,923	22.75
Operating Profit	2,964,382	15	1,824,375	8	1,140,007	62.49
Pre-tax Income	3,393,761	16	2,385,414	11	1,008,347	42.27
Net Income	2,566,432	12	1,862,728	8	703,704	37.78



Year Item		2023		2022		Varieties	
		Amount	%	Amount	Amount	%	Amount
Net Income attributed to	Shareholders	2,428,215	12	1,741,459	8	686,756	39.44
	Non-controlling Interests	138,217	-	121,269	-	16,948	13.98
Earning Per Share(dollar)		20.14		14.44		5.70	39.47

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	2023	2022
Cash inflow from operating	3,128,986	1,916,763
Cash (outflow) inflow from investing	(792,095)	206,201
Cash (outflow) from fundraising	(1,736,906)	(1,918,865)
Return on Assets ( % )	10.91	7.59
Return on Equity ( % )	17.00	11.67
Profit before tax to capital stock (%)	281.47	197.84
Net Profit Margin ( % )	12.47	8.47

#### 4. R&D Achievements

Nan Pao has devoted significant research and technological resources to sustain its growth and expand into new industries. It is committed to innovative product development and exploring new sectors, applying its expertise in areas such as high-performance adhesives for footwear, functional textile adhesives, adhesives for medical products, low-VOC adhesives and hot melts adhesives for automobiles, adhesives for flexible packaging materials, optical pressure-sensitive adhesives, construction chemicals, and functional coatings. In 2023, the research and development expenses accounted for approximately 2.52% of the consolidated operating revenue. Below is an overview of the product research and diversified applications of Nan Pao Group's subsidiaries in 2023.

- (1) Subsidiary Foshan Nan Pao Advanced Materials is committed to increasing the proportion of new and improved products in overall sales. The newly developed black medicated hot melt adhesive product line and the foam hot melt adhesive product for air filters have been launched into the market in 2023. Simultaneously, efforts have been made to comprehensively improve the cost-effectiveness of key products in industries such as medical supplies, labels, and waterproof membranes, further enhancing the competitiveness of the industry.
- (2) In contrast to other competitors who primarily focus their R&D efforts on the wind power market, subsidiary Changshu Yu Bo allocates significant resources to areas such as sports equipment, wind turbine blades, hydrogen cylinders, mass transportation, automotive, and high-performance composites for industrial applications. Moreover, it holds a leading position in technology within the industry.



- (3) Subsidiary Nanpao New Materials (Huaian), in order to enhance industry competitiveness, actively integrates the industry chain by seamlessly combining resin and carbon fiber to produce prepreg materials. These materials have been successfully applied in products such as 3C electronics, new energy vehicles, and high-end vehicles. Additionally, the subsidiary has developed applications for aerospace, medical equipment, sports goods, etc., to meet customers' one-stop requirements.

In order to jointly achieve sustainable economic development goals, Nan Pao actively collaborates with external research and development professional units. By leveraging its own strengths and those of external professional units, Nan Pao collaborates to develop innovative products and high-performance solutions. This strengthens academic and industrial exchange opportunities and resource sharing, promotes technological innovation, and fosters talent development. This creates a win-win cooperation among enterprises, schools, and research institutions. The R&D cooperation performance in 2023 is as follows:

- (1) Collaborated with a Japanese technical consultant to develop UV-curable optical pressure-sensitive adhesives. Leveraged the patent information from the Japanese technical consultant to gain insights into advanced UV-curing processes, enabling Nan Pao to adjust its existing formulations and develop adhesives with different performance characteristics. This collaboration integrated Nan Pao's inspection equipment and coating vendor resources, along with alignment with downstream electronic manufacturers' on-machine testing processes, resulting in a reduction of over one year in the originally estimated product development timeline. The innovative product is applied in the semiconductor industry, enhancing product pricing and gross margins.
- (2) Collaborated with the Department of Chemical Engineering at National Cheng Kung University (NCKU) to enhance the stability of acrylic emulsion processes. Utilizing Nuclear Magnetic Resonance (NMR) analysis, a technique for material molecular structure analysis, anomalies in the product were identified, serving as the basis for improving the production process. This collaboration integrated NCKU's analytical technology, inspection equipment, and vendor resources, expediting the acquisition of specialized raw materials and on-machine testing of products in the downstream process. As a result, the product development timeline was significantly reduced by at least 6 months, while simultaneously addressing quality issues and enhancing product yield. The related technology can be concurrently applied to various products, enhancing their performance and added value. After process improvements, the process time can be shortened by approximately 16%.
- (3) Collaborated with the Industrial Technology Research Institute (ITRI) to develop synthetic technology for low-carbon biomass and recycled materials, as well as high-performance products. Leveraging ITRI's analytical technology, testing equipment, and vendor resources, and coordinating with upstream, midstream, and downstream manufacturers in the industry chain, the product development timeline was significantly shortened by more than 1 year. This collaboration capitalized on Nan Pao's expertise in resin synthesis and paint formulation design to incorporate bio-based resins into various adhesives, coatings, and hot melt adhesive products, thereby enhancing product performance and added value. The results of sustainable and biomass products have also attracted cooperation from Fuji Soft Company and Kotobuki Corporation in Japan, jointly developing applications for recycled carbon powder materials in building coatings and Nan Pao's international conference hall seating. This initiative aims to promote the development of sustainable building coatings and biomass PU foam-related products.



## II. Summary of 2023 Business Plan

### 1. Business Strategy

#### (1) Product Diversification and Application Expansion:

Continuously engage in product development to enhance potential growth opportunities and expand the application of products in other market segments. Simultaneously, focus on strategic acquisitions that offer synergistic benefits to strengthen the company's portfolio through complementary acquisitions, enabling Nan Pao to expand its global presence and product applications.

#### (2) Investment in Research and Development (R&D):

Increase investment in R&D to promote existing products for broader applications in other fields. Emphasize the connection between green products and environmental sustainability by continuously developing products with sustainable value that also meet environmental protection and market demands. Future efforts will focus on research and development of green products to advance towards a low-carbon economy, continuously pursuing sustainable growth.

#### (3) Low-Carbon Upgrading:

In response to increased transparency in ESG disclosure standards and challenges posed by global inflation, slowing demand, and inventory adjustments in the post-pandemic era, Nan Pao formulate energy-saving and emission-reduction strategies, collaborate with government initiatives promoting low-carbon projects to seize new business opportunities in energy conservation and carbon reduction, while also positioning for energy transformation and electrification to sustain revenue growth.

#### (4) Digital Optimization:

In line with market demand and the widespread adoption of digital technology, Nan Pao implement a phased digital transformation process. Firstly, introduce digital system platforms to achieve digitalization, initially reducing operating costs such as labor and resources. Additionally, accumulate database insights through familiarity with digital tools and increased system utilization to further achieve digital optimization. Ultimately, with a customer-centric approach, integrate digital tools comprehensively into business thinking and sales strategies, creating new business models and transforming the organization and culture to achieve long-term digital transformation goals.

### 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 2024 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 shoe material cleaners, shoe material treatments, and shoe 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 Nan Pao'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 construction business mainly pursues energy-efficient and comfortable housing and applies them to solar energy and water resource industries.

(3) Golden Sample Strategy for Product Development

Nan Pao adopts a "Golden Sample" strategy for product development, continuously 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**

Over the years, Nan Pao has continuously invested in research and technology resources for the green and low-carbon industry supply chain. In 2023, in response to the "Large Enterprises Assisting Small Enterprises" project initiated by the Industrial Bureau of the Ministry of Economic Affairs, Nan Pao collaborated with its supply chain to promote green products and processes. With the support of government policies, this initiative not only benefits the Company itself but also encourages downstream partners to reduce carbon emissions, aiming to accelerate the penetration rate of green products.

In addition, Nan Pao passed liquidity tests, corporate governance evaluations, and various financial indicators in 2023 to become a constituent stock of the Corporate Governance 100 Index. The Company also focused on obtaining improved ratings from international ESG rating agencies such as S&P Global, FTSE Russell and Sustainalytics compared to the previous year, thereby enhancing corporate competitiveness and economic resilience.

Looking ahead, the global economy is expected to continue facing various challenges. Factors such as the sustainability of consumer momentum in the United States, trends in raw material prices, the economic outlook for mainland China, and the monetary policy directions of central banks worldwide will all impact Taiwan's trade and investment performance. It's important to anticipate and closely monitor these factors in advance.

Nan Pao places great importance on ESG principles and is committed to developing green products, aspiring for "green sustainability" to become one of the Company's core competitive advantages. The Company has declared its commitment to achieving net-zero emissions. In line with the launch of the International Carbon Trading Platform by the Taiwan Carbon Exchange on December 22, 2023, Nan Pao actively responded by becoming one of the first buyers of carbon credits and receiving the first purchase certificate. The purchased carbon credits, totaling two thousand metric tons, will be used to offset the Company's own operations. Internally, efforts will also be made to promote energy-saving and carbon-reduction projects, including the installation of solar power generation equipment and the replacement of energy-consuming equipment, gradually realizing carbon reduction goals. Furthermore, Nan Pao is actively reducing solvent substances in its products and adjusting



formulations by using recycled and biomass materials to lower the carbon footprint of its products. The Company aims to achieve carbon neutrality by 2050 through practical actions and is committed to focusing on long-term sustainability growth. The ESG sustainability strategy will be deeply integrated into the Company's culture, not only to meet trends and customer demands but also to pursue a more solid competitive advantage and symbiotic prosperity with society. Nan Pao will continue to uphold the principles of sustainable operation, implement corporate governance norms, create a sustainable development work environment for employees, provide customers with high-energy-efficient products and solutions that align with ESG principles, and create sustainable value for shareholders.

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.
- 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 of the first overseas factory, 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 division and focus on developing the chemical industry as the core business.



- 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.
  - Establishment of ITLS International Development Co., Ltd., entering the construction distribution market.
- 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.
  - Investment in Biorich Biotechnology Co., Ltd., entering the biotechnology market.
- 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.



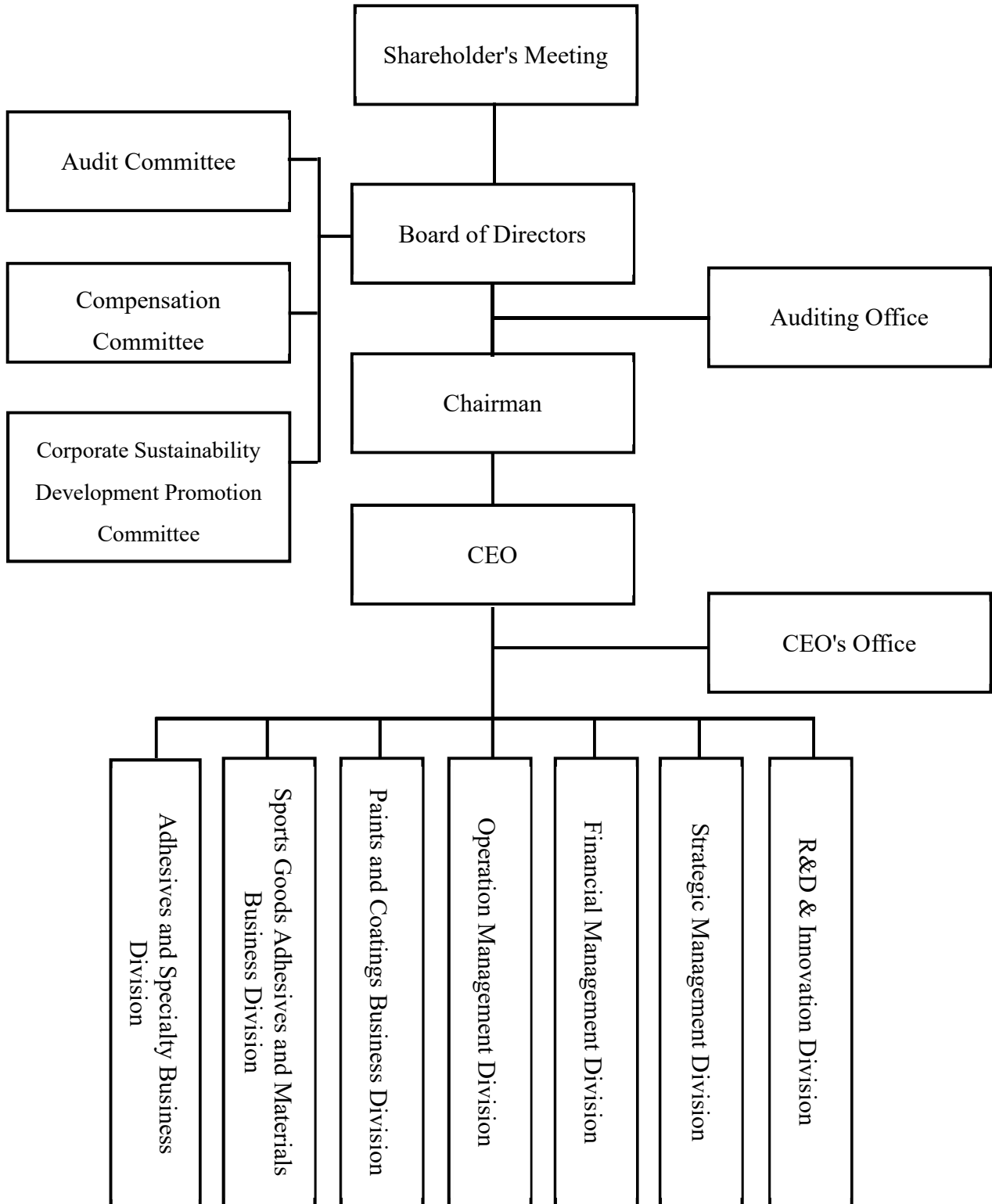
- 2017
  - Approved IPO and registration for Listing on the Taiwan OTC Security Exchange.
  - Water-based PU was certificated with the SGS ISO/TS14067 inspection statement.
  - Nan Pao Materials Vietnam Co., Ltd has been awarded LEED Gold certification by the U.S. Green Building Council.
  - Established 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.
- 2023
  - Completion of a simplified merger with Progroups Technology Co. Ltd. and Nan Pao Electronic Material Co., Ltd.
  - Acquired Changshu Yubo Polymer Materials Co. Ltd.
  - Established Nan Pao Materials Resins India Private Limited



### III. Corporate Governance

#### I. Organization

##### (I) Organization Chart





## (II) Major Division Functions

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



## II. Board Members and Management Team

### (I) Board Members

#### 1. Information Regarding Board Members

April 14, 2024

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	20230621	3	20140627	374,465	0.31	363,321	0.31	101,742	0.08	—	—	• M.S. in Applied Chemistry, National Tsing Hua University; • Executive General Manager in Adhesives and Specialty Business Division and General Manager of Nan Pao Resins Chemical Co., Ltd.	Note 2	—	—	—
Director	Taiwan, R.O.C.	Pou Chien Enterprise Co., Ltd.	—	20230621	3	20081212	10,920,248	9.06	10,920,248	9.06	—	—	—	—	—	—	—	—	—
	Taiwan, R.O.C.	Wang-Chyan, Lin (Note 1)	Male 51~60	20240318	3	20240318	—	—	—	—	—	—	—	—	• M.S. in Philosophy, Tunghai University; • Deputy General Manager and Chief Human Resources Officer of Pou Sheng International (Holdings) Limited.; • Executive Senior Manager of Global Supply Chain Management Head Office, Pou Chen Corporation	Note 3	—	—	—
Director	Taiwan, R.O.C.	Guang Rong Investment Ltd.	—	20230621	3	20140627	8,868,132	7.35	8,868,132	7.35	—	—	—	—	—	—	—	—	—
	Taiwan, R.O.C.	Ming-Hsien, Hsu	Male 61~70	20230621	3	20140627	483,211	0.40	483,211	0.40	121,554	0.10	—	—	• M.S. in Industrial Management, 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.	—	20230621	3	20140627	8,868,132	7.35	8,868,132	7.35	—	—	—	—	—	—	—	—	—
	Taiwan, R.O.C.	Ying-Lin, Huang	Male 31~40	20230621	3	20200616	1,000,936	0.83	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. • Executive General Manager in Sports Goods Adhesives and Materials Business Division, Nan Pao Chemical Co., Ltd.	Note 5	—	—	—



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.	Yun, Chen	Male 71~80	20230621	3	20171212	—	—	—	—	—	—	—	—	<ul style="list-style-type: none"> <li>• Ph.D. of Synthetic Chemistry, Faculty of Engineering, University of Tokyo, Japan;</li> <li>• Distinguished Professor and Honorary Professor of National Cheng Kung University</li> </ul>	—	—	—	—
Independent Director	Taiwan, R.O.C.	Yung-Cheng, Chiang	Male 61~70	20230621	3	20171212	—	—	—	—	—	—	—	—	<ul style="list-style-type: none"> <li>• Bachelor of Law, Soochow University;</li> <li>• Judge of Taiwan Kaohsiung District Court;</li> <li>• Judge of Taiwan High Court Kaohsiung Branch Court;</li> <li>• Attorney of Cheng Bang &amp; Cheng Yang Joint Law Firm</li> </ul>	Note 6	—	—	—
Independent Director	Taiwan, R.O.C.	Chin-Jung, Kuo	Female 61~70	20230621	3	20230621	—	—	—	—	—	—	—	—	<ul style="list-style-type: none"> <li>• M.S. in Accounting, University of Southern Illinois, USA</li> <li>• Deputy Chairperson, Accounting and Audit Committee, Taipei City Certified Public Accountants Association</li> <li>• Director and Supervisor, National Federation of CPA Associations of the Republic of China</li> <li>• Adjunct Assistant Professor, Department of Accounting, Tamkang University</li> <li>• Chairperson, Accounting and Audit Committee, CPA Association of Taiwan Province</li> <li>• Managing Partner, Guangxin Yiqun Certified Public Accountants Firm</li> <li>• Chairman, Taipei Tax Agents Association</li> </ul>	Note 7	—	—	—

Note 1: Mr. Lin Wang-Chyan was appointed as the representative person of Pou Chien Enterprise Co., Ltd. on March 18, 2024, replacing Mr. Liao Yuan-Whang 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 Nanpao Resins Chemical Co., Ltd.; ITLS Holding Pte. Ltd.; Nan Pao Advanced Materials Vietnam Co., Ltd.; Corporate Director Representative of Nan Pao Resins Chemical Philippines, Inc.; Nan Pao Philippines Export Inc.; 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.; Jumbo Power Enterprises Ltd.; Ka Yuen Rubber Factory Ltd.



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.; Independent Director of Lightel Corporation; Supervisor of 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 Invstment Ltd.; ITLS International Development Co., Ltd.; Nanpao Fine Materials 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.; Changshu Yu Bo Polymer Materials Co., Ltd.; Profit Land Ltd.; Giant Profit Development Ltd.; Great Mount Enterprises Ltd.; Fuqing Nan Pao Investment Ltd.; Wealth Castle Development Ltd.; Thai Nan Pao Investments Ltd.; ITLS Holding Pte. Ltd.; Nan Pao Materials Resins India Private Ltd.; Opulence Optronics Co., 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.; Biorich Biotechnology Co., Ltd.; Prince Pharmaceutical Co., Ltd.; 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.

Note 7: Director of Guangkai Co., Ltd.; Guangyi Development Enterprise Co. Ltd.; Independent Director of Cystech Electronics Corp.; Supervisor of Dayeh International Development Co., Ltd.; Guangxin Investment Co., Ltd.

Table 1: Major Shareholders of Institutional Shareholder

April 14, 2024

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
Cheng-Hsien, Wu S Committee member (Note 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 Adhesives and Specialty Business Division and the general manager. He served as the chairman of Nan Pao Resins Chemical Co., Ltd. from 2013. He is professionally proficient in industry knowledge, business management, and leadership decision-making.	Chairman Wu also serves as director, supervisor and chairman of the Company's affiliates and is not an independent director. For others, conformance to independence specified in article 3-1 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," promulgated by the Financial Supervisory Commission.	0
Pou Chien Enterprise Co., Ltd. Representative: Wang-Chyan, Lin	Mr. Wang-Chyan, Lin obtained a M.S. degree in Philosophy from Tunghai University and has over 20 years of experience in human resources. He joined Pou Chen Group in 2016 and has served as the Deputy General Manager and Chief Human Resources Officer of Pou Sheng International (Holdings) Limited. Since 2024, he has served as the Executive Senior Manager of Global Supply Chain Management Head Office of Pou Chen Corporation. Mr. Lin currently serves as Director of Top Units Developments Ltd. and Ka Yuen Rubber Factory Ltd. He is professionally proficient in industry knowledge, human resources and business management.	Director Lin is representative of the Company's institutional director (Pou Chien Enterprise) and is not an independent director. For others, conformance to independence specified in article 3-1 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," promulgated by the Financial Supervisory Commission.	0



Criteria Name	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Guang Rong Investment Ltd. Representative: Ming-Hsien, Hsu ☐ Committee member (Note 1)	Mr. Ming-Hsien, Hsu obtained a M.S. degree in Industrial Management from National Cheng Kung University and has over 30 years work experience. Since joined the Enterprise Management Office in 1986, he has served as the manager of the General Management Office and the 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, business management, and leadership decision-making.	Director Hsu also serves as the Company's CEO, director and supervisor of the Company's affiliates. He is representative of the Company's institutional director (Guang Rong Investment) and is not an independent director. For others, conformance to independence specified in article 3-1 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," promulgated by the Financial Supervisory Commission.	0
Guang Rong Investment Ltd. Representative: Ying-Lin, Huang	Mr. Ying-Lin, Huang obtained a M.S. degree in Applied Chemistry from Waseda University in Japan. He has served as the Senior Specialist of the New Business Development Center and the Special Assistant of the Chief Executive's Office. Mr. Huang currently serves as the Executive General Manager in Sports Goods Adhesives and Materials Business Division of Nan Pao 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 and leadership decision-making.	Director Huang also serves as the Executive General Manager in Sports Goods Adhesives and Materials Business Division, director of the Company's affiliates. He is representative of the Company's institutional director (Guang Rong Investment), moreover, the individual (or under nominees), spouse and minors hold more than 1% of the Company's issued shares. He is not an independent director. For others, conformance to independence specified in article 3-1 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," promulgated by the Financial Supervisory Commission.	0



Criteria Name	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Yun, Chen <input checked="" type="checkbox"/> Convener <input checked="" type="checkbox"/> Convener <input checked="" type="checkbox"/> Convener  (Note 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 the Distinguished Professor of National Cheng Kung University and currently serves as the Honorary Professor of National Cheng Kung University. He is professionally proficient in industry knowledge.	Before and during his tenure, and in the two years prior to his appointment, Independent Director Chen met the qualifications stipulated by the Financial Supervisory Commission's "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and Article 14-2 of the Securities and Exchange Act. Additionally, as provided by Article 14-3 of the Securities and Exchange Act, Independent Directors have been granted the authority to fully participate in decision-making and express their opinions, enabling them to independently carry out their relevant duties.	0
Yung-Cheng, Chiang <input checked="" type="checkbox"/> Committee member <input checked="" type="checkbox"/> Committee member <input checked="" type="checkbox"/> Committee member  (Note 1)	Mr. Yung-Cheng, Chiang graduated from Faculty of Law of Soochow University and has over 30 years work experience. He has served as the 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 25 years of experience practicing in a law firm. Furthermore, he served as the Independent Director of Long Da Construction & Development Corporation, Taiwan Secom Co., Ltd. and Top High Image Corp. He is professionally proficient in law.	Before and during his tenure, and in the two years prior to his appointment, Independent Director Chiang met the qualifications stipulated by the Financial Supervisory Commission's "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and Article 14-2 of the Securities and Exchange Act. Additionally, as provided by Article 14-3 of the Securities and Exchange Act, Independent Directors have been granted the authority to fully participate in decision-making and express their opinions, enabling them to independently carry out their relevant duties.	3



Criteria Name	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
<p>Yi-Hsi, Lee</p> <p><input checked="" type="checkbox"/> Committee member</p> <p><input type="checkbox"/> Committee member</p> <p><input type="checkbox"/> Committee member</p> <p>(Note 1)</p>	<p>Ms. Chin-Jung, Kuo graduated from Institute of Industrial Management of National Cheng Kung University and subsequently obtained a M.S. degree in Accounting from University of Southern Illinois, USA. Ms. Kuo has over 30 years work experience. She has served as the deputy chairperson of Accounting and Audit Committee, Taipei City Certified Public Accountants Association, the director and supervisor of National Federation of CPA Associations of the Republic of China and the adjunct assistant professor of Department of Accounting, Tamkang University. Currently she serves as the chairperson of Accounting and Audit Committee, CPA Association of Taiwan Province, the managing partner of Guangxin Yiqun Certified Public Accountants Firm and the chairman of Taipei Tax Agents Association.</p>	<p>Before and during her tenure, and in the two years prior to his appointment, Independent Director Kuo met the qualifications stipulated by the Financial Supervisory Commission's "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and Article 14-2 of the Securities and Exchange Act. Additionally, as provided by Article 14-3 of the Securities and Exchange Act, Independent Directors have been granted the authority to fully participate in decision-making and express their opinions, enabling them to independently carry out their relevant duties.</p>	<p>1</p>

Note 1:Functional Committees : ☒ Audit Committee ☐ Compensation Committee ☐ Corporate Sustainability Development Promotion Committee

Note 2:None of the directors of the Company has circumstances pertaining to any of the provisions of Article 30 of the Company Act.



### 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 2023 Shareholders' Meeting on June 21, 2023. 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 include one female director, with women making up 14.29% of the board. ;

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

(3) The proportion of directors concurrently act as managerial officers is 28.57% ;

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

Achieved
Achieved
Achieved
Achieved



Note 1: Implement the Policy of Diversification in the Borad

Divercification Core Items  Name	Basic Condition and Value			Date First Appoint- ment	Tenure of Independ- ent Directors	Employ- ed by NanPao	Concur- rently Serve as Manager	Professional Knowledge and Expertise								Industrial Experience	
	Gender	Age	Nationa- lity					Indus- try Expe- rience	Busi- ness Manage- ment	Leader- ship Decision -making	Finance and Accoun- -ting	Legal	Human Resour- ces	ESG	Risk Manage- -ment	Chemical Enginee- ring	Sports and Leisure
Cheng-Hsien, Wu	Male	71-80	ROC	20140627				✓	✓	✓				✓		✓	
Ming-Hsien, Hsu	Male	61-70	ROC	20140627		✓	✓	✓	✓	✓				✓	✓	✓	
Ying-Ling, Huang	Male	31-40	ROC	20200616		✓	✓	✓	✓	✓						✓	
Wang-Chyan, Lin	Male	51-60	ROC	20240318				✓	✓				✓				✓
Yun, Chen (Independent Director)	Male	71-80	ROC	20171212	7-9 year			✓						✓	✓		
Yung-Cheng, Chiang (Independent Director)	Male	61-70	ROC	20171212	7-9 year							✓		✓	✓		
Chin-Jung, Kuo (Independent Director)	Female	61-70	ROC	20230621	1-3 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) Independent directors shall serve no more than three consecutive terms, and concurrently serve as independent directors of other public companies shall not exceed three. There are 2 independent directors whose term of office is 7-9 years, and 1 independent director whose term of office is 1-3 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. Those who have an interest in the proposals listed on the board of directors, themselves or the legal person they represent, shall not participate in the discussion when the important content of their interest relationship is stated at the board meeting, if it is harmful to the interests of the Company, the directors shall be abstained from discussion and voting, and shall not act on behalf of other directors to exercise their voting rights (please refer to page 32 The recusal of Directors due to conflict of interests)



## (II) Information Regarding Management Team

April 14, 2024

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"> <li>• M.S. in Industrial Management, National Cheng Kung University;</li> <li>• Bachelor of Business Management, National Sun Yat-sen University;</li> <li>• Deputy General Manager of Nan Pao Resins Chemical Co., Ltd.</li> </ul>	Note 1	—	—	—
Executive General Manager of Sports Goods Adhesives and Materials Business Division	Taiwan R.O.C	Ying-Lin, Huang	Male	20230510	1,000,936	0.83	—	—	3,709,000	3.08	<ul style="list-style-type: none"> <li>• M.S. in Applied Chemistry, Waseda University, Japan;</li> <li>• Senior Specialist of Nan Pao Resins Chemical Co., Ltd. ;</li> <li>• Special Assistant of Nan Pao Resins Chemical Co., Ltd.</li> <li>• Executive General Manager in Sports Goods Adhesives and Materials Business Division, Nan Pao Chemical Co., Ltd.</li> </ul>	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"> <li>• Bachelor of Business Administration, National Taipei University of Technology;</li> <li>• Assistant Manager of Sales, ITLS International Development Co., Ltd;</li> <li>• Assistant Manager of Chemical Construction Division, Nan Pao Resins Chemical Co., Ltd.</li> </ul>	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"> <li>• M.S. in Chemical Engineering, National Cheng Kung University;</li> <li>• Bachelor of Industrial Chemistry, National Taiwan, University of Science and Technology;</li> <li>• Assistant Manager in Adhesives and Specialty Business Division, Nan Pao Resins Chemical Co., Ltd.;</li> <li>• Deputy General Manager in Adhesives and Specialty Business Division, Nan Pao Chemical Co., Ltd.</li> </ul>	Note 4	—	—	—
General Manager of Operation Management Division	Taiwan, R.O.C.	Yi-Jen, Fang	Male	20160401	11,809	0.01	—	—	—	—	<ul style="list-style-type: none"> <li>• EMBA of National Sun Yat-sen University;</li> <li>• Bachelor of Chemical Engineering, Southern Taiwan University of Science and Technology;</li> <li>• Technical Service Manager in Sports Goods Adhesives and Materials Business Division, Nan Pao Resins Chemical Co., Ltd.;</li> <li>• Footwear Technical Service Assistant Manager in Sport Goods Adhesives and Materials Business Division, Nan Pao Resins Chemical Co., Ltd.</li> <li>• General Manager of the First Business Department in Sport Goods Adhesives and Materials Business Division, Nan Pao Resins Chemical Co., Ltd.</li> </ul>	—	—	—	—



Title	Nationality	Name	Gender	Date Effective	Shares Held		Shares Held by Spouse and Minors		Share Held In the Name Of Others		Education and Experience	Other Position	Managers Who are Spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Deputy General Manager of Executive Office, Adhesives and Specialty Business Division	Taiwan, R.O.C.	Kuo-Chin, Liu	Male	20231109	—	—	—	—	—	—	<ul style="list-style-type: none"> <li>• Bachelor of Traffic Engineering and Management, Feng Chia University;</li> <li>• Assistant Manager of Adhesives and Specialty Business Division, Nan Pao Resins (China) Co., Ltd.;</li> <li>• Deputy General Manager of Adhesives and Specialty Business Division, Nan Pao Resins (Vietnam) Enterprise Ltd.</li> </ul>	—	—	—	—
R&D Deputy General Manager of R&D & Innovation Division (R&D Officer)	Taiwan, R.O.C.	Yong-Ching, Shen	Male	20160401	16,500	0.01	—	—	—	—	<ul style="list-style-type: none"> <li>• Ph.D. in Applied Chemistry, National Chiao Tung University;</li> <li>• M.S. in Chemistry, National Tsing Hua University;</li> <li>• Bachelor of Chemistry, National Chung Hsing University;</li> <li>• Deputy Researcher, Full-time Researcher, Supervisor, Deputy Head of Industrial Technology Research Institute (ITRI);</li> <li>• Visiting Scholar in Sheffield University</li> </ul>	Note 5	—	—	—
R&D Deputy General Manager of Sports Goods Adhesives and Materials Business Division	Taiwan, R.O.C.	Sen-Pei, Hung	Male	20101001	25,564	0.02	—	—	—	—	<ul style="list-style-type: none"> <li>• M.S. in Chemical Engineering, Chung Yuan Christian University;</li> <li>• Bachelor of Chemical Engineering, Chung Yuan Christian University;</li> <li>• R&amp;D Manager in Sports Goods Adhesives and Materials Business Division, Nan Pao Resins Chemical Co., Ltd.;</li> <li>• Footwear R&amp;D Assistant Manager in R&amp;D &amp; Innovation Division, Nan Pao Resins Chemical Co., Ltd.</li> </ul>	—	—	—	—
Deputy General Manager of Planning Department, Strategic Management Division	Taiwan, R.O.C.	Ping-Feng, Lai	Male	20210811	—	—	—	—	—	—	<ul style="list-style-type: none"> <li>• M.S. in Chemical and Engineering, National Taiwan University Of Science and Technology;</li> <li>• Bachelor of Chemical and Engineering, Tamkang University;</li> <li>• General Manager of Vietnam factories, Nan Pao Chemical Co., Ltd.;</li> <li>• Technical General Manager of Southeast Asia, Nan Pao Chemical Co., Ltd.</li> </ul>	—	—	—	—



Title	Nationality	Name	Gender	Date Effective	Shares Held		Shares Held by Spouse and Minors		Share Held In the Name Of Others		Education and Experience	Other Position	Managers Who are Spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Deputy General Manager of Planning Department, Strategic Management Division	Taiwan, R.O.C.	Jung-Wen, Kuo	Male	20221109	29,000	0.02	—	—	—	—	<ul style="list-style-type: none"> <li>• Bachelor of Industrial Engineering, Feng Chia University;</li> <li>• General Manager of Nan Pao Resins (Dongguan) Co., Ltd. ;</li> <li>• General Manager of Dongguan Jiaqin Electronic Co., Ltd.</li> </ul>	Note 6	—	—	—
Deputy General Manager of Footwear Production Dept., Operation Management Division	Taiwan, R.O.C.	Ming-Ding, Tsai	Male	20191111	9,500	0.01	—	—	—	—	<ul style="list-style-type: none"> <li>• Bachelor of Chemical Engineering, National Cheng Kung University;</li> <li>• Manager of Footwear Production Department in Operation Management Division, Nan Pao Resins Chemical Co., Ltd.</li> </ul>	—	—	—	—
Assistant Manager of Overseas Sales Division	Taiwan, R.O.C.	Chin-Fu, Hsu	Male	20191111	244,666	0.20	6,000	0.00	—	—	<ul style="list-style-type: none"> <li>• EMBA of National Sun Yat-sen University;</li> <li>• Manager of Sports Goods Adhesive and Materials Business Division, Nan Pao Chemical Co., Ltd.</li> </ul>	Note 7	—	—	—
Assistant Manager of Footwear Second Business Dept., Sports Goods Adhesives and Materials Business Division	Taiwan, R.O.C.	Cheng-Hao, Kuo	Male	20230809	—	—	—	—	—	—	<ul style="list-style-type: none"> <li>• Bachelor of Economics, University of California, Irvine.</li> <li>• Global Marketing Manager of Daiyu International</li> <li>• Assistant Manager in Footwear Marketing Department of Sport Goods Adhesives and Materials Business Division, Nan Pao Resins Chemical Co., Ltd.</li> </ul>	—	—	—	—
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"> <li>• M.S. in Chemical, Chung Yuan Christian University;</li> <li>• Bachelor of Chemical, Chung Yuan Christian University;</li> <li>• R&amp;D Manager of Eternal Materials Co., Ltd.</li> </ul>	—	—	—	—
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"> <li>• Bachelor of Accounting, Tunghai University;</li> <li>• Team Leader in Ernst &amp; Young Taiwan;</li> <li>• Manager in Administration Dept. and Spokesperson, Mildex Optical Inc.;</li> <li>• CFO in Tai Shih Fu Enterprise Co., Ltd.;</li> <li>• CFO in Mirada Hwa Tai Co. Ltd.</li> </ul>	Note 8	—	—	—



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
Assistant Manager of IT Dept., Strategic Management Division (Chief Information Security Officer)	Taiwan, R.O.C.	Pei-Yi, Kuo	Male	20210325	3,460	0.00	—	—	—	—	<ul style="list-style-type: none"> <li>• M.S. in Institute of Automation and Control, National Taiwan University of Science and Technology;</li> <li>• Bachelor of Control Engineering, National Chiao Tung University;</li> <li>• Manager of IT Department, Nan Pao Resins Chemical Co., Ltd.</li> </ul>	—	—	—	—
Junior Manager of Auditing Office (Audit Officer)	Taiwan, R.O.C.	Li-Jung, Huang	Female	20220211	—	—	—	—	—	—	<ul style="list-style-type: none"> <li>• Bachelor of Accounting, National Changhua University of Education;</li> <li>• Supervisor in Ernst &amp; Young Taiwan;</li> <li>• Section Manager of Financial Management Division, Nan Pao Resins Chemical Co., Ltd.</li> <li>• Supervisor of Prince Pharmaceutical Co., Ltd.</li> </ul>	—	—	—	—

Note 1: Director of Greatwill Materials (HK) Ltd.; Ongoing Profits Ltd.; Rising Sun Associate Ltd.; Nan Pao Resins (Vietnam) Enterprise Ltd.; Nan Pao Resins Chemical Philippines, Inc.; Goldford Investments Ltd.; Nan Pao Resins (Holdings) Ltd.; Eastlion Enterprises Ltd.; Nan Pao Resins (Dongguan) Co. Ltd.; Nan Pao Resins Development Ltd.; Nan Pao Materials Vietnam Co., Ltd.; Nan Pao Resins International Ltd.; Nanpao Advanced Investment Co., Ltd.; 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.; Independent Director of Lightel Corporation; Supervisor of 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 Sheng Lin Investment Ltd.; ITLS International Development Co., Ltd.; Nanpao Fine Materials 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.; Changshu Yu Bo Polymer Materials Co., Ltd.; Profit Land Ltd.; Giant Profit Development Ltd.; Great Mount Enterprises Ltd.; Fuqing Nan Pao Investment Ltd.; Wealth Castle Development Ltd.; Thai Nan Pao Investments Ltd.; ITLS Holding Pte. Ltd.; Nan Pao Materials Resins India Private Ltd.; Opulence Optronics Co., 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.; Biorich Biotechnology Co., Ltd.; Prince Pharmaceutical Co., Ltd.; Nan Pao Industry Co., Ltd.; Chairman and Supervisor of PT. Indo Nan Pao Resins Chemical Co., Ltd.

Note 3: Director of Noroo-NanPao Paints & Coatings (Vietnam) Co., Ltd.; Dongguan Jiaqin Electronics Co., Ltd.; Nan Pao Philippines Export Inc.; Taibai International Co., Ltd.; Director and General Manager of ITLS Vietnam Co., Ltd.; Corporate Director Representative of Nan Pao Application Material Co., Ltd.; 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 Foshan Nan Pao Advanced Materials Co., Ltd.; Nan Pao Resins Chemical Philippines, Inc.; NP Australia Pty. Ltd.; RLA Polymers Pty. Ltd.; RLA Polymers (M) SDN. BHD.; Thai Nan Pao Investments Ltd.; Nan Pao Resins India Pvt. Ltd.; Nan Pao Philippines Export Inc.; Apex Polytech Co., Ltd.

Note 5: Corporate Director Representative and Chairman of Phymed Bio-Tec Co., Ltd.; Nan Pao Chemical Co., Ltd.; FlexUP Technologies Corp.; Corporate Director Representative of Nan Pao Advanced Materials Co., Ltd.; Director of Opulence Optronics Co., 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 Nan Pao Materials Resins India Private Ltd.; NanPao Fine Chemical Materials (Anhui) Co., Ltd.; Corporate Supervisor Representative of Opulence Optronics Co., Ltd.; Supervisor of Foshan Nan Pao Advanced Materials Co., Ltd.; Nanpao New Materials (Huaian) Co., Ltd.; Changshu Yu Bo Polymer Materials Co., Ltd.; PT. Indo Nan Pao Resins Chemical Co., Ltd.



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

#### (I) Remuneration Paid to Directors and Independent Directors in 2023

Unit: NT\$1,000

Title/Name	Director's Remuneration								Total Remuneration (A+B+C+D) and Ratio to Net Income		Compensation Earned by a Director who is an Employee of the Company								Total Remuneration (A+B+C+D+E+F+G) and Ratio to Net Income (Note 3)		Compensation Paid to Directors from Non-consolidated Affiliates or Parent Company
	Basic Compensation(A)		Severance Pay and Pensions(B)		Compensation to Directors (C)		Allowances (D)				Salary, Bonuses and Allowances (E)		Severance Pay and Pensions(F) (Note 2)		Profit Sharing(G)						
	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company		From All Consolidated Entities		The Company	From All Consolidated Entities	
															Cash	Stock	Cash	Stock			
Chairman Cheng-Hsien, Wu	3,321	3,321	-	-	300	300	-	-	3,621 (0.15%)	3,621 (0.15%)	-	-	-	-	-	-	-	-	3,621 (0.15%)	3,621 (0.15%)	-
Director Pao Chien Enterprise Co., Ltd. Representative: Yuan-Whang, Liao	-	-	-	-	4,408	4,408	-	-	4,408 (0.18%)	4,408 (0.18%)	-	-	-	-	-	-	-	-	4,408 (0.18%)	4,408 (0.18%)	-
Director Guang Rong Investment Ltd.	-	-	-	-	22,842	22,842	-	-	22,842 (0.94%)	22,842 (0.94%)	-	-	-	-	-	-	-	-	22,842 (0.94%)	22,842 (0.94%)	-
Representative: Ming-Hsien, Hsu	-	-	-	-	-	-	-	-	-	-	5,622	5,622	334	334	2,051	-	2,051	-	8,007 (0.33%)	8,007 (0.33%)	-
Representative: Ying-Lin, Huang	-	-	-	-	-	-	-	-	-	-	3,054	3,054	90	90	540	-	540	-	3,684 (0.15%)	3,684 (0.15%)	-
Independent Director Yun, Chen	215	215	-	-	350	350	-	-	565 (0.02%)	565 (0.02%)	-	-	-	-	-	-	-	-	565 (0.02%)	565 (0.02%)	-
Independent Director Yung-Cheng, Chiang	215	215	-	-	350	350	-	-	565 (0.02%)	565 (0.02%)	-	-	-	-	-	-	-	-	565 (0.02%)	565 (0.02%)	-
Independent Director Yi-Hsi, Lee (Note 4)	75	75	-	-	-	-	-	-	75 (0.01%)	75 (0.01%)	-	-	-	-	-	-	-	-	75 (0.01%)	75 (0.01%)	-
Independent Director Chin-Jung, Kuo (Note 4)	140	140	-	-	350	350	-	-	490 (0.02%)	490 (0.02%)	-	-	-	-	-	-	-	-	490 (0.02%)	490 (0.02%)	-
Total	3,966	3,966	-	-	28,600	28,600	-	-	32,566 (1.34%)	32,566 (1.34%)	8,676	8,676	424	424	2,591	-	2,591	-	44,257 (1.82%)	44,257 (1.82%)	-

\*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.

Note 1: Directors and Independent Directors' remuneration policies, procedures and structure, as well as the linkage to responsibilities, risks and time spent:

- 1、According to the Company's Articles of Incorporation, the Board of Directors is authorized to determine the salary for the Directors, taking into account the extent and value of the services provided for the management of the Corporation and the standards of the industry within the R.O.C. and overseas.
- 2、The Articles of Incorporation also provide that the compensation to directors shall be no more than 3% of annual profits. The distribution of compensation of directors shall be made in accordance with the Company's "Rules for Distribution of Compensation to Directors, Functional Committee members and executive officers" based on the following principles: (1) Directors who serve as executive officers of the Company are not entitled to receive compensation to directors; (2) The Independent Directors also serve as members of the Functional Committees and thus participate in the discussion as well as resolutions of related committee meetings in accordance with the charter of each committee, therefore the Company provides additional compensation.

Note 2: Pensions funded according to applicable law.

Note 3: The remuneration paid to the directors from the Company and from all consolidated entities in 2023, including their employee compensation, both accounted for 1.82% of 2023 net income.

Note 4: Originally served by Yi-Hsi Lee. The position was replaced by Chin-Jung Kuo after the re-election on June 21, 2023.



## (II) Compensation Paid to General Managers and Deputy General Managers in 2023

Unit: NT\$1,000

Title	Name	Salary (A)		Pensions (B)		Bonuses and Allowances ( C)		Profit Sharing (D)				Total Compensation (A+B+C+D) and Ratio to Net Income		Compensation Paid to Managers and Deputy Managers from Non-consolidated Affiliates or Parent Company
		The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company		From All Consolidated Entities		The Company	From All Consolidated Entities	
								Cash	Stock	Cash	Stock			
CEO	Ming-Hsien, Hsu	16,546	16,546	14,408	14,408	14,905	14,905	7,017	-	7,017	-	52,876 (2.18%)	52,876 (2.18%)	-
Executive General Manager of Sports Goods Adhesives and Materials Business Division	Chao-Chian, Tsai (Note)													
Executive General Manager of Sports Goods Adhesives and Materials Business Division	Ying-Lin, Huang (Note)													
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 Executive Office, Adhesives and Specialty Business Division	Kuo-Chin, Liu (Note)													
R&D Deputy General Manager of R&D & Innovation Division	Yong-Ching, Shen													
R&D Deputy General Manager of Sports Goods Adhesives and Materials Business Division	Sen-Pei, Hung													
Deputy General Manager of Planning Department, Strategic Management Division	Ping-Feng, Lai													
Deputy General Manager of Planning Department, Strategic Management Division	Jung-Wen, Kuo													
Deputy General Manager of Planning Department, Strategic Management Division	Wen-Cheng, Liu (Note)													
Deputy General Manager of Footwear Production Dept., Operation Management Division	Ming-Ding, Tsai													

Note : Chao-Chian, Tsai resigned on Oct. 17, 2023; Ying-Lin, Huang assumed on May 10, 2023; Kuo-Chin, Liu resumed on Nov. 9, 2023. ; Wen-Cheng, Liu resigned on Jan. 31, 2023.



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	Kuo-Chin, Liu	Kuo-Chin, Liu
NT\$ 1,000,000 ~Under NT\$ 2,000,000	Jung-Wen, Kuo	Jung-Wen, Kuo
NT\$ 2,000,000 ~Under NT\$ 3,500,000	Ping-Feng, Lai / Ying-Lin, Huang	Ping-Feng, Lai / Ying-Lin, Huang
NT\$ 3,500,000 ~Under NT\$ 5,000,000	Yong-Ching, Shen / Shun-Hsing, Wu / Sen-Mao, Kuo / Yi-Jen, Fang / Sen-Pei, Hung / Wen-Cheng, Liu / Ming-Ding, Tsai	Yong-Ching, Shen / Shun-Hsing, Wu / Sen-Mao, Kuo / Yi-Jen, Fang / Sen-Pei, Hung / Wen-Cheng, Liu / Ming-Ding, Tsai
NT\$ 5,000,000 ~Under NT\$ 10,000,000	Ming-Hsien, Hsu	Ming-Hsien, Hsu
NT\$ 10,000,000 ~Under NT\$ 15,000,000	Chao-Chian, Tsai	Chao-Chian, Tsai
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	13	13



## (III) Employees' Profit Sharing Paid to Management Team in 2023

December 31, 2023 / Unit: NT\$1,000

Title	Name	Stock	Cash	Total	Ratio to Net Income
CEO	Ming-Hsien, Hsu	-	11,850	11,850	0.49%
Executive General Manager of Sports Goods Adhesives and Materials Business Division	Ying-Lin, Huang				
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 Executive Office, Adhesives and Specialty Business Division	Kuo-Chin, Liu				
Deputy General Manager of R&D & Innovation Division	Yong-Ching, Shen				
R&D Deputy General Manager of Sports Goods Adhesives and Materials Business Division	Sen-Pei, Hung				
Deputy General Manager of Planning Department, Strategic Management Division	Ping-Feng, Lai				
Deputy General Manager of Planning Department, Strategic Management Division	Jung-Wen, Kuo				
Deputy General Manager of Footwear Production Dept., Operation Management Division	Ming-Ding, Tsai				
Assistant Manager of Overseas Sales Division	Chin-Fu, Hsu				
Assistant Manager of Footwear Second Business Dept., Sports Goods Adhesives and Materials Business Division	Cheng-Hao, Kuo				
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 IT Dept., Strategic Management Division	Pei-Yi, Kuo				

Note: As of the date of publication of this Annual Report, the 2023 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

Unit : NT\$1,000 ; %

Title	The Company				For All Consolidated Entities			
	2022		2023		2022		2023	
	Total Remune-ration	Ratio to Net Income	Total Remune-ration	Ratio to Net Income	Total Remune-ration	Ratio to Net Income	Total Remune-ration	Ratio to Net Income
Directors	37,861	2.17	44,257	1.82	37,861	2.17	44,257	1.82
General and Deputy General Managers	32,332	1.86	52,876	2.18	32,332	1.86	52,876	2.18

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) Remuneration Policy, Standards, and Structure:

A. The remuneration for the Company's directors is determined in accordance with Article 18 of the Company's Articles of Incorporation. It is based on the directors' level of participation in the Company's operations and their contribution value, taking into account industry standards. The Compensation Committee reviews and proposes the remuneration, which is then approved by the Board of Directors. If the Company has profits in a given fiscal year, up to 3% of these profits will be allocated as directors' remuneration in accordance with Article 25 of the Articles of Incorporation.

B. The Company's salary management regulations specify various allowances and bonuses. The remuneration for managers considers their professional experience and references the Company's and industry's market salary standards. Relevant bonuses are determined based on the Company's annual operating performance, financial status, operational status, and individual work performance. If the Company has profits in a given fiscal year, 2% to 6% of these profits will be allocated as employee compensation in accordance with Article 25 of the Articles of Incorporation.

C. The remuneration provided by the Company, as stipulated by Articles of Compensation Committee, includes cash compensation, stock options, profit-sharing in the form of shares, retirement benefits or severance payments, various allowances, and other substantive incentive measures. The scope and standards are consistent with those required for disclosure in the annual reports of publicly listed companies concerning the remuneration of directors and managers.

(2) Procedure for Determining Remuneration:

A. The Company bases its remuneration on the "Board Performance Evaluation Measures" and various internal bonus regulations. It has established the "Remuneration Payment Measures for Directors, Functional Committees, and Managers" to regulate the remuneration policies and principles for directors and managers. The relevant performance evaluations and salary remuneration policies, systems, standards, and structures are reviewed by the Compensation Committee and then submitted to the Board of Directors for approval.



- B. The salary remuneration for managers is based on their professional experience and references the Company's and the industry's market salary levels, and is given according to the "Remuneration Payment Measures for Directors, Functional Committees, and Managers." This incentivizes managers to achieve and exceed company goals, create profits, and improve operational performance. The Company regularly evaluates managers' salary remuneration to ensure it is closely related to the Company's performance. Bonuses are issued based on overall operational results, unit performance, and individual relative performance contributions, considering corporate core values, leadership and management abilities, and future risk factors. Managers' performance is comprehensively evaluated based on operational results (e.g., financial goals, business goals, customer goals, department growth rates, market share, asset quality, etc.) and management quality (e.g., brand management, human resource management, innovation and integrated marketing, internal control, etc.).
  - C. The Company regularly evaluates and reviews the performance assessments and remuneration of directors and managers for reasonableness through the Compensation Committee and the Board of Directors. This evaluation considers individual performance rates and contributions to the Company, overall operational performance, industry future risks and development trends, and any necessary reviews based on actual operational conditions and relevant regulations. Reasonable remuneration is provided to balance sustainable operation and risk management. The actual remuneration for directors and managers in 2023 was reviewed by the Compensation Committee and then submitted to the Board of Directors for approval.
- (3) Relation to Operational Performance and Future Risks:
- A. The review of the remuneration policy, standards, and system is primarily based on the Company's overall operational status, with performance achievement rates and contributions determining remuneration standards. This approach enhances the overall organizational team effectiveness of the Board of Directors and the management department. Industry remuneration standards are also referenced to ensure competitive salaries for the Company's management to retain excellent talent.
  - B. On May 9, 2023, the Board of Directors approved revisions to the "Remuneration Payment Measures for Directors, Functional Committees, and Managers," stipulating that directors serving as executive officers are not entitled to receive compensation to directors. This policy applies from the allocation of 2023 directors remuneration. Additionally, when there is a significant decline in post-tax net profit, the growth rate of director remuneration will not exceed that of the previous year.
  - C. To establish a mechanism linking the performance evaluation and salary remuneration of directors and managers to individual performance and future risks, it is stipulated that if directors are involved in ethical risk events or other incidents that negatively affect the Company's image and reputation, their remuneration can be reduced by a resolution of the Board of Directors. If there are internal management failures, personnel misconduct, or other major risk events that damage the Company's image and reputation, it will affect the issuance of managers' bonuses, which can be reduced or not issued. If managers violate the group's employee code of conduct, requiring them to return bonuses received from the Company, deliver any improperly received benefits and their interest, and pay punitive liquidated damages, the penalties for such violations can be increased by a resolution of the Board of Directors. If the variable remuneration granted to managers is based on financial results that need to be restated due to fraud or other significant misconduct by the managers, the variable remuneration can be reclaimed by a resolution of the Board of Directors.



#### IV. Implementation of Corporate Governance

##### (I) Board of Directors

The Chairman convened 7 meetings in 2023. The attendance status is as follows.

Title	Name	Attendance in Person	By proxy	Attendance Rate (%)	Remarks
Chairman	Cheng-Hsien, Wu	7	0	100	Should attend 7 times
Director	Pou Chien Enterprise Co., Ltd. Representative: Yuan-Whang, Liao	6	1	85.71	Should attend 7 times
Director	Guang Rong Investment Ltd. Representative: Ming-Hsien, Hsu	7	0	100	Should attend 7 times
Director	Guang Rong Investment Ltd. Representative: Ying-Lin, Huang	7	0	100	Should attend 7 times
Independent Director	Yun, Chen	7	0	100	Should attend 7 times
Independent Director	Yung-Cheng, Chiang	7	0	100	Should attend 7 times
Independent Director	Yi-Hsi, Lee (Note 1)	3	0	100	Should attend 7 times
Independent Director	Chin Jung, Kuo (Note 1)	4	0	100	

Note 1: Originally served by Yi-Hsi Lee. The position was replaced by Chin-Jung Kuo after the re-election on June 21, 2023.

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 35. 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
20230110	The Company's proposal of 2022 performance-based bonuses for managers.	Cheng-Hsien, Wu / Ming-Hsien, Hsu	Abstained from voting as the above directors also serve as managers concurrently
20230510	The Company's proposal of appointment and the salary adjustment for managers.	Cheng-Hsien, Wu / Ming-Hsien, Hsu / Ying-Lin, Huang	Abstained from voting as the above directors also serve as managers concurrently
20230809	The Company's proposal of promotion and the salary adjustment for managers.	Cheng-Hsien, Wu / Ming-Hsien, Hsu / Ying-Lin, Huang	Abstained from voting as the above directors also serve as managers concurrently
20231109	The Company's proposal of appointment and the salary adjustment for managers.	Cheng-Hsien, Wu / Ming-Hsien, Hsu / Ying-Lin, Huang	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	20230101~20231231	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, enhancement of the quality of board decision-making, composition and structure of the board of directors, election and continuing knowledge development of directors, and internal control.
Annual	20230101~20231231	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	20230101~20231231	Functional Committee <ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Compensation Committee</li> <li>• Corporate Sustainability Development Promotion Committee</li> </ul>	Internal self-evaluation of the functional committee "Self-evaluation Questionnaire for Functional Committee Performance"	Five aspects of participation 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"> <li>• Composition of the Board</li> <li>• Guidance of the Board</li> <li>• Authorization of the Board</li> <li>• Supervision of the Board</li> <li>• Communication of the Board</li> <li>• Internal control and risk management</li> <li>• Self-discipline of the Board</li> <li>• Others (such as board meetings, support systems, etc.)</li> </ul>	The Taiwan 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"> <li>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.</li> <li>2. The board of directors should set and adjust the Company's goals and response strategies, and effectively manage and ensure that the management department implements strategies to achieve goals.</li> <li>3. Through the division of responsibilities and the authorization of the management department, the board of directors ensures that the enterprise implements the established policies, systems, goals and strategies. An effective and immediate reporting mechanism should be established to serve as a reference for decision-making or management adjustments.</li> <li>4. The supervision of the board of directors should be implemented by setting up independent internal audit staff, relying on external professional accountants, and other effective mechanisms to reasonably ensure corporate compliance and effective operation.</li> </ol>



Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Content of Evaluation
				<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
<p>The evaluation items of the board of directors and the functional committees in 2023 are all in effective operation, and the evaluation results has been report to the board meeting on March 14, 2024. 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 as a basis for improvement.</p>				



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

1. Strengthen the functions of the board of directors

- (1) In order to continuously improve the professional knowledge and legal literacy of directors to assist for the effective operating, the stock affairs unit assists in arranging advanced education courses for directors. In 2023, 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) has been obtained in 2024 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 2024 has been completed and the report has been submitted to the Board of Directors on March 14, 2024.
- (3) On November 9, 2023, the Board of Directors approved the enhancement of the Audit Committee's responsibilities, adding duties to supervise the risk management mechanism. This is to assist the Board of Directors in fulfilling its duties and to regularly report its activities and decisions to the Board of Directors. The scope of risk management, organizational structure, and the operational status of risk management in 2023 have been disclosed on the Company's official website and reported to the Board of Directors on December 20, 2023.
- (4) To enhance information disclosure transparency, the Board of Directors, on March 14, 2024, approved voluntary disclosure of individual director remuneration information for 2023, as well as the remuneration policy, individual remuneration content, and amounts reporting at the 2023 Annual General Meeting.

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. To ensure equal treatment of shareholders, the Company has been disclosing audio links since 2023 to ensure that investors who cannot attend the investor conferences receive the same information.

(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 "Articles of Audit Committee" with the scope of its auditing covering the Company's financial statement, 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, appointment and dismissal of financial, accounting, and internal auditing officers, and supervision of risk management-related operating mechanism.

Key Focus in 2023:

1. Review financial reports

The Company's board of directors submitted the 2022 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 17th meeting of the 2nd Audit Committee (2023.3.27), were submitted to the Resolution of the Board of Directors meeting (2023.3.27), and were acknowledged by general shareholders meeting in 2023 (2023.6.21).



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 2022 are effective based on the judgment items on the effectiveness of the internal control system, the Company's self-assessment reports on the internal control systems of each unit and subsidiary and the implementation results of the annual audit plan 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 17th meeting of the 2nd Audit Committee (2023.3.27), and submitted to the Resolution of the Board of Directors meeting (2023.3.27), the "Internal Control System Statement" for 2022 was issued.

The Chairman of Audit Committee convened 6 meetings in 2023. 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 (Note)	3	0	100	Should attend 6 times
Member	Chin Jung, Kuo (Note)	3	0	100	

Note : Originally served by Yi-Hsi Lee. The position was replaced by Chin-Jung Kuo after the re-election on June 21, 2023.

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
20230110	The Company's proposal to provide letter of support for subsidiaries.	V	
	Audit Committee Resolution Results (2023.01.10) : 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.		
20230327	The Company's proposal of 2022 business report and financial statements.	V	
	The Company's proposal of 2022 earnings distribution plan.	V	
	The Company's proposal of 2022 "Statement on Internal Control System".	V	
	Approved the change of the Company's financial statement certified public accountant.	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
20230327	The Company's proposal to add internal control system of "Review Procedures for Pre-approval of Non-assurance Services Policy".	V	
	The Company's proposal of acquisition of equity in "Nan Pao Resins International Ltd ".	V	
	The Company's proposal of acquisition of equity in "Nan Pao Resins (HK) Limited ".	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	
	The Company's proposal to amend "Corporate Governance Best Practice Principles".	V	
	The Company's proposal of removal the non-competition restrictions for newly appointed directors.	V	
	Audit Committee Resolution Results (2023.03.27) : 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.		
20230510	The Company's proposal of consolidated financial statements for the first quarter of 2023.	V	
	The Company's proposal of earnings distribution for the first quarter of 2023.	V	
	The Company's proposal to apply for a fund loan of USD 21 million from its subsidiary "Nan Pao Group Holdings Ltd.".	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 (2023.05.10) : 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.		
20230809	The Company's proposal of consolidated financial statements for the second quarter of 2023.	V	
	The Company's proposal of earnings distribution for the second quarter of 2023.	V	
	The Company's proposal of additional investment in the Mainland China subsidiary, "NanPao Fine Chemical Materials (Anhui) Co., Ltd.".	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	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
20230809	Audit Committee Resolution Results (2023.08.09) : 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.		
20231109	The Company's proposal of consolidated financial statements for the third quarter of 2023.	V	
	The Company's proposal of earnings distribution for the third quarter of 2023.	V	
	The Company's proposal of additional investment in the Mainland China subsidiary, "Nanpao New Materials (Huaian) Co., Ltd.".	V	
	The Company's proposal to amend "Risk Management Policies and Procedures".	V	
	The Company's proposal to amend "Articles of Audit Committee".	V	
	The Company's proposal to amend "Rules Governing Financial and Business Matters Between this Corporation and its Related Parties" and abolish "Measures for the Management of Transactions between Related Parties".	V	
	The Company's proposal to amend "Subsidiary Supervision Regulations".	V	
	The Company's proposal to amend "Purchase and Payment Cycle".	V	
	The Company's proposal to amend "Computer Processing Cycle".	V	
	The Company's proposal to provide letter of support for subsidiaries.	V	
	Audit Committee Resolution Results (2023.11.09) : 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.		
20231220	The Company's proposal of 2024 Business Plan.	V	
	The Company's proposal of 2024 internal audit plan.	V	
	The Company's proposal of the list of non-assurance services and the independence assessment.	V	
	The Company's proposal to provide endorsements or guarantees for subsidiaries.	V	
	The Company's proposal to cancel letter of support for subsidiaries.	V	
	Audit Committee Resolution Results (2023.12.20) : 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.		



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. Communications method of independent directors with internal auditing officer and certified public accountants: The Company has put in place direct contact channel for independent directors to communicate with internal auditing officer and certified public accountants. In line with the regulation of the Authority, the independent directors audit the Company's finance and business status regularly and communicates directly with management and corporate governance unit.

(1)The Company's internal auditing officer delivers internal auditing report at the quarterly meeting of the audit committee, covering status of execution of auditing operation, 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 quarterly financial statements and the auditing of the annual financial statements, the Company's certified public accountants report the result of the auditing or reviewing of the financial statements of the Company and its subsidiaries both domestic and overseas 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 2023 are showed as follows.

Date and Communication Channel	Communication Items	Communication Result
20230327 Audit Committee	1. Audit result and improvement tracking. 2. Audit information declaration. 3. Annual self-assessment of internal control.	Independent directors have no other suggestions.
20230510 Audit Committee	1. Audit result and improvement tracking. 2. Audit information declaration.	Independent directors have no other suggestions.
20230809 Audit Committee	Audit result and improvement tracking.	Independent directors have no other suggestions.
20231109 Audit Committee	Audit result and improvement tracking.	Independent directors have no other suggestions.
20231220 Audit Committee	Annual audit plan of 2024.	Independent directors have no other suggestions.
20231220 Audit Items Communication Meeting	1. Overview of the implementation of the 2023 annual audit plan. 2. Risk Assessment of 2024. 3. Annual audit plan of 2024.	Independent directors have no other suggestions.



3. The independent directors and certified public accountants have good communication. Communication issues in 2023 are showed as follows.

Date and Communication Channel	Communication Items	Communication Result
20230327 Audit Summary Stage Communication Meeting	Summary of 2022 audit items: 1. Group auditing scope and method. 2. Identification of significant risk and reaction. 3. Key audit matters of statutory and consolidated financial statements.	Independent directors have no other suggestions.
20230327 Audit Committee	Audit summary of 2022 statutory and consolidated financial statements.	Independent directors have no other suggestions.
20230510 Audit Committee	Review summary of 2023Q1 consolidated financial statements.	Independent directors have no other suggestions.
20230809 Audit Committee	Review summary of 2023Q2 consolidated financial statements.	Independent directors have no other suggestions.
20231109 Audit Committee	Review summary of 2023Q3 consolidated financial statements.	Independent directors have no other suggestions.
20231109 Audit Planning Stage Communication Meeting	Planning of 2023 audit items: 1. Group auditing scope and method. 2. Identification of significant risk and reaction. 3. Key audit matters of statutory and consolidated financial statements.	Independent directors have no other suggestions.



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

Assessment Item	Implementation Status			Discrepancy and The Reasons
	Yes	No	Explanation	
1. Does the Company establish and disclose the Corporate Governance Best Practice Principles based on “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company has formulated “Corporate Governance Best Practice Principles” and has been approved by the Board on April 12, 2018, which is also in accordance with “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies”. These Principles have been revised four times from 2019 to 2023 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, which is updated regularly.	None
(3) Does the Company establish and execute the risk management and firewall system with its affiliates?	✓		(3) The Company has formulated “Subsidiary Supervision Regulations” and “Rules Governing Financial and Business Matters Between this Corporation and its Related Parties”, 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" which includes 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.	None



Assessment Item	Implementation Status			Discrepancy and The Reasons
	Yes	No	Explanation	
			<p>B. Management targets:</p> <p>a. At least 1 female director of the board members ;</p> <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>The Company select 7 directors (including 3 independent directors) at 2023 Shareholders' Meeting on June 21, 2023. The members of the board of directors boast mutually complemented industrial experience, as well as expertise in finance, accounting and law. The board members include one female director, with women making up 14.29% of the board. Members of the board actively attend board meetings, and effectively supervised and understood the implementation of the business plan. The actual attendance rate was 97.96% in 2023. Two independent directors have a cumulative term of 7-9 years, while one independent director has a cumulative term of 1-3 years. The proportion of directors concurrently act as managerial officers is 28.57%. None of any director have a relationship within the scope of second degree kinship. The goal of diversified board members has been met.</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 "Procedures for Performance Evaluation of the Board of Directors" on April 5, 2017, 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. Additionally, every three years, an external professional independent organization or a team of external expert scholars conducts an assessment of the performance of the Board of Directors and prepares an external evaluation analysis report.</p> <p>B. On January 25, 2024, the Board of Directors passed a resolution to amend the "Procedures for Performance Evaluation of the Board of Directors" of the Company. The main modifications include defining the scope of the performance evaluation and revising the performance measurement items for individual board members' self-assessment.</p>	None



Assessment Item	Implementation Status			Discrepancy and The Reasons
	Yes	No	Explanation	
			<p>C. 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 Corporate Governance Association was invited to evaluate the performance of board of directors in 2021 through "data review", "online self-assessment questionnaire" and "on-site interview".</p> <p>The evaluation results are as follows:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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 Corporate Sustainability 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.</li> </ol> <p>Recommendations for improvement:</p> <ol style="list-style-type: none"> <li>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.</li> </ol>	



Assessment Item	Implementation Status			Discrepancy and The Reasons
	Yes	No	Explanation	
			<p>b. The Company should have established a clear reporting system for the timely communication of material contingencies. 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> <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>Improvement plan</p> <p>a. Since 2023, the Company has obtained AQI information from the external auditors annually to assess the suitability and as a reference for considering the appointment or reappointment of the external auditors.</p> <p>b. Subsequently, the Company will develop a process for reporting material contingencies events based on the actual operational processes and requirements of the Company, and submit it to the Board of Directors for approval.</p> <p>C. The "Board Performance Evaluation" and "Functional Committee Performance Evaluation" in 2023 was carried out by the stock affairs unit.</p> <p>a. "Self-evaluation Questionnaire for Board Performance"</p> <p>Content of Evaluation: A total of 50 evaluation indicators are included in the five aspects of participation in the Company's operations, enhancement of the quality of board decision-making, composition and structure of the board of directors, election and continuing knowledge development of directors, and internal control.</p> <p>The evaluation results and comments : 【97 points】 The board of directors operates effectively with diverse and complementary members possessing the necessary expertise for decision-making.</p> <p>b. "Self-evaluation Questionnaire for Director Member Performance"</p> <p>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.</p> <p>The evaluation results and comments : 【95 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"</p> <p>Content of Evaluation: A total of 22 evaluation indicators are included in the five aspects of participation 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.</p> <p>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>	



Assessment Item	Implementation Status			Discrepancy and The Reasons
	Yes	No	Explanation	
			<p>d. "Self-evaluation Questionnaire for Compensation Committee Performance"</p> <p>Content of Evaluation: A total of 19 evaluation indicators are included in the four aspects of participation 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 : 【93 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.</p> <p>e. "Self-evaluation Questionnaire for Corporate Sustainability Development Promotion Committee Performance"</p> <p>Content of Evaluation: A total of 17 evaluation indicators are included in the four aspects of participation 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 : 【95 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 2023 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 14, 2024.</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 is conducted by the Company's stock affairs unit, and after the Audit Committee review, it is submitted to the Board of Directors for final approval.</p> <p>B. The Company requires Deloitte &amp; 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 audit experiences, training hours, and turnover rate, surpassing industry averages. In the audit process, the Company has introduced a cloud audit platform and digital technology applications, and expanded the Audit Support Center to enhance audit efficiency and ensure audit quality.</p>	None



Assessment Item	Implementation Status			Discrepancy and The Reasons
	Yes	No	Explanation	
			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 Table of Independent and Adaptability of Certified Public Accountant(Please refer to Note2)". CPAs Chao-Chin, Yang and Chi-Chen, Lee of Deloitte & Touche Taiwan were ascertained their conformance to the Company's evaluation standards, in terms of independence and adaptability, proving their qualification to become the Company's contracted CPA. The independence and adaptability of the external auditors has been discussed and approved at the Audit Committee and the the Board of Directors on March 14 ,2024.	
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 "Corporate Governance Best Practice Principles" 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>(8)Other matters as stipulated in the Company's Articles of Association or contracts.</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"> <li>● On June 2, 2023, Taiwan Stock Exchange, 2023 Insider Trading Prevention Promotion Conference (3 hours)</li> <li>● On June 26, 2023, Accounting Department of National Cheng Kung University, 2023 Advanced Seminar on Corporate Governance Practices (6 hours)</li> <li>● On November 29, 2023, Securities &amp; Futures Institute, 2023 Internal Insider Trading Legal Compliance Seminar (3 hours)</li> <li>● On December 11, 2023, Taipei Foundation Of Finance, Corporate Governance - Sustainable Finance - Measurement and Management of Sustainable Development Goal Impact (2 hours)</li> </ul>	None



Assessment Item	Implementation Status			Discrepancy and The Reasons
	Yes	No	Explanation	
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?	✓		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 2023 will be reported to the board of directors on May 9, 2024. II. A ESG section has also been established on the Company's website, and a dedicated person was appointed to respond the important corporate social responsibility issues that stakeholders are concerned about.	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 ( <a href="http://www.nanpao.com.tw">http://www.nanpao.com.tw</a> ) 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 ( <a href="http://www.nanpao.com">http://www.nanpao.com</a> ) and appoints a designated personnel to disclosure of Company information. In addition, a spokesperson system is established to clearly define the division of rights and responsibilities of the spokesperson. 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 75 days), the first, second, and third quarter financial reports (within 45 days) and monthly operating conditions (before the 10th day 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. 2023 annual financial statements have been announced and declared on March 14, 2024.	None
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance	✓		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.	None



Assessment Item	Implementation Status			Discrepancy and The Reasons
	Yes	No	Explanation	
(including but not limited to staffers' interests, concern for staffers, investor relationship, supplier relationship, stakeholders' rights, advanced study of directors and supervisors, execution of risk-management policy and criteria for risk assessment, execution of customer policy, and taking out of liabilities insurance for directors, and supervisors)?			<p>II. The Company set up Employees' Welfare Committee 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, the Company requires all group partner suppliers to sign the "Supplier Code of Conduct", ensuring their compliance with social and ethical standards, adherence to laws, and proactive response to environmental conservation issues. In 2023, all 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, the Company has dedicated personnel/areas to respond to shareholders and stakeholders. They can express their suggestions and complaints via telephone, fax or e-mail, and employees are also encouraged to report violation of laws or regulations via dedicated mailbox.</p> <p>VI. 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 2023.</p> <p>VII. 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, 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 2023.</p> <p>VIII. 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 (2023) was delivered at the meeting of the board of directors on November 9, 2023.</p>	



Assessment Item	Implemetation Status			Discrepancy and The Reasons
	Yes	No	Explanation	
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:				
(1) Improved situation:				
(I) In the 2023 board re-election, a female director was elected, actively implementing the policy of board member diversity and achieving management targets.				
(II) Since 2023, the changes in shareholdings of insiders from the previous month are uploaded to the MOPs before the 10th day of each month.				
(III) Annually obtaining Audit Quality Indicators (AQIs) from the external auditors since 2023. This information will be used for assessing the auditors' suitability and for considering their appointment or reappointment.				
(IV) In 2023, the board of directors approved the enhancement of the Audit Committee's responsibilities by adding duties to supervise the risk management mechanism and reporting regularly to the board.				
(2) Priorities and measures for strengthening:				
(I) Planning to disclose individual director remuneration in the 2024 annual report and report it at the shareholders' meeting, including remuneration policy, individual remuneration details, and amounts.				
(II) Planning to disclose in the 2024 annual report or sustainability report the linkage between performance evaluations and remuneration for directors and managers, as well as policies linking senior management remuneration with ESG-related performance evaluations.				
(III) The 2024 sustainability report will be submitted for board approval.				
(IV) In 2024, the Company will establish policies for reducing greenhouse gas emissions, water usage, and waste management, including reduction targets, measures, and achievements, to be disclosed in the annual report or sustainability report.				



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 "Articles 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 execution of sustainable development goals, and implementation of sustainable management. Implementation of business matters, etc.

The Chairman of Corporate Sustainability Development Promotion Committee convened 2 meetings in 2023. 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 (Note 2)	1	0	100	Accounting Management, Financial Investment and Blockchain Technology
Member	Kuo Chin Jung (Note 2)	1	0	100	Accounting Expertise

Note 1: Please refer to Page 15~18 Directors' Professional Qualifications and Independent Directors' Independence Status for details.

Note 2: Originally served by Yi-Hsi Lee. The position was replaced by Chin-Jung Kuo after the re-election on June 21, 2023.

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
2-6 (2023.05.10)	1. ESG Highlights for 2022 2. Materiality Analysis Results for the Report 3. ESG Work Report for 2023	Noted. No further suggestions.
3-1 (2023.12.20)	1. ESG Work Summary for 2023 2. ESG Work Plan for 2024	Noted. No further suggestions.



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

Item		Result	Comply with the standard
<b>1. Benefit of Financial</b>			
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
<b>2. Financing and Guarantees</b>			
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
<b>3. Business Relationship</b>			
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: ■ 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
<b>4. Family and Personal Relationships</b>			
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
<b>5. Employment Relationship</b>			
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"> <li>■ Positions held within the Company.</li> <li>■ Duration of time between leaving the accounting firm and being hired by the Company.</li> <li>■ Significance of past positions held within the accounting firm.</li> </ul>	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
<b>6. Gifts and Special Favors</b>			
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
<b>7. Rotation of the Signing Accountant</b>			
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
<b>8. Non-audit Business</b>			
i	Inquire about the details of non-audit services provided by the auditor to the Company and their impact on independence.	Yes (Note)	V
<b>9. Auditor's Independence and Statement Reference to AQIs</b>			
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-approval services for 2024 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 2023

Stakeholder	Topics of Communication	Channels and Frequency	Communication Efficiency/Achievement
Employee	<ul style="list-style-type: none"> <li>Employee Compensation and Benefits</li> <li>Employee Performance Evaluation Mechanism</li> <li>Talent Cultivation and Development</li> <li>Physical and Mental Health and Workplace Safety</li> <li>Labor Relations</li> <li>Operational Performance</li> <li>Employee Feedback and Communication</li> </ul>	<ul style="list-style-type: none"> <li>Employee Performance Reviews (semi-annually)</li> <li>Employee Education and Training (periodically)</li> <li>Safety and Health Committee Meetings (quarterly)</li> <li>In-factory Safety Meetings (twice per quarter)</li> <li>Labor-management Meetings (quarterly)</li> <li>Internal Communication Meetings(weekly/monthly)</li> <li>Bi-weekly Employee Meetings(bi-weekly)</li> <li>Internal Electronic Bulletin Board (periodically)</li> <li>Employee Opinion Mailbox (real-time)</li> <li>Whistleblower Reporting Procedure (real-time)</li> </ul>	<ul style="list-style-type: none"> <li>Regular semi-annual review of employee performance and submission of promotion recommendations for outstanding performers.</li> <li>In 2023, a total of 16,735 participants attended training courses in various academies of the Company's learning and development platform, accumulating a total training time of 22,369 hours. On average, each person received 1.34 hours of training.</li> <li>In 2023, a total of 4 safety and health committee meetings and 8 in-factory safety meetings were held to discuss and improve audit deficiencies.</li> <li>The Company held 4 labor-management meetings in 2023.</li> <li>In 2023, a total of 43 management coordination meetings, 11 business management meetings, and 11 bi-weekly meetings were held. During these communication meetings, supervisors at all levels shared information about the Company's operations and technological developments with employees.</li> <li>Various employee welfare matters, welfare committee information, important company operational updates, training course information, and annual performance management processes were irregularly posted on the electronic bulletin board.</li> </ul>
Customer	<ul style="list-style-type: none"> <li>Customer Satisfaction Surveys</li> <li>Innovation and Green Products</li> <li>Service/Product Quality</li> <li>Marketing Communication</li> <li>Customer Protection and Communication</li> </ul>	<ul style="list-style-type: none"> <li>Customer Satisfaction Surveys (annually)</li> <li>Innovation Technical Seminars (annually)</li> <li>Customer service hotline and email (real-time)</li> <li>Official Website, Social Media Platforms (periodically)</li> <li>Technical Innovation Exhibitions (annually)</li> <li>Business Contact Window (real-time)</li> </ul>	<ul style="list-style-type: none"> <li>Conduct customer satisfaction surveys annually, analyze the results, and formulate strategies. In 2023, a total of 82 survey questionnaires were distributed.</li> <li>Held the "Sustainable Low-Carbon Building Materials and Coatings Innovative Technology Seminar and Results Presentation" on December 14, 2023.</li> <li>Regularly conduct external audits of the quality management system (November, 2023), as well as internal, process, and product audits.</li> <li>Awarded the "Best Voted Adhesive Supplier" at the Nike Global Chemical Conference in 2023.</li> <li>Designated as the sole adhesive strategy supplier in Asia by a customer.</li> <li>Participation in the 2023 Taipei Textile Exhibition.</li> <li>Announcements and promotional information are periodically updated on the official website and Facebook community.</li> </ul>



Stakeholder	Topics of Communication	Channels and Frequency	Communication Efficiency/Achievement
Customer			<ul style="list-style-type: none"> <li>• The technical service team provides professional support and solutions for customer product and technical issues.</li> <li>• No records of customer complaints regarding information security or privacy infringement were received in 2023.</li> </ul>
Suppliers /Contractors	<ul style="list-style-type: none"> <li>• Green Supply Chain Management</li> <li>• Product Quality</li> <li>• Professional Ethics</li> <li>• Regulatory Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier Assessment (annually)</li> <li>• Supplier On-site Audits (annually)</li> <li>• Supplier Questionnaires and Declarations (periodically)</li> <li>• Contractor Safety Meeting (annually)</li> </ul>	<ul style="list-style-type: none"> <li>• Conducted assessments for a total of 435 raw material suppliers in January, July, and November 2023.</li> <li>• Conducted risk assessments and on-site audits (supplier visits) for 7 key suppliers.</li> <li>• In 2023, the proportion of locally sourced materials for production was 81.8%.</li> <li>• In 2023, all of group raw material suppliers completed the signing of the Supplier Code of Conduct.</li> <li>• Relevant terms and regulations are stipulated in contracts with suppliers to ensure supplier compliance.</li> </ul>
Shareholders /Investors	<ul style="list-style-type: none"> <li>• Corporate Governance</li> <li>• Financial Performance Transparency</li> <li>• Corporate Operational Development</li> <li>• Sustainable Development Strategy</li> <li>• Risk Management</li> </ul>	<ul style="list-style-type: none"> <li>• MOPs(regular/irregular)</li> <li>• Investor Conferences (periodically)</li> <li>• Disclosure of Information on Official Website (regular/irregular)</li> <li>• Shareholders' Meeting and Annual Report (annually)</li> <li>• Domestic and International Investor Forums (periodically)</li> <li>• Visits from Investment Institutions or Brokerage Firms (periodically)</li> <li>• Investor Relations Contact Window (real-time)</li> </ul>	<ul style="list-style-type: none"> <li>• Selected as a constituent stock of the "Corporate Governance 100 Index".</li> <li>• In 2023, scored 97.74 points in the 10th Corporate Governance Evaluation by the Stock Exchange, ranking in the 6-20% range among listed companies for three consecutive years.</li> <li>• In the 2023 S&amp;P Corporate Sustainability Assessment, scored 67 points, ranking top 3% among 573 chemical companies worldwide.</li> <li>• In the 2023 FTSE Russell ESG rating, scored 3.4 points, better than the global specialty chemicals industry average of 2.7 points.</li> <li>• Monthly revenue announcements are posted on the Taiwan Stock Exchange's Market Observation Post system; 34 significant messages in both Chinese and English.</li> <li>• Invited to participate in 6 investor conferences in 2023, with audio links uploaded.</li> <li>• Regularly publish financial information press releases on the Company website: 12 monthly revenue press releases (monthly), 4 financial report press releases (quarterly).</li> </ul>



Stakeholder	Topics of Communication	Channels and Frequency	Communication Efficiency/Achievement																					
Society	<ul style="list-style-type: none"><li>Community Engagement and Care</li><li>Environmental Protection</li><li>Volunteer Services</li><li>Occupational Safety and Health</li></ul>	<ul style="list-style-type: none"><li>Nan Pao Social Welfare Foundation (real-time)</li><li>ESG contact email (real-time)</li><li>Volunteer Service Activities (periodically)</li><li>Project Donations and Sports Sponsorships (periodically)</li></ul>	<ul style="list-style-type: none"><li>From its establishment at the end of 2007 until 2023, Nan Pao Social Welfare Foundation has accumulated a total donation amount of NT\$79.75 million.</li><li>In 2023, the Nan Pao Social Welfare Foundation allocated its expenses as follows:<div>Unit: NT\$<table><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><tr><td>Amount</td><td>3,116,866</td><td>740,000</td><td>1,687,573</td><td>244,047</td><td>1,205,530</td><td>6,994,016</td></tr><tr><td>Percentage</td><td>45%</td><td>11%</td><td>24%</td><td>3%</td><td>17%</td><td>100%</td></tr></table></div></li><li>Continuously organizing "Community Visits to the Factory" events, inviting community residents to visit the factory and promote community safety communication.</li><li>Collaborated with Xigang Junior High School to organize a "Chemical Workplace Experience" activity, enhancing students' professional knowledge and skills while promoting school-enterprise cooperation and exchange.</li><li>Partnered with Xigang Chenggong Elementary School to host a "Dragon Boat Festival Concert," fostering community connection and social harmony through public welfare activities.</li><li>Held the "Loving Christmas" event, where employees fulfilled the wish lists of Tzuguang students, spreading love and positive energy.</li><li>Co-organized a "Beach Cleanup Family Day" with Xigang Chenggong Elementary School and affiliated companies, aligning with Earth Day and promoting environmental awareness.</li><li>Awarded the "2023 Happiness Enterprise Silver Award" in the 1111 Human Resources Bank poll.</li></ul>		Children's Education	Elderly Welfare	Vulnerable Care.	Volunteer Service	Others	Total	Amount	3,116,866	740,000	1,687,573	244,047	1,205,530	6,994,016	Percentage	45%	11%	24%	3%	17%	100%
	Children's Education	Elderly Welfare	Vulnerable Care.	Volunteer Service	Others	Total																		
Amount	3,116,866	740,000	1,687,573	244,047	1,205,530	6,994,016																		
Percentage	45%	11%	24%	3%	17%	100%																		



Stakeholder	Topics of Communication	Channels and Frequency	Communication Efficiency/Achievement
Government	<ul style="list-style-type: none"> <li>• Regulatory Compliance</li> <li>• Communication with Regulatory Authorities</li> <li>• Occupational Safety and Health</li> <li>• Greenhouse Gas Reduction</li> <li>• Environmental Protection</li> <li>• Energy Management</li> </ul>	<ul style="list-style-type: none"> <li>• Comply with regulatory requirements and submit regular reports</li> <li>• Cooperate with regulatory supervision and audits</li> <li>• Participate in special meetings held by regulatory authorities irregularly</li> <li>• Non-financial information disclosure: Annual publication of corporate sustainability report</li> </ul>	<ul style="list-style-type: none"> <li>• Respond promptly to stock exchange surveys, completing 20 surveys in 2023.</li> <li>• Participate in regulatory briefings or forums held by authorities as needed.</li> <li>• Implement the ISO45001 Occupational Safety and Health Management System to systematically promote occupational safety and health management, ensuring compliance and effective execution.</li> <li>• Publish an annual corporate sustainability report, detailing specific actions and results in Environmental (E), Social (S), and Governance (G) aspects.</li> </ul>



(IV) Compensation Committee

1. Information Regarding Compensation Committee Members

Criteria Roles Name		Professional Qualifications and Experience	Independence Status	Number of Other Public Companies Concurrently Serving as a Compensation Committee Member
Independent Director	Yun, Chen	Please refer to Page 17~18 disclosed information about director qualification and independence.	According to the Company's articles of association and the "Corporate Governance Best Practice Principles", directors are appointed through a candidate nomination system. When nominating and selecting board members, the Company has obtained written statements, work experience, current employment certificates, and a list of relatives from each director to verify the independence of the independent directors, spouses, and relatives within three degrees from the Company. Additionally, the Company has verified that the following three independent directors met the qualification requirements set forth by the Financial Supervisory Commission's "Regulations Governing the Establishment of Independent Directors of Public Companies and Compliance Matters" and Article 14-2 of the Securities Exchange Act during the two years prior to their appointment and throughout their tenure. Moreover, the independent directors have been granted sufficient authority to participate in decision-making and express opinions in accordance with Article 14-3 of the Securities Exchange Act, thereby independently executing their relevant duties.	0
Independent Director	Yung-Cheng, Chiang			3
Independent Director	Chin Jung, Kuo			1

2. Responsibilities of the Compensation Committee

- (1) Regularly review the Articles of 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 21, 2023 to June 20, 2026. The Chairman of Compensation Committee convened 5 meetings in 2023. The attendance status is as follows.



Title	Name	Attendance in person	By proxy	Attendance Rate (%)	Remarks
Convener & Chairman	Yun, Chen	5	0	100	Should attend 5 times
Member	Yung-Cheng, Chiang	5	0	100	Should attend 5 times
Member	Yi-Hsi, Lee (Note)	3	0	100	Should attend 5 times
Member	Chin Jung, Kuo (Note)	2	0	100	
Note: Originally served by Yi-Hsi Lee. The position was replaced by Chin-Jung Kuo after the re-election on June 21, 2023.					
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 2023:					
Compensation Committee	Contents of Resolutions		Result		
3-10 (2023.01.10)	1. The Company’s proposal of 2022 performance-based bonuses for managers. 2. The Company’s proposal of retirement application for managers.		The Compensation Committee stated no objection; the above proposals have been passed and submitted to the Board of Directors for resolution.		
3-11 (2023.03.27)	1. The Company’s proposal of 2022 employee and directors’ remuneration distribution.		The Compensation Committee stated no objection; the above proposals have been passed and submitted to the Board of Directors for resolution.		
3-12 (2023.05.10)	1. The Company's proposal of appointment and salary adjustment for managers.		The Compensation Committee stated no objection; the above proposals have been passed and submitted to the Board of Directors for resolution.		
4-1 (2023.08.09)	1. The Company's proposal of 2022 employee remuneration distribution for managers. 2. The Company’s proposal of retirement application and pension payment for managers. 3. The Company's proposal of appointment and salary adjustment for managers. 4. The Company's proposal of promotion and salary adjustment for managers.		The Compensation Committee stated no objection; the above proposals have been passed and submitted to the Board of Directors for resolution.		
4-1 (2023.11.09)	1. The Company’s proposal of retirement application and pension payment for managers. 2. The Company's proposal of appointment and salary adjustment for managers.		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 regards the Board of Directors as the highest decision-making body for sustainability-related issues. The Company's 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. 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 Task Force 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 work plan and achievement report for 2023 have been submitted to the Corporate Sustainability Development Promotion Committee on May 10, 2023, and December 20, 2023, respectively. The related execution status report is expected to be presented at the Board of Directors meeting on August 8, 2024. The sustainability report for 2023 is scheduled to be submitted to the Board of Directors for approval on August 8, 2023, and subsequently released.</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, and approved the first amendment at the Board of Directors on November 9, 2023. The strategy, scope, organizational structure and implementation status of the risk management of 2023 have been reported to the board of directors on December 20, 2023 and disclosed on the official website of the Company.</p> <p>2. The "Audit Committee" is the highest level of risk management in the company, which is in charge of various risks, with a clear professional division of labor for risk control at different levels, and reported to the Board of Directors; 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 2023 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, and Nan Pao Advanced Materials Vietnam). 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 2023, the Sustainable Development Task Force took the lead and conducted materiality analysis based on the Global Reporting Initiative (GRI) General Standard, published by the Global Sustainability Standards Board.</p>	None



Assessment Item	Implementation Status			Discrepancy and The Reasons																					
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			Discussions and identification were conducted through meetings. Additionally, the team considered the enterprise risk analysis report, the level of stakeholder concerns, and the extent of the impact on the Company's ongoing operations. Based on these factors, significant sustainability issues were selected, and risk assessments related to environmental, social, and corporate governance issues relevant to the Company's operations were conducted. The following risk management strategies were then formulated:																						
			<table><tr><th>Key Issues</th><th>Risk Assessment Items</th><th>Description</th></tr><tr><td rowspan="5">Environmental</td><td>Chemical Safety Management</td><td><ul style="list-style-type: none"><li>• Hazard and Risk Assessment of Chemicals</li><li>• Communication of Chemical Safety Information</li><li>• Research and Development of Alternatives</li><li>• Reduce the use of high-concern chemicals by 50% by 2030</li></ul></td></tr><tr><td>Waste Management</td><td><ul style="list-style-type: none"><li>• Reduce waste production by 5% compared to 2023 levels</li><li>• Recycling and reuse of waste solvents</li><li>• Recycling and reuse of pallets and packaging drums</li></ul></td></tr><tr><td>Circular Economy</td><td><ul style="list-style-type: none"><li>• Continuously increase the proportion of biomass and recycled materials usage</li><li>• Enhance the quantity of waste recycling and reuse</li><li>• Strengthen industry-academia collaboration</li></ul></td></tr><tr><td>Emission</td><td><ul style="list-style-type: none"><li>• Reduce air pollutant emissions by 5% compared to 2023 levels</li></ul></td></tr><tr><td>Climate Change Management</td><td><ul style="list-style-type: none"><li>• Promote low-carbon manufacturing</li><li>• Utilize renewable energy sources</li><li>• Improve energy efficiency</li></ul></td></tr><tr><td rowspan="3">Social</td><td>Supplier Sustainability Management</td><td><ul style="list-style-type: none"><li>• Promote green and low-carbon supply chains</li><li>• Risk management for uninterrupted operations</li></ul></td></tr><tr><td>Occupational Safety, Health, and Emergency Response</td><td><ul style="list-style-type: none"><li>• Promote a safety culture</li><li>• Comprehensive health management</li><li>• Human factors engineering assessment and improvement</li><li>• Aim for zero accidents, zero environmental fines, and workplace safety incidents</li></ul></td></tr><tr><td>Employee Care and Rights</td><td><ul style="list-style-type: none"><li>• Develop future talent reserves</li><li>• Foster employee learning initiatives</li><li>• Increase the proportion of female and local-nationality supervisors</li></ul></td></tr></table>		Key Issues	Risk Assessment Items	Description	Environmental	Chemical Safety Management	<ul style="list-style-type: none"><li>• Hazard and Risk Assessment of Chemicals</li><li>• Communication of Chemical Safety Information</li><li>• Research and Development of Alternatives</li><li>• Reduce the use of high-concern chemicals by 50% by 2030</li></ul>	Waste Management	<ul style="list-style-type: none"><li>• Reduce waste production by 5% compared to 2023 levels</li><li>• Recycling and reuse of waste solvents</li><li>• Recycling and reuse of pallets and packaging drums</li></ul>	Circular Economy	<ul style="list-style-type: none"><li>• Continuously increase the proportion of biomass and recycled materials usage</li><li>• Enhance the quantity of waste recycling and reuse</li><li>• Strengthen industry-academia collaboration</li></ul>	Emission	<ul style="list-style-type: none"><li>• Reduce air pollutant emissions by 5% compared to 2023 levels</li></ul>	Climate Change Management	<ul style="list-style-type: none"><li>• Promote low-carbon manufacturing</li><li>• Utilize renewable energy sources</li><li>• Improve energy efficiency</li></ul>	Social	Supplier Sustainability Management	<ul style="list-style-type: none"><li>• Promote green and low-carbon supply chains</li><li>• Risk management for uninterrupted operations</li></ul>	Occupational Safety, Health, and Emergency Response	<ul style="list-style-type: none"><li>• Promote a safety culture</li><li>• Comprehensive health management</li><li>• Human factors engineering assessment and improvement</li><li>• Aim for zero accidents, zero environmental fines, and workplace safety incidents</li></ul>	Employee Care and Rights	<ul style="list-style-type: none"><li>• Develop future talent reserves</li><li>• Foster employee learning initiatives</li><li>• Increase the proportion of female and local-nationality supervisors</li></ul>
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Assessment Item	Implementation Status					Discrepancy and The Reasons	
	Yes	No	Summary				
				Key Issues	Risk Assessment Items	Description	
				Social	Customer Relation Management	• Over 90% of customer satisfaction surveys have an average score of 4 or above	
				Corporate Governance	Information Security Management	• Continuously increase the implementation of ISO 27001 in operational locations • Proactively enhance information security protection and employee awareness of information security	
3. Environmental Topic							
(1) Has the Company set an environmental management system designed to industry characteristics?	✓		(1)1.The Company formulates the "Occupational Safety and Health Policy" in accordance with the environmental regulations stipulated by the Ministry of Recycling and Environment (such as the Air Pollution Prevention Act, Water Pollution Prevention Act, Waste Disposal Act, Toxic and Chemical Substances of Concern Management Act, etc.) as a safety and health management in accordance with the highest guiding principles, other environmental, safety and health-related management measures have also been formulated, and the Company has obtained ISO14001 environmental management system certification. 2. As of 2023, the head office (Taiwan Nanbao Resin) and 11 production sites have completed the establishment of the ISO14001 environmental management system and passed third-party verification, including the following companies: Taiwan Nan Pao, Foshan Nan Pao, Foshan Nan Pao Advanced Materials, Dongguan Nan Pao, Dongguan Jiaqin, KunShan Nan Pao, Vietnam Nan Pao, Vietnam Materials, Vietnam Advanced Matrials, Vietnam NNV, Indonesian Nan Pao, Thailand Nan Pao.				None
(2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	✓		(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. 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. To address future trends in the circular economy, the Company has introduced a recycled polyester material supply chain within the industry. 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 the reliance on petroleum-based polyester but also decreases resource consumption and promotes resource circularity. 2. The Company actively promotes various energy reduction measures by selecting high-energy-efficiency and energy-saving design equipment to reduce energy consumption in operations and products, thereby optimizing energy usage efficiency. Additionally, renewable energy generation equipment has been installed at several sites in Taiwan as well as in Foshan and Thailand to promote carbon emission reduction. The target is to achieve an installed renewable energy capacity of 2,500 kW by 2025. Starting from 2023, renewable energy certificates were purchased in Taiwan and Indonesia and are evaluating the offsetting process.				None



Assessment Item	Implementation Status			Discrepancy and The Reasons																				
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			<p>3. All the footwear products have obtained reports compliant with the Restricted Substances Directive of the brand owner. The quality of the Company’s footwear export products conforms to the EU's RoHS and REACH regulations and have been certified by bluesign® SYSTEM PARTNER. Through the utilization of synthetic resin polymer synthesis technology and structural design, harmful substances are eliminated, and the management of hazardous substances is ensured. In addition to endowing products with application performance, the core technology also reduces human exposure and environmental impact, ensuring consumer safety. To expedite the management of chemical substances in footwear products, factories in Foshan, Dongguan, Vietnam and Indonesia have obtained factory verification for the highest level 3 certification of the Zero Discharge of Hazardous Chemicals (ZDHC) globally. 100% of the footwear chemicals shipped to renowned sports brands have achieved Level 3 certification.</p> <p>4. The Company utilizes bio-based materials and recycled materials to achieve the sustainable business goals of a circular economy, environmental protection, and energy conservation and carbon reduction. The currently developed bio-based materials can reduce carbon emissions by 5-80%, depending on the proportion of bio-based content. Additionally, by incorporating recycled materials into products to achieve carbon reduction, the Company has developed r-PET-containing textile coating resins and hot stamping transfer resins, flooring coatings with recycled waste wafers, and textile coating resins containing oyster shell powder, which can reduce carbon emissions by up to 26%. In response to the government's plastic reduction policies and to innovate beyond traditional food container lamination processes, the Company is dedicated to developing water-based, non-plastic paper coating resins that provide water and oil resistance. These coatings can be fully recycled with paper after disposal, aiming to achieve multiple goals of reducing plastic, carbon, and waste.</p> <p>5. The Company has utilized Life Cycle Assessment (LCA) technology to complete the environmental footprint analysis of water-based PU dispersions and has obtained the ISO14067 verification statement. In the future, the Company will continue to expand the coverage of product LCA. Additionally, the waste solvent produced during the water-based PU production process is distilled and recycled for reuse in the process (acetone). Other chemicals produced from the distillation of waste solvents (methyl ethyl ketone) can also be sold to customers. This not only enhances resource use efficiency but also improves operational performance, thereby implementing a circular economy for waste materials.</p> <p>In 2023, Taiwan Nan Pao Resins recycled a total of 6,511 metric tons of solvents, an increase of 891 metric tons (15.85%) compared to 2022. By recycling solvents and reducing chemical raw material procurement costs, the Company also decreased CO2 emissions by 18,205 kilograms.</p> <p><b>The total amount of solvents recycled in the past two years</b>      Recycle Unit: metric tons</p> <table><tr><th>Year</th><th>2022</th><th>2023</th><th>%</th></tr><tr><td>Methyl Ethyl Ketone (MEK)</td><td>3,783</td><td>1,292</td><td>-65.85</td></tr><tr><td>Acetone</td><td>1,362</td><td>4,317</td><td>216.96</td></tr><tr><td>Ethyl Acetate(EAC)</td><td>39</td><td>62</td><td>58.97</td></tr><tr><td>2339RE (70% Butanone + 30% Acetone)</td><td>436</td><td>731</td><td>67.66</td></tr></table>	Year	2022	2023	%	Methyl Ethyl Ketone (MEK)	3,783	1,292	-65.85	Acetone	1,362	4,317	216.96	Ethyl Acetate(EAC)	39	62	58.97	2339RE (70% Butanone + 30% Acetone)	436	731	67.66	
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Assessment Item	Implementation Status						Discrepancy and The Reasons													
	Yes	No	Summary																	
				Year	2022	2023	%													
				Tetrahydrofuran(THF)	-	99	100.00													
				Mixed Solvents	-	10	100.00													
				Total amount of recycled solvents	5,620	6,511	15.85													
(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: 2023 TCFD Climate-related Risk and Opportunities and Their Financial Impact).					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?	✓		(4)1. The Company has compiled greenhouse gas emission data for the past two years and disclosed the results of greenhouse gas inventory, assurance status, and reduction policies (please refer to (VI) Implementation Status of Climate-related Information). 2. (1) The Company has long been dedicated to issues of water resource conservation and environmental protection, focusing on three major strategies for water resource usage: reduction, reuse, and recycling. In water conservation plans, the Company emphasizes the comprehensive implementation of daily water-saving practices to maximize the effectiveness of available water resources. As of 2023, the headquarter (Taiwan Nan Pao Resin) has completed the implementation of the ISO 46001 water resource management system and has received third-party verification. <b>(2) The total amount of water withdrawal in the past two years</b> <table><tr><td>Year</td><td>2022</td><td>2023</td><td>%</td></tr><tr><td>Water withdrawal (metric tons)</td><td>86,334</td><td>72,114</td><td>-16.47</td></tr><tr><td>Water intensity (metric tons per thousand NT dollars of revenue)</td><td>0.014</td><td>0.012</td><td>-14.28</td></tr></table> (3) The Company has implemented various improvement measures, including integrating a wastewater recycling system and utilizing recycled water in manufacturing processes to reduce water consumption. In 2023, due to water resource management and water-saving technologies, the total water withdrawal of Taiwan Nan Pao Resins was 72,114 m³, a decrease of 14,220 m³ (16.47%) compared to 2022. The water intensity was 14.28% lower than the previous year. In 2023, the water consumption of Taiwan Nan Pao Resins was 61,633 m³, a reduction of 9,029 m³ (12.78%) compared to 2022. The goal for 2024 is to reduce total water withdrawal by 8% compared to 2023, which sets the target at 5,769 m³. 3. (1) To achieve sustainable resource reuse, the Company’s waste management principles prioritize reuse within the manufacturing process to reduce the use of raw materials, secondly focus on recycling and reuse, with incineration or landfill as the last resort. The Company is committed to environmental protection, setting waste reduction KPIs, conducting annual performance reviews, and implementing internal and external audits. In 2023, the Company obtained external verification for the total waste generated in 2022 by Taiwan Nan Pao Resins.					Year	2022	2023	%	Water withdrawal (metric tons)	86,334	72,114	-16.47	Water intensity (metric tons per thousand NT dollars of revenue)	0.014	0.012	-14.28	None
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Assessment Item	Implementation Status			Discrepancy and The Reasons		
	Yes	No	Summary			
			<b>(2) The total amount of waste output in the past two years</b>			
			Year	2022	2023	%
			Hazardous waste (metric tons)	711	692	-2.67
			Non-Hazardous waste (metric tons)	972	630	-35.19
			Total weight (metric tons)	1,683	1,322	-21.45
			Waste intensity (metric tons per million dollars of revenue)	0.27	0.22	-18.52
			<b>(3) The total amount of waste reused and recycled in the past two years</b>			
			Year	2022	2023	%
			Recycled and Reused Hazardous Waste (metric tons)	615	615	-
			Recycled and Reused Non-Hazardous Waste (metric tons)	53	3	-94.34
			Total Weight (metric tons)	668	618	-7.49
			Hazardous Waste Recycling Rate (%)	86.50	88.87	2.74
			Non-Hazardous Waste Recycling Rate (%)	5.45	0.48	-91.19
			(4) In 2023, the total waste output was 1,322 metric tons, a reduction of 361 metric tons (21.45%) compared to 2022. The waste intensity decreased by 18.52% from the previous year. The goal for 2024 is to reduce the total waste weight by 5% from the 2023 level, targeting a reduction of 66 metric tons. To achieve this goal, the Company is focusing on strategies for overall waste reduction and waste resource utilization. This includes process technology improvements and raw material reduction as part of upstream management measures to decrease waste generation, thereby achieving waste reduction and enhancing utilization rates. Regarding recycled and reused waste volumes, in 2023, the recycled and reused hazardous waste amounted to 615 metric tons, and non-hazardous waste was 3 metric tons, making a total of 618 metric tons. This represents a reduction of 50 metric tons (7.49%) compared to 2022.			
			4.(1) In terms of air pollution control, the Company considers the main air pollutants in the plant, including volatile organic compounds such as toluene, xylene, total VOCs, non-methane hydrocarbons, and particulate matter. The exhaust gas treatment process involves categorizing and collecting organic and particulate waste gases using sealed or hooded systems, and then treating them with appropriate air pollution control equipment based on their characteristics (such as baghouse dust collectors and condensation recovery equipment) to meet emission standards. To effectively reduce air pollution emissions and minimize the generation of harmful pollutants such as volatile organic compounds, the Company is actively exploring process improvements and the installation of additional control equipment, seeking the best feasible technologies. In 2022, the Company invested in gravity bed exhaust treatment facilities and RCO regenerative catalytic thermal oxidizers. These best feasible technologies are used to treat hazardous pollutants generated during the production process, thereby reducing environmental impact.			



Assessment Item	Implementation Status			Discrepancy and The Reasons																								
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			<p><b>(2) The total amount of VOCs emissions in the past two years</b></p> <table><tr><th>Year</th><th>2022</th><th>2023</th><th>%</th></tr><tr><td>Volatile Organic Compounds (VOCs) Emissions (metric tons)</td><td>66.07</td><td>63.71</td><td>-3.57</td></tr><tr><td>Volatile Organic Compounds (VOCs) Intensity(metric tons per million NTD revenue)</td><td>0.011</td><td>0.011</td><td>-</td></tr></table> <p>(3) In 2023, the total emissions of volatile organic compounds (VOCs) from the production process at Taiwan Nan Pao Resins amounted to 63.71 metric tons, a reduction of 2.36 metric tons (3.57%) compared to 2022. The VOCs intensity remained the same as the previous year. The target for 2024 is to reduce the total VOC emissions by 5% compared to 2023, aiming for a reduction of 3.18 metric tons.</p> <p>5. (1) During the greenhouse gas inventory process, it was found that the primary emission source, due to the nature of the industry, comes from category two, which is electricity usage. Therefore, the Company is also actively engaged in energy management. Strategies include implementing automated energy management, promoting energy-saving and carbon-reduction projects, optimizing management systems, incorporating energy-saving performance into incentive programs, and using platform systems for data analysis. These efforts aim to continuously review and optimize processes, enhance energy integration, and reduce unnecessary consumption to improve energy efficiency. As of 2023, the head office (Taiwan Nan Pao Resins), as well as production sites at Foshan Nan Pao and Foshan Nan Pao Advanced Materials, have completed the implementation of the ISO50001 energy management system and passed third-party verification.</p> <p><b>(2) The total amount of non-renewable energy consumption in the past two years</b></p> <table><tr><th>Year</th><th>2022</th><th>2023</th><th>%</th></tr><tr><td>Non-renewable energy consumption (kWh)</td><td>47,734,070</td><td>42,916,730</td><td>-10.09</td></tr><tr><td>Non-renewable energy consumption intensity (kWh per thousand dollars of revenue)</td><td>7.68</td><td>7.18</td><td>-6.51</td></tr></table> <p>(3) In 2023, Taiwan Nan Pao Resins consumed a total of 42,916,730 kWh of non-renewable energy, representing a decrease of 4,817,340 kWh (10.09%) compared to 2022. The non-renewable energy consumption intensity decreased by 6.51% compared to the previous year, indicating an improvement in energy efficiency. Since 2023, all departments of Taiwan Nan Pao Resins have set up their own carbon reduction projects and track progress monthly, resulting in outstanding achievements in carbon reduction. Additionally, the energy consumption of the Operations and R&amp;D Headquarters has been included in the total electricity consumption of Taiwan Nan Pao Resins plant since 2023, leading to a 1,390,191 kWh (11.46%) increase in total electricity consumption for the year.</p> <p>6. The data mentioned above is based on the 2023 Sustainability Report.</p>	Year	2022	2023	%	Volatile Organic Compounds (VOCs) Emissions (metric tons)	66.07	63.71	-3.57	Volatile Organic Compounds (VOCs) Intensity(metric tons per million NTD revenue)	0.011	0.011	-	Year	2022	2023	%	Non-renewable energy consumption (kWh)	47,734,070	42,916,730	-10.09	Non-renewable energy consumption intensity (kWh per thousand dollars of revenue)	7.68	7.18	-6.51	
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Assessment Item	Implementation Status			Discrepancy and The Reasons
	Yes	No	Summary	
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 recognizes and voluntarily follows the "Universal Declaration of Human Rights," "United Nations Global Compact," "United Nations Guiding Principles" and "International Labor Organization conventions" regarding human rights standards, and respects the protections stipulated in human rights conventions, also publishes the aforementioned policies on the Company's website.</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>	None
(2) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	✓		<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 Articles of Association, a percentage of the annual profits, ranging from 2-6%, is allocated as employee compensation. Additionally, 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 increase the proportion of employees whose performance evaluations include sustainability indicators.</p> <p>3.The Company has established an "Employee Stock Ownership Trust Plan," 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, assisting employees in establishing flexible personal financial management and planning.</p> <p>4.The Company has a comprehensive and legally compliant leave system in place, with effective leave management. In addition to statutory leave entitlements, the Company reviews the utilization rate of annual leave in each department, encouraging employees to balance work and life.</p> <p>5.To facilitate employees in adjusting between work and family responsibilities and considering safety concerns during commuting, the Company adopts flexible working hours during commuting hours to improve punctuality, attendance issues, and enhance employee autonomy.</p> <p>6.The Company actively promotes gender equality and implements measures to narrow the gender gap. In terms of gender diversity indicators, female employees account for 26.04% of the workforce, with female employees in management positions representing 12.50% of total managerial roles. Female employees in senior management positions account for 7.29% of total managerial roles. The Company will continue to set goals to enhance gender diversity and foster a gender-friendly workplace.</p>	None



Assessment Item	Implementation Status			Discrepancy and The Reasons
	Yes	No	Summary	
(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 9 affiliated companies have completed the implementation of ISO 45001 and both passed the verification process.</p> <p>2.To fully implement occupational health and safety management, the Company has established the "Safety and Health Committee" as the highest organization for safety and health management. Quarterly joint safety and health committee meetings are held at the factory, and monthly internal safety meetings are conducted to discuss improvements for various audit deficiencies, aiming to prevent occupational accidents. Each factory also establishes emergency response procedures and conducts biannual drills with the self-defense fire brigade according to the regulations of the Fire Bureau of the Ministry of the Interior. Firefighters are periodically invited to assist during drills, and review meetings are held afterwards to ensure timely implementation of response measures in the event of emergencies, mitigate impacts, and control damage and recovery in the aftermath. Fire equipment maintenance is reported annually in November, and periodic fire extinguisher training is conducted internally. There were no fire accidents in 2023.</p> <p>3.The Company prioritizes work environment and employee safety and has established an accident reporting and investigation mechanism. Immediate care and assistance for injured employees are provided by workplace nurses, and follow-up care and monitoring are conducted during their recovery period. Occupational health physicians are consulted to assess whether adjustments or changes to their work content are necessary. Accident investigation and root cause analysis are conducted for occupational accidents, and improvement plans are formulated and implemented. In 2023, there were a total of 16 personnel occupational accidents, with 7 work-related injuries (1.15% of the total number of employees at the end of 2023). Among them, there were a total of 2 cases of disabling injuries, with a frequency rate of 1.69. Although there was some improvement compared to 2022, the goal of zero work-related accidents in 2023 was not achieved.</p> <p>4.The Company conducts annual general health examinations for employees, and the results are analyzed by labor health service nursing staff and imported into the "Health Management System" for individual follow-up. Based on the environmental test results for special operation sites conducted by occupational health and safety personnel, annual special hazard health examinations are arranged. Comprehensive graded management is conducted by occupational medicine physicians based on the classification results. For employees at level two management or above, personal health guidance is provided, and physician consultations and occupational disease prevention education and training are arranged as needed.</p> <p>5. To ensure that employees are familiar with occupational health and safety regulations and to promote employee health care, the Company promotes the occupational health and safety management system and establishes a comprehensive safety and health education and training program to strive for zero accidents and ensure employee work safety. The implementation status of occupational safety and health education and promotion in the past three years is as follows:</p>	None



Assessment Item	Implementation Status						Discrepancy and The Reasons	
	Yes	No	Summary					
				Year	2021	2022	2023	
				Number of Training Participants	464	366	1,162	
				Training Hours	310	478	2,252	
(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.Since 2022, our company has incorporated continuous improvement projects into training courses. Through cross-departmental collaboration, we set key tasks and short-, medium-, and long-term goals, and hold training sessions to enhance employee capabilities. Additionally, we have established case management and experience-sharing mechanisms to facilitate knowledge transfer, and we organize competitions with awards to motivate staff.					None
(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 footwear 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. From 2022, 100% of products at Taiwan headquarter underwent hazard risk assessments. The revenue generated by products classified as GHS hazard level 1 and level 2 accounted for 52% of Taiwan Nan Pao Resins' revenue in Taiwan. All subsidiaries within the group will continue to adhere to these standards. 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 2023, no any complaints received about destroying customer privacy or losing customer information, nor did any counterfeiting, infringement or other incidents occur.					None



Assessment Item	Implementation Status			Discrepancy and The Reasons
	Yes	No	Summary	
			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 2023, Taiwan headquarter conducted on-site visits to 82 companies and provided a direct and immediate complaint channel for customers to safeguard their basic rights.	
(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 economic, social, and environmental dimensions into the sustainability management policy. To ensure suppliers uphold corporate social responsibility, the Company not only employ assessment mechanisms to demand competitive quality, delivery times, and technology but also deepen management through the signing of the "Nan Pao Resins Supplier Code of Conduct" and the implementation of strategies to increase local procurement. In 2023, all group raw material suppliers completed the signing of the Code of Conduct statement.	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 "Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies" of Taiwan Stock Exchange Corporation. 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). The 2023 sustainability report will undergo an independent Limited Assurance engagement conducted by Ernst & Young Certified Public Accountants, in accordance with the No. 3000 Assurance Standard, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information," 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: <ul style="list-style-type: none"> <li>(1) In 2022, the Company established a Net Zero Carbon Roadmap and committed to achieving carbon neutrality by 2050.</li> <li>(2) The Company uses 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.</li> <li>(3) For information regarding the Company's participation in local community education development and caring for disadvantaged activities, please refer to chapter seven of the Sustainability Report.</li> <li>(4) Information related to the Company's corporate sustainability development initiatives is disclosed on the Corporate Sustainability section of the Company website on <a href="https://www.nanpao.com/csr.aspx">https://www.nanpao.com/csr.aspx</a></li> </ul>				



(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>To strengthen sustainable environmental performance and climate risk governance, Nan Pao Resins has established a comprehensive environmental management and climate governance structure with layered responsibilities, and is committed to achieving various performance related to environmental management. The roles at each level are as follows:</p> <p>(1)Board of Directors: As the highest climate governance unit of Nan Pao Resins, the Board oversees the Risk Management Team and the Corporate Sustainability Development Promotion Committee, serving as the convener. The Board regularly monitors the Company's overall corporate sustainability development strategies, goals, and results, including the implementation performance of climate change action plans, and provides appropriate recommendations.</p> <p>(2)Corporate Sustainability Development Promotion Committee: This committee is responsible for formulating the Company's sustainability issues and climate-related governance strategies. The CEO, who belongs to the Corporate Sustainability Development Promotion Committee and serves as the convener of the Risk Management Team under the Board, regularly reviews internal sustainability promotion strategies and guidelines while keeping abreast of external environmental changes. The CEO ensures that the Company's sustainability risks and opportunities are integrated into the overall risk management framework. Annually, the CEO reports on strategies and progress to the Board and the Risk Management Team, effectively unifying risk management outcomes across the group and its subsidiaries.</p> <p>(3)ESG Working Group: Led by the CEO acting as the Chief Sustainability Officer, the Operations Management Department heads for each subsidiary. According to the "Nan Pao Resins Net Zero Emission Management Plan," monthly meetings are held to review carbon reduction plans and performance for each unit. The Planning Department integrates daily management activities related to climate change and energy issues across the Company's facilities, auditing their execution quality and effectiveness, and regularly reporting to the Chairman.</p> <p>(4)Operational Units: Including energy-saving management and safety and health functions within the facilities, these units are overseen by the General Manager as the chairman. The Deputy General Manager of production at each facility promote the effective operation of the environmental management system. Each operational unit is responsible for driving environmental projects and managing major environmental risks and opportunities.</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: 2023 TCFD Climate-related Risk and Opportunities and Their Financial Impact.</p>



Items	Implementation Status
3. Describe the financial impacts of extreme weather events and transition actions.	Please refer to Note 1: 2023 TCFD Climate-related Risk and Opportunities and Their Financial Impact.
4. Describe how the identification, assessment, and management process of climate risks are integrated into the overall risk management system.	<p>Nan Pao Resins has established a list of climate-related risks and opportunities based on the TCFD framework. Utilizing the professional insights of department heads across different facilities, the Company evaluates the potential operational impacts of climate change on supply chains, R&amp;D, and operations over short, medium, and long-term periods. Identified significant climate-related risks are integrated into the Company's overall risk management framework and are regularly assessed, controlled, and monitored in accordance with Nan Pao Resins Group's "Risk Management Policy and Procedures."</p> <p>The process for identifying major climate change risks and opportunities at Nan Pao Resins is as follows:</p> <ul style="list-style-type: none"> <li>● Step 1: Identification of Climate-Related Risks and Opportunities Nan Pao Resins identifies climate-related risks and opportunities by adhering to TCFD guidelines and international reports, while considering the unique characteristics of the Company. This involves evaluating issues related to product application, supply chain, response and mitigation actions, new product and technology development, and production operations. The Company has summarized seven transition risks, five physical risks, and five potential opportunities.</li> </ul>
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.	<ul style="list-style-type: none"> <li>● Step 2: Climate Scenario Analysis Nan Pao Resins utilizes research reports from the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) to analyze the impact of climate change over time under two distinct scenarios, aligned with the Company's current strategies: <ul style="list-style-type: none"> <li>1. IEA Net Zero Emissions (NZE) Scenario: This scenario assumes achieving net-zero emissions by 2050. It examines the impact of decarbonization factors derived from the energy sector on various operational aspects of the Company's low-carbon transition.</li> <li>2. IPCC SSP5-8.5 High Emissions Scenario: This scenario assumes the highest greenhouse gas emissions with minimal climate policies. It simulates extreme climate factors to assess the adaptive actions required for the Company's production sites to mitigate climate impacts.</li> </ul> </li> <li>● Step 3: Identification of Major Risks and Opportunities Nan Pao Resins convenes meetings with different departments and business units to discuss the timing, likelihood, and impact of various risk and opportunity issues. The results of these evaluations are used to create a climate change risk and opportunity matrix, identifying major risks and opportunities.</li> </ul>
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.	<ul style="list-style-type: none"> <li>● Step 4: Tracking and Managing Risks and Opportunities with Appropriate Metrics and Targets For significant climate risks and opportunities, each department and business unit develops response measures and tracking indicators. These are monitored regularly according to the risk management process to ensure effective risk control and oversight.</li> </ul>



Items	Implementation Status
	(1)Greenhouse Gas Reduction A. The aim is to complete the ISO14064-1 carbon inventories for all facilities in Scope 1, Scope 2, and Scope 3 carbon inventories for all facilities by 2027. B. Achieve a 10% reduction in carbon intensity by 2025. C. Attain carbon neutrality by 2050. (2)Renewable Energy Installation A. Complete the installation of renewable energy facilities with a capacity of 2,500 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 assurance as well as the reduction targets, strategies and specific action plans: 9-1 Greenhouse Gas Inventory and Assurance for the Most Recent Two Years 9-1-1 Greenhouse Gas Inventory Information	
The following outlines the greenhouse gas (GHG) emissions (in tons CO2e), intensity (tons CO2e per million TWD in revenue), and scope of data coverage for the most recent two years:	
1. The parent company shall conduct GHG inventories since 2022. 2. Subsidiaries included in consolidated financial statements shall also conduct GHG inventories since 2022. The consolidated company has established a GHG inventory mechanism based on the ISO 14064-1 standard published by the International Organization for Standardization (ISO). From 2022 onwards, the Company has conducted annual GHG inventories for the parent company and its subsidiaries included in the consolidated financial statements. This process ensures comprehensive monitoring of GHG usage and emissions, as well as verification of emission reduction efforts. The GHG inventory data for the most recent two years have been compiled according to the operational control approach, encompassing GHG emissions from both the parent company and all subsidiaries included in the consolidated financial statements. The details are as follows:	



Items		Implementation Status																																
		<table> <tr> <th colspan="2"></th><th colspan="2">2022</th></tr> <tr> <th colspan="2"></th><th>Emissions (tons CO2e)</th><th>Intensity (tons CO2e per million TWD in revenue)</th></tr> <tr> <td rowspan="4">Parent Company</td><td>Scope 1</td><td>5,552.80</td><td rowspan="8"></td></tr> <tr> <td>Scope 2</td><td>9,312.80</td></tr> <tr> <td>Scope 3</td><td>100,349.23</td></tr> <tr> <td>Subtotal</td><td>115,214.83</td></tr> <tr> <td rowspan="4">Subsidiaries Included in Consolidated Financial Statements (Note)</td><td>Scope 1</td><td>4,676.51</td></tr> <tr> <td>Scope 2</td><td>10,177.38</td></tr> <tr> <td>Scope 3</td><td>405,249.22</td></tr> <tr> <td>Subtotal</td><td>420,103.11</td></tr> <tr> <td colspan="2">Total</td><td>535,317.94</td><td>1.57</td></tr> </table>				2022				Emissions (tons CO2e)	Intensity (tons CO2e per million TWD in revenue)	Parent Company	Scope 1	5,552.80		Scope 2	9,312.80	Scope 3	100,349.23	Subtotal	115,214.83	Subsidiaries Included in Consolidated Financial Statements (Note)	Scope 1	4,676.51	Scope 2	10,177.38	Scope 3	405,249.22	Subtotal	420,103.11	Total		535,317.94	1.57
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Note : The scope includes Foshan Nan Pao, Foshan Nan Pao Advanced Materials, Dongguan Nan Pao, Dongguan Jiaqin, KunShan Nan Pao, Fuqing Nan Pao, Vietnam Nan Pao, Vietnam Materials, Vietnam Advanced Materials and Vietnam NNV.																																		
<b>9-1-2 Greenhouse Gas Assurance Information</b>																																		
This section provides details on the assurance status of greenhouse gases for the most recent two years as of the annual report's publication date. It includes the scope of assurance, assurance body, assurance standards, and assurance opinions.																																		
1. The parent company shall implement assurance since 2022. 2. Subsidiaries included in the consolidated financial statements shall also implement assurance since 2022. For the total GHG emissions disclosed in section 9-1-1, the assurance scope for 2022 includes both the parent company and subsidiaries included in the consolidated financial statements(Note), accounting for 100% of total emissions for the respective year. SGS has conducted verification using the ISO 14064-1:2018 standard, which provides guidelines for quantifying and reporting GHG emissions and removals at the organizational level. The verification for Scope 1 and Scope 2 emissions confirmed compliance with a reasonable assurance level recognized by regulatory authorities, showing no material discrepancies. Scope 3 to Scope 6 emissions were verified to a limited assurance level. Note : The scope includes Foshan Nan Pao, Foshan Nan Pao Advanced Materials, Dongguan Nan Pao, Dongguan Jiaqin, KunShan Nan Pao, Fuqing Nan Pao, Vietnam Nan Pao, Vietnam Materials, Vietnam Advanced Materials and Vietnam NNV.																																		



Items	Implementation Status
<p data-bbox="152 212 931 244">9-2 GHG Reduction Targets, Strategies, and Specific Action Plans</p> <div data-bbox="197 244 2033 312"> <p data-bbox="197 244 2033 312">This section outlines the base year and data for GHG reduction, reduction targets, strategies, specific action plans, and progress toward achieving the reduction targets.</p> </div> <div data-bbox="197 312 2033 352"> <p data-bbox="197 312 2033 352"><u>GHG Reduction Base Year and Targets</u></p> </div> <p data-bbox="197 363 2033 499">To plan GHG reduction strategies, the consolidated company completed an inventory with the boundary set to the consolidated financial report for 2022, thus establishing 2022 as the base year. The Scope 1 and Scope 2 emissions were 10,229.31 tons CO<sub>2</sub>e and 19,490.18 tons CO<sub>2</sub>e, respectively. The Company aims to achieve a 10% reduction by 2024 compared to the base year and a minimum of a 5% annual reduction starting from the base year, with a target to achieve a 50% reduction by 2032.</p> <div data-bbox="197 515 2033 555"> <p data-bbox="197 515 2033 555"><u>GHG Reduction Strategies and Specific Action Plans</u></p> </div> <p data-bbox="197 566 2033 906">The consolidated company integrates carbon management into its operational strategies, including implementing a carbon management platform and linking ESG performance to manager and employee rewards to find breakthroughs in carbon reduction. In response to internal and external pressures and risks brought by the “Renewable Energy Development Act” and requirements to increase the proportion of green electricity, the company evaluates the opportunities of low-carbon transitions, adjusting policies and plans dynamically. The development of advanced carbon reduction technologies such as process improvements, carbon capture and storage, or low-carbon investments is also considered. In addition, through the carbon management platform, the emissions information of the entire group is systematically integrated, enabling real-time access to the necessary information for carbon management. This facilitates comprehensive supervision of multiple greenhouse gas reduction projects, including enhancing energy efficiency, purchasing energy-saving machinery, establishing solar power generation systems, reducing greenhouse gas emissions at the source, installing high-efficiency equipment, evaluating the adoption of low-carbon fuels/energy, and developing negative carbon technologies. These measures ensure that reduction targets are met, actively reducing the impact of carbon emissions and enhancing operational competitive advantage.</p> <p data-bbox="197 922 2033 1023">To ensure that the management, execution teams, and all employees work together to achieve greenhouse gas reduction goals and improve resource efficiency, key project objectives have been incorporated into operational performance indicators. These serve as the basis for employee performance evaluation and bonuses, promoting a culture of accountability in management.</p>	



Note 1: 2023 TCFD Climate-related Risk and Opportunities and Their Financial Impact

Climate-related Risks and Opportunities	Context	Situation Analysis Event	Impact on the Operations of Nan Pao Resin	Coping Strategies	Management Indicators and Goals
T5 Transition Risk : Meeting Customers' Value Chain Carbon Reduction Goals	1.5°C temperature rise (IEA NZE)	<ul style="list-style-type: none"> <li>Customers need to achieve low-carbon goals and meet sustainable product standards.</li> </ul>	<ul style="list-style-type: none"> <li>Nan Pao Resins has met major customers' short-term goals; however, their mid-term carbon reduction targets will significantly increase.</li> </ul>	<ul style="list-style-type: none"> <li>Nan Pao Resins is continually developing water-based green products and expanding the application of low-carbon materials in the mid-term.</li> </ul>	<ul style="list-style-type: none"> <li>Greenhouse Gas Reduction <ul style="list-style-type: none"> <li>■ The aim is to complete the ISO14064-1 carbon inventories for all facilities in Scope 1, Scope 2, and Scope 3 by 2027.</li> <li>■ Achieve a 10% reduction in carbon intensity by 2025.</li> <li>■ Attain carbon neutrality by 2025.</li> </ul> </li> <li>Renewable Energy Installation <ul style="list-style-type: none"> <li>■ Complete the installation of renewable energy facilities with a capacity of 2,500 kW at the plant by 2025.</li> </ul> </li> </ul>
O3 Opportunity : Meeting Customer Demand for Low-carbon Products			<ul style="list-style-type: none"> <li>Nan Pao Resins strives to replace petroleum-based materials. Meeting customer demands for green products will enhance product competitiveness.</li> </ul>		
T4 Transition Risk : Product Transformation Using Low-Carbon Materials or Electric Production Processes		<ul style="list-style-type: none"> <li>Prices of bio-based raw materials may increase due to land use and energy demand changes under high economic development scenarios.</li> </ul>	<ul style="list-style-type: none"> <li>Short-to-mid-term customer requirements and the rising cost of bio-based raw materials will have minimal impact; however, significant long-term price increases will impact costs.</li> </ul>	<ul style="list-style-type: none"> <li>As new low-carbon products are developed, simultaneously establish sales channels for green products to increase market share.</li> </ul>	
T2 Transition Risk : Carbon Fees or Purchasing Credits Due to GHG Emission Regulations		<ul style="list-style-type: none"> <li>Evaluate carbon fees and carbon credit prices based on plant locations.</li> </ul>	<ul style="list-style-type: none"> <li>Carbon emissions from Nan Pao Resins' operations, if subject to local carbon fees/credit rates, will impact production costs.</li> <li>Upstream suppliers in carbon-intensive industries may pass on carbon costs, affecting procurement costs.</li> </ul>	<ul style="list-style-type: none"> <li>Production units will continue implementing energy-saving and carbon-reduction plans and planning for renewable energy installations.</li> <li>Collaborate with the supply chain to reduce emissions, minimizing value chain carbon fee risks.</li> </ul>	



Climate-related Risks and Opportunities	Context	Situation Analysis Event	Impact on the Operations of Nan Pao Resin	Coping Strategies	Management Indicators and Goals
O5 Opportunity : Expanding into the Carbon Fiber Lightweight Market	1.5°C temperature rise (IEA NZE)	<ul style="list-style-type: none"> <li>The global wind power, electric vehicle, and hydrogen energy markets are growing annually under low-emission scenarios, driving the demand for lightweight carbon fiber products.</li> </ul>	<ul style="list-style-type: none"> <li>Nan Pao Resins is developing carbon fiber products to enter the wind power, electric vehicle, and hydrogen energy markets, increasing revenue opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>Invest in the development and testing of lightweight market application products to penetrate emerging markets.</li> </ul>	
O4 Opportunity : Developing Products for Extreme Climate Adaptation		<ul style="list-style-type: none"> <li>The construction sector is advocating for zero-carbon buildings to achieve net-zero, increasing the market for thermal insulation and energy-saving coatings.</li> </ul>	<ul style="list-style-type: none"> <li>Nan Pao Resins' thermal insulation and energy-saving coatings can capture revenue opportunities from the construction market replacement cycle.</li> </ul>	<ul style="list-style-type: none"> <li>Maintain stable operations in the thermal insulation and energy-saving coatings market to sustain product market share advantages.</li> </ul>	



(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) 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. The enactment of "Procedures for Ethical Management and Guidelines for Conduct" and "Code of Ethical Conduct" has been disclosed on the Company's website. 2.In addition to the policies and practices of integrity management explicitly stated in the aforementioned measures, both the members of the Board of Directors and the management team adhere to the principles of integrity management in carrying out business operations. In 2023, all directors and senior managers signed a declaration to adhere to the integrity management policy, ensuring the sincere commitment and determination of the Company to integrity management are accurately implemented and demonstrated.	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 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) 1.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. 2. To encourage employees to maintain an awareness of integrity behavior, the requirement for new hires to abide by the Company's integrity management policy is explicitly stipulated in the employment contracts. Upon joining the Company, all new employees are required to sign a "Employee Code of	None



Assessment Item	Implementation Status			Discrepancy and The Reason
	Yes	No	Summary	
			<p>Conduct," and annual internal educational training courses are regularly conducted. Furthermore, the promotion of "Procedures for Ethical Management and Guidelines for Conduct" and "Code of Ethical Conduct" are advocated. In 2023, the number of newly hired personnel who received internal education training sessions reached 146, with a total training time of 438 hours, achieving a completion rate of 100%.</p> <p>3. In addition to disseminating the aforementioned integrity regulations for employment behavior on the internal website, periodic or ad hoc promotions of the regulations and relevant cases of integrity behavior to colleagues during weekly or other internal meetings are conducted. In 2023, the "Statement of Ethics" was revised to "Employee Code of Conduct " and employees were encouraged to sign it. A total of 2,621 statements were collected, with a signing rate of 85% for the group. Furthermore, the reporting of third-degree relative ethical behavior guidelines for employees is continuously implemented annually.</p> <p>4. Furthermore, to meet the high requirements of compliance with regulations and professional ethics norms, the Company has established the " Regulations Governing Whistle-blowing from Internal and External Parties" for dealing with dishonest behavior. This procedure is publicly disclosed on the Company's official website and internal information sharing platform, clearly specifying the units responsible for receiving reports, reporting channels, and processing procedures. Additionally, a stakeholder communication zone is set up on the Company's official website, where stakeholders can submit suggestions and complaints using the provided communication channels. After receiving feedback, the Company conducts investigations and subsequent actions by the responsible units. In 2023, the Company established the "Integrity Management Promotion Team" under the level of the Board of Directors as a dedicated unit to promote corporate integrity management. This team is responsible for the implementation and execution of integrity management policies and preventive measures, as well as regular reviews and revisions of relevant regulations and procedures.</p>	
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)	✓		(2) The Company has dedicated the Finance Management Division for responsible coordinating and promoting various corporate integrity management-related matters. In September, 2023, to effectively implement and continuously strengthen the promotion of various initiatives, the Company established	None



Assessment Item	Implementation Status			Discrepancy and The Reason
	Yes	No	Summary	
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?			the "Integrity Management Promotion Team" at the level of the Board of Directors. The CEO serves as the convener and chairman of the meetings, with the Assistant General Manager of the Finance Management Division serving as the executive secretary. Additionally, the highest executives from each functional unit serve as members of the promotion team to formulate and supervise the implementation of integrity management policies and preventive measures. The first meeting was held on September 27, 2023, and an annual report on integrity management policies and preventive measures is presented to the Board of Directors. The progress of the 2023 promotion plan and the operation of the Integrity Management Promotion Team were reported to the Board of Directors on December 20, 2023.	
(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 informant 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 2024 audit plan was approved by the Audit Committee and the Board of Directors on December 20, 2023. In addition, each year in the fourth quarter, internal units and 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 2022 were reported to the Audit Committee and the Board of Directors on March 27, 2023.	None
(5) Does the Company provide internal and external ethical conduct training programs on a regular basis?	✓		(5) 1. The Company conducts regular education and training on integrity management-related laws and regulations for employees every year. In 2023, online courses on "Code of Ethics and Integrity Management" were conducted through the Nan Pao E-Learning, with a total of 1,042 participants and 442 hours of training. Additionally, an online course on "Confidentiality Awareness" was conducted, with 812 participants and 208 hours of training, achieving a pass rate of 99.05%.	None



Assessment Item	Implementation Status			Discrepancy and The Reason
	Yes	No	Summary	
			2. 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 23, 2023, a total of 15 participants of directors, managers and employees were given a total of 15 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.	None
(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.	None
(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 ( <a href="https://www.nanpao.com.tw">https://www.nanpao.com.tw</a> ) 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 in the sustainability report under the "Corporate Sustainability" section.	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.				



Assessment Item	Implementation Status			Discrepancy and The Reason
	Yes	No	Summary	
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).				
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. Any dealings with counterparties that involve dishonest behavior was prohibited.				
2. The Company's board of directors has respectively approved the amendment of the "Code of Ethical Conduct" on August 10, 2022, the "Procedures for Ethical Management and Guidelines for Conduct " on December 17, 2020, and the "Regulations Governing Whistle-blowing from Internal and External Parties" on December 22, 2021.				

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

The Company has set up relevant corporate governance regulations which have been disclosed on the "Corporate Governance" section of the Company's website. Investors can directly access the "Regulations for Establishing Corporate Governance" item for inquiries. Such regulations also can be found on the website of <http://mops.twse.com.tw> for investors to review.

(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 2023 was up to 97.74, ranking in the 6-20% range among listed companies for three consecutive years. Measures related to corporate governance will be continuously improved and strengthened.
2. The Company website features a dedicated "Corporate Sustainability" section where sustainability report is published 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	Jan. 18, 2023	Securities and Futures Institute	Corporate Governance and Securities Regulations	3 hrs
		Jul. 14, 2023	Tainan Yitsai Club	How Lighthouse Factory Utilizes Digital Transformation for Sustainable Development	3 hrs
Director	Pou Chien Enterprise Co., Ltd. Representative: Yuan-Whang, Liao	Apr. 14, 2023	Group AG	Corporate Sustainability Operations and Domestic and International Tax Trends	3 hrs
		Jul. 7, 2023~ Aug. 6, 2023	Taiwan Academy of Banking and Finance	E-course on Financial Resilience and Continuous Management in the Post-Pandemic Era	2.25 hrs
		Aug. 10, 2023	Taiwan Corporate Governance Association	Enhancing External Stakeholder Communication to Address Challenges of IFRS 17	1.5 hrs
Director	Guang Rong Investment Ltd. Representative: Ming-Hsien, Hsu	Jan. 18, 2023	Securities and Futures Institute	Corporate Governance and Securities Regulations	3 hrs
		July 14, 2023	Tainan Yitsai Club	How Lighthouse Factory Utilizes Digital Transformation for Sustainable Development	3 hrs
Director	Guang Rong Investment Ltd. Representative: Ying-Lin, Huang	Jan. 18, 2023	Securities and Futures Institute	Corporate Governance and Securities Regulations	3 hrs
		Jul. 14, 2023	Tainan Yitsai Club	How Lighthouse Factory Utilizes Digital Transformation for Sustainable Development	3 hrs
Independent Director	Yun, Chen	Jun. 2, 2023	Securities and Futures Institute	2023 Insider Trading Prevention Promotion Conference	3 hrs
		Jul. 14, 2023	Tainan Yitsai Club	How Lighthouse Factory Utilizes Digital Transformation for Sustainable Development	3 hrs
Independent Director	Yung-Cheng, Chiang	Apr. 10, 2023	Taiwan Investor Relations Institute	2023 KPMG Leadership Academy Forum on "Business Opportunities and Challenges in the Net Zero Trend"	3 hrs
		Apr. 11, 2023	Taiwan Academy of Banking and Finance	Corporate Governance Forum	3 hrs
Independent Director	Chin-Jung, Kuo	Jul. 18, 2023	TWSE	Seminar on Transformative Finance and Sustainable Disclosure	3 hrs
		Aug. 7, 2023	National Federation of CPA Associations of the Republic of China	IFRS 2 Share-based Payment and Important Issues on IFRS 9, IFRS 15, IFRS 16	3 hrs
		Sep. 4, 2023	Financial Supervisory Commission	14th Taipei Corporate Governance Forum	3 hrs
		Sep. 11, 2023	National Federation of CPA Associations of the Republic of China	IAS 12 Income Taxes	3 hrs
		Sep. 23, 2023	TWSE	Practical Seminar on Sustainable Development	3 hrs



(X) Internal Control System Execution Status

1. Statement of Internal Control System

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

Statement of Internal Control System

March 14, 2024

This Statement of Internal Control System is issued based on the self-assessment of the Company for the year 2023:

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, 2023 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 14, 2024, 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 21, 2023:

Number	Resolution	Implementation
1.	Acknowledgment of the 2022 business report and financial statements (Proposed by the Board of Directors)	※The proposal was approved by the participating Shareholders with 96.66% approved percentage.
2.	Acknowledgment of the 2022 earnings distribution (Proposed by the Board of Directors)	(1)The proposal was approved by the participating Shareholders with 96.88% approved percentage. (2)The ex-dividend date was set on July 1, 2023. Cash dividends totaled NT\$1,205,707,800 (NT\$10 per share) has been distributed on July 20, 2023.
3.	Board of Directors election (Includes independent directors) (Proposed by the Board of Directors)	(1) Seven directors were appointed, including three independent directors, for a term of three years from June 21, 2023 to June 20, 2026. (2) The appointment of the new directors was approved by the Ministry of Economic Affairs (Jingshangzi No. 11230129260) on July 11, 2023.
4.	Discussion to remove the non-competition restrictions of directors (Proposed by the Board of Directors)	※The proposal was approved by the participating Shareholders with 96.88% approved percentage.

2. Board Meetings

Date	Major Resolutions
20230110	1. Approved the Company's proposal of 2022 performance-based bonuses for managers. 2. Approved the Company's proposal to provide letter of support for subsidiaries.
20230327	1. Approved the Company's proposal of 2022 business report and financial statements. 2. Approved the Company's proposal of 2022 earnings distribution plan. 3. Approved the Company's proposal of 2022 employee and director's remuneration distribution plan. 4. Approved the Company's proposal of distribution of cash dividends from 2022 profits. 5. Approved the Company's proposal of 2022 "Statement on Internal Control System". 6. Approved the change of the Company's financial statement certified public accountant. 7. Approved the Company's proposal to add internal control system of "Review Procedures for Pre-approval of Non-assurance Services Policy". 8. Approved the schedule plan for the Group's greenhouse gas inventory and verification. 9. Approved the Company's proposal of acquisition of equity in "Nan Pao Resins International Ltd".



Date	Major Resolutions
20230327	<ol style="list-style-type: none"> <li>10. Approved the Company's proposal of acquisition of equity in "Nan Pao Resins (HK) Limited ".</li> <li>11. Approved the Company's proposal to provide endorsements or guarantees for subsidiaries.</li> <li>12. Approved the Company's proposal to provide letter of support for subsidiaries.</li> <li>13. Approved the Company's proposal to apply for loan facilities from banks.</li> <li>14. Approved the Company's proposal to amend "Corporate Governance Best Practice Principles".</li> <li>15. Approved the Company's proposal of re-election of directors.</li> <li>16. Approved the Company's proposal of list of directors candidates (include independent directors)</li> <li>17. Approved the Company's proposal to remove the non-competition restrictions of the managers.</li> <li>18. Approved the Company's proposal of removal the non-competition restrictions for newly appointed directors.</li> <li>19. Approved the Company's proposal of the matters related to convene 2023 Annual General Meeting and shareholders' proposals.</li> <li>20. Approved the Company's proposal of the matters related to list of directors candidates (include independent directors).</li> </ol>
20230510	<ol style="list-style-type: none"> <li>1. Approved the Company's proposal of appointment and salary adjustment for managers.</li> <li>2. Approved the Company's proposal of consolidated financial statements for the first quarter of 2023.</li> <li>3. Approved the Company's proposal of earnings distribution for the first quarter of 2023.</li> <li>4. Approved the Company's proposal to apply for a fund loan of USD 21 million from its subsidiary "Nan Pao Group Holdings Ltd.".</li> <li>5. Approved the Company's proposal to provide endorsements or guarantees for subsidiaries.</li> <li>6. Approved the Company's proposal to provide letter of support for subsidiaries.</li> <li>7. Approved the Company's proposal to apply for loan facilities from banks.</li> </ol>
20230621 (interim)	<ol style="list-style-type: none"> <li>1. Approved the Company's proposal of Chairman election.</li> <li>2. Approved the Company's proposal of appointment of the fourth term Remuneration Committee members.</li> <li>3. Approved the Company's proposal of appointment of the third term Corporate Sustainability Development Promotion Committee members.</li> <li>4. Approved the Company's proposal of the remuneration for independent directors.</li> </ol>
20230809	<ol style="list-style-type: none"> <li>1. Approved the Company's proposal of appointment and promotion for managers as well as the salary adjustment.</li> <li>2. Approved the Company's proposal of consolidated financial statements for the second quarter of 2023.</li> <li>3. Approved the Company's proposal of earnings distribution for the second quarter of 2023.</li> <li>4. Approved the Company's proposal of additional investment in the Mainland China subsidiary, "NanPao Fine Chemical Materials (Anhui) Co., Ltd.".</li> <li>5. Approved the Company's proposal to provide endorsements or guarantees for subsidiaries.</li> <li>6. Approved the Company's proposal to provide letter of support for subsidiaries.</li> <li>7. Approved the Company's proposal to apply for loan facilities from banks.</li> </ol>



Date	Major Resolutions
20231109	<ol style="list-style-type: none"> <li>1. Approved the Company's proposal of appointment and salary adjustment for managers.</li> <li>2. Approved the Company's proposal of consolidated financial statements for the third quarter of 2023.</li> <li>3. Approved the Company's proposal of earnings distribution for the third quarter of 2023.</li> <li>4. Approved the Company's proposal of additional investment in the Mainland China subsidiary, "Nanpao New Materials (Huaian) Co., Ltd.".</li> <li>5. Approved the Company's proposal to amend "Risk Management Policies and Procedures".</li> <li>6. Approved the Company's proposal to amend "Articles of Audit Committee".</li> <li>7. Approved the Company's proposal to amend "Rules Governing Financial and Business Matters Between this Corporation and its Related Parties" and abolish "Measures for the Management of Transactions between Related Parties".</li> <li>8. Approved the Company's proposal to amend "Subsidiary Supervision Regulations".</li> <li>9. Approved the Company's proposal to amend "Purchase and Payment Cycle".</li> <li>10. Approved the Company's proposal to amend "Computer Processing Cycle".</li> <li>11. Approved the Company's proposal to provide letter of support for subsidiaries.</li> <li>12. Approved the Company's proposal to apply for loan facilities from banks.</li> </ol>
20231220	<ol style="list-style-type: none"> <li>1. Approved the Company's proposal of 2024 Business Plan.</li> <li>2. Approved the Company's proposal of 2024 internal audit plan.</li> <li>3. Approved the Company's proposal of Sustainable Development Work Plan for 2024.</li> <li>4. Approved the Company's proposal of donation to the affiliate "Nan Pao Social Welfare Foundation".</li> <li>5. Approved the Company's proposal of the list of non-assurance services and the independence assessment.</li> <li>6. Approved the Company's proposal to provide endorsements or guarantees for subsidiaries.</li> <li>7. Approved the Company's proposal to cancel letter of support for subsidiaries.</li> <li>8. Approved the Company's proposal to apply for loan facilities from banks.</li> </ol>

(XIII) Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors in 2023 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 2023 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	Chao-Chin Yang	20230101~ 20231231	6,550	4,871	11,421	Note
	Chi-Chen, Lee					

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



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

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

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

**(I) Changes in Shareholding of Directors, and Managers**

Unit: shares

Job Title	Name	2023		As of April 14, 2024	
		Increase (decrease) of Shares Held	Increase (decrease) of Shares Pledged	Increase (decrease) of Shares Held	Increase (decrease) of Shares Pledged
Chairman	Cheng-Hsien, Wu	(11,144)	0	0	0
Director	Guang Rong Investment Ltd.	0	0	0	0
	Representative: Ming-Hsien, Hsu	0	0	0	0
	Representative: Ying-Lin, Huang	0	0	0	0
Director	Pou Chien Enterprise Co., Ltd.	0	0	0	0
Independent Director	Yun, Chen	0	0	0	0
Independent Director	Yung-Cheng, Chiang	0	0	0	0
Independent Director	Yi-Hsi, Lee Date of dissolution: 20230621 (Note 1)	0	0	0	0
Independent Director	Chin-Jung, Kuo On board date: 20230621 (Note 1)				
CEO	Ming-Hsien, Hsu	0	0	0	0
Executive General Manager of Sports Goods Adhesives and Materials Business Division	Chao-Chian, Tsai Date of dissolution: 20231017 (Note 1)	(48,000)	0	0	0
Executive General Manager of Sports Goods Adhesives and Materials Business Division	Ying-Lin, Huang On board date: 20230510 (Note 1)	0	0	0	0
Executive General Manager of Paints and Coatings Business Division	Shun-Hsing, Wu	0	0	0	0
Executive General Manager of Adhesives and Specialty Business Division	Sen-Mao, Kuo	0	0	0	0
General Manager of Operation Management Division	Yi-Jen, Fang	0	0	0	0
Deputy General Manager of Footwear Production Dept., 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	(9,000)	0



Job Title	Name	2023		As of April 14, 2024	
		Increase (decrease) of Shares Held	Increase (decrease) of Shares Pledged	Increase (decrease) of Shares Held	Increase (decrease) of Shares Pledged
R&D Technical Deputy General Manager of Sports Goods Adhesives and Materials Business Division	Sen-Pei, Hung	(13,000)	0	0	0
Deputy General Manager of Planning Department, Strategic Management Division	Ping-Feng, Lai	0	0	0	0
Deputy General Manager of Planning Department, Strategic Management Division	Wen-Cheng, Liu Date of dissolution: 20230131 (Note 1)	0	0	0	0
Deputy General Manager of Planning Department, Strategic Management Division	Jung-Wen, Kuo	(1,184)	0	0	0
Deputy General Manager of Executive Office, Adhesives and Specialty Business Division	Kuo-Chin, Liu On board date: 20231109 (Note 1)	0	0	0	0
Assistant Manager of Sports Goods Adhesives and Materials Business Division	Kuang-Hua, Lin On board date: 20230809 Date of dissolution: 20230930 (Note 1)	0	0	0	0
Assistant Manager of Overseas Sales Division	Chin-Fu, Hsu	6,000	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	0	0	0	0
Assistant Manager of HR Dept., Strategic Development Division	Hui-Fen, Lee Date of dissolution: 20230630 (Note 1)	(26,000)	0	0	0
Assistant Manager of IT Dept., Strategic Development Division	Pei-Yi, Kuo	0	0	0	0
Assistant Manager of Footwear Second Business Dept., Sports Goods Adhesives and Materials Business Division	Cheng-Hao, Kuo On board date: 20230809 (Note 1)	0	0	0	0

Note 1: 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	20231117	Dai-Ying, Wu	Father and son	5,572	199
Cheng-Hsien, Wu	Gifting	20231117	Yi-Lin, Wu	Father and son	5,572	199

## (III) Shares Pledged with Related Parties: None.



# IX. Relationship Among the Top Ten Shareholders

April 14, 2024 / 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	260	0.00	100	0.00	-	-	None	None	
Pou Chien Enterprise Co., Ltd.	10,920,248	9.06	-	-	-	-	None	None	
Representative: Hui-Chi, Wu	-	-	-	-	-	-	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 Blue Cross 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	
Yue Dean Technology Corporation	7,689,000	6.38	-	-	-	-	None	None	
Representative: Yu-Jyun, Chen	-	-	-	-	-	-	None	None	
The Bank of Taiwan Entrusted Custodian Investment Account of Yuan-tai High Dividend Low Volatility ETF	4,060,000	3.37	-	-	-	-	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, 2023 / 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.	18,131,198	49.53	-	-	18,131,198	49.53
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.	18,880,000	100.00	-	-	18,880,000	100.00
Fuqing Nan Pao Investment Ltd.	4,990,000	100.00	-	-	4,990,000	100.00
Thai Nan Pao Investments Ltd.	5,282,000	100.00	-	-	5,282,000	100.00
Nan Pao Resins India Pvt. Ltd.	6,200,000	100.00	-	-	6,200,000	100.00
Nan Pao Materials Resins India Private Limited	8,076,000	100.00	-	-	8,076,000	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.	5,390,000	49.00	2,035,000	18.50	7,425,000	67.50
Nan Pao Philippines Export Inc.	25,750,000	100.00	-	-	25,750,000	100.00
Nan Pao Resins Chemical (Bangladesh) Co., Ltd.	284,425	100.00	-	-	284,425	100.00
Earnest Wealth Co., Ltd.	920,000	51.11	-	-	920,000	51.11
Nan Pao Resins International Ltd.	1,000	100.00	-	-	1,000	100.00
Nan Pao Resins ( HK ) Ltd.	13,400,000	100.00	-	-	13,400,000	100.00

Note: Not applicable for limited companies.



## IV. Capital Overview

### I. Capital and Shares

#### (I) Source of Capital

##### 1. Formation of Capital

April 30, 2024

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, 2024/ 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 14, 2024/ Unit: Person ; Shares

Quantity \ Shareholder Structure	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	0	11	67	3,338	207	3,623
Shareholding	0	4,861,427	75,382,959	16,431,717	23,894,677	120,570,780
Percentage	0.00%	4.03%	62.52%	13.63%	19.82%	100.00%



## (III) Shareholding Distribution Status

April 14, 2024 / Unit: Person; Shares

Shareholding Range	Number of shareholders	Shareholding	Shareholding Percentage
1-999	1,531	156,245	0.13%
1,000-5,000	1,543	2,716,558	2.25%
5,001-10,000	179	1,353,389	1.12%
10,001-15,000	75	962,969	0.80%
15,001-20,000	49	886,292	0.74%
20,001-30,000	45	1,117,962	0.93%
30,001-40,000	30	1,063,804	0.88%
40,001-50,000	22	990,346	0.82%
50,001-100,000	55	4,072,797	3.38%
100,001-200,000	38	5,398,249	4.48%
200,001-400,000	25	7,214,534	5.98%
400,001-600,000	4	2,043,540	1.69%
600,001-800,000	6	4,089,389	3.39%
800,001-1,000,000	5	4,460,768	3.70%
1,000,001 or over	16	84,043,938	69.71%
Total	3,623	120,570,780	100.00%

## (IV) List of Major Shareholders

April 14, 2024 / 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%
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 Blue Cross Development Co., Ltd.	7,850,523	6.51%
Pao-Wang Investment Co., Ltd.	7,828,068	6.49%
Yue Dean Technology Corporation	7,689,000	6.38%
The Bank of Taiwan Entrusted Custodian Investment Account of Yuanta Taiwan High Dividend Low Volatility ETF	4,060,000	3.37%
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, 2024 (Note5)
Market Price per Share (Note 1)	Highest Market Price	151.50	303.50	364.50
	Lowest Market Price	119.00	131.50	265.00
	Average Market Price	133.40	185.14	310.21
Net Worth per Share	Before Distribution	120.69	109.29	-
	After Distribution	110.69	94.29	-
Earnings per Share	Weighted Average Shares (thousand shares)	121,027	120,899	-
	Earnings Per Share	14.44	20.14	-
Dividend per Share	Cash Dividends	10	15	-
	Stock Dividends	Dividends from Retained Earnings		-
		Dividends from Capital Surplus		-
	Accumulated Undistributed Dividends		-	-
Return on Investment	Price / Earnings Ratio (Note2)	9.24	9.19	-
	Price / Dividend Ratio (Note3)	13.34	12.34	-
	Cash Dividend Yield Rate (Note4)	7.50%	8.10%	-

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 14, 2024, the Board of Directors of the Company had approved the resolution to distribute a cash dividend of NT\$15 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\$67,600,000
    - B: Stock compensation for employees: NT\$0
    - C: Director compensation: NT\$28,600,000
    - 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	52,000
Director Compensation - Cash	22,000
Total	74,000

(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	2022		2023	
	Salea Amounts	Sales %	Salea Amounts	Sales %
Adhesives	16,067,488	73.02	14,502,300	70.46
Coatings	1,654,275	7.52	1,456,431	7.08
Others	4,282,550	19.46	4,622,457	22.46
Total	22,004,313	100.00	20,581,188	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	Development of low temperature drying PUD
	2	Low temperature rubber outsole alkali wash
	3	Water-based treatment agent for cold light source UV
	4	Chlorine-free rubber treatment agent
	5	Water-based electrode adhesive
	6	Environmentally friendly woodworking glue
	7	Development of 1500mmH <sub>2</sub> O water-based resin with water pressure resistance for bag material coating
	8	Development of waterproof and breathable 3K/3K, PUD for functional fabrics
	9	Butyl hot melt adhesive for solar encapsulation
	10	Car waterproof butyl hot melt adhesive
	11	Solvent-free UVPSA development
	12	Development of high temperature resistant protective film PSA
	13	Development of high-speed peeling protective film PSA
	14	Development of environmentally friendly resin for water-based elastic coatings
	15	Development of biomass water-based PSA for shoe materials
Coatings	1	Floor sound insulation glue
	2	Water-based epoxy antistatic coating
	3	Water-based epoxy anti-corrosion primer
	4	Water-based epoxy conductive coating



Items	No.	New R&D technology or improvement project
Coatings	5	Thermal insulation mortar
	6	Luminous paint
	7	Epoxy potting glue
	8	Water-based bicycle paint
	9	Antistatic powder coating
	10	SIAA polyester antibacterial powder coating
	11	Two-component low-gloss exterior powder coating
Others	1	Highly weather-resistant automotive composite exterior parts epoxy resin
	2	Rapid curing epoxy resin for electronic products
	3	Epoxy resin for composite materials with high biomass content
	4	Fluorine-free anti-siphon additive
	5	Water-based PUD surface layer/base material/surface treatment agent for car leather
	6	Development of food-grade plastic-free paper coatings
	7	Hot stamping transfer release layer water-based resin (highly recycled PET content)
	8	Fabric impregnated with water-based resin
	9	Synthetic leather wear-resistant/solvent-resistant water-based resin

## (II) Industry Overview

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

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

*Source: IEK, Industrial Technology Research Institute (May 2023)*

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. Here is an overview of the adhesive industry and coating industries, which constitute our main revenue streams:

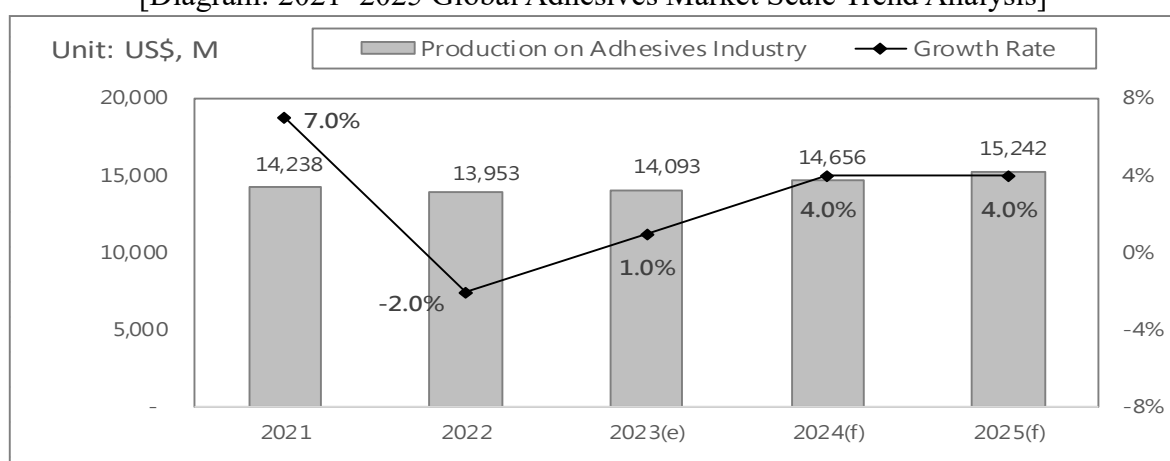
## 1. Industry Status and Development

### (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 the statistical data from the Industrial Technology Research Institute (ITRI) International Center for Materials Technology (ICMT) in 2023, influenced by the Russo-Ukrainian war, the dynamic zero-COVID policy in mainland China, and the tightening of consumer demand due to interest rate hikes by central banks in Europe and the United States, consumer demand and demand for adhesives declined in the latter half of 2022 compared to 2021. The global adhesive market contracted to US\$13,953 million. Looking ahead to 2023, consumer demand in mainland China is expected to grow as the dynamic zero-COVID policy is lifted. Global demand for adhesives is expected to rebound in 2022, but the international oil price is not expected to rise significantly due to interest rate hikes by central banks in Europe and the United States, which suppress demand for crude oil, and policy sanctions against Russia. As a result, the average unit price of global adhesives in 2023 is expected to be lower than in 2022, and the global adhesive market is forecasted to grow only slightly compared to 2022.

[Diagram: 2021~2025 Global Adhesives Market Scale Trend Analysis]



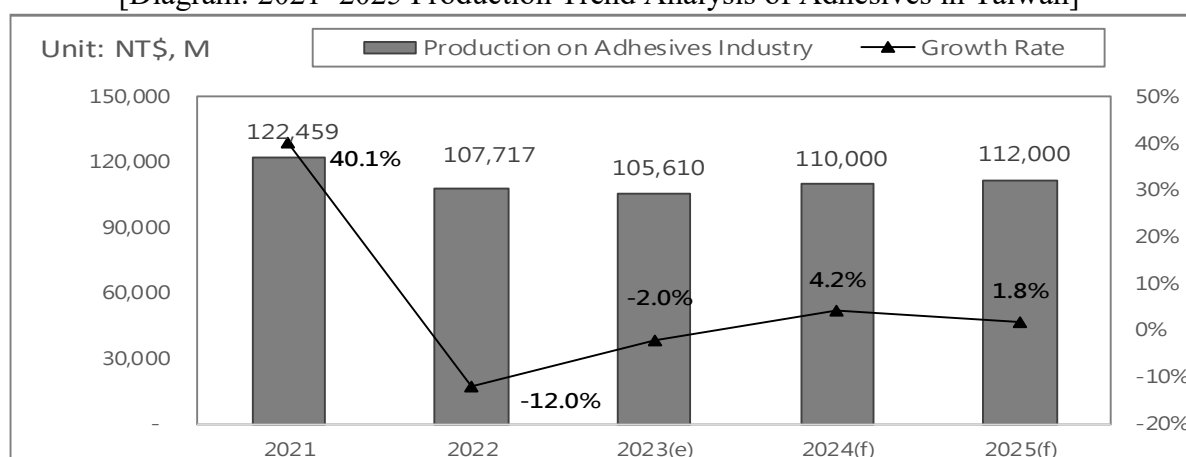
Source: IEK, Industrial Technology Research Institute (May 2023)

According to statistical data from the Industrial Technology Research Institute (ITRI) International Center for Materials Technology (ICMT) in 2023, after the easing of the pandemic in 2021, countries around the world gradually restarted economic activities and returned to normal life, leading to an overall improvement in economic demand, which in turn will drive a recovery in adhesive demand. In 2022, however, the impacts of the Russo-Ukrainian war, interest rate hikes by central banks in Europe and the United States suppressing consumer demand, and mainland China's dynamic zero-COVID policy led to a rapid decline in both adhesive demand and average unit prices. In 2022, Taiwan's adhesive production value declined to NT\$107,717 million, a decrease of 12.0% compared to 2021. Looking ahead to 2023, as the Russo-Ukrainian war continues unresolved and Europe and the United States maintain high-interest rates to suppress domestic inflation and consumer demand, although mainland China has lifted its dynamic zero-COVID policy, adhesive demand and average prices are expected to remain below 2022 levels. It is projected that



Taiwan's adhesive production value will experience a slight decline of 2.0% compared to 2022.

[Diagram: 2021~2025 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.

Adhesives are widely used globally, and with the continuous innovation of end-consumer products, the application areas of adhesives continue to expand. Environmental friendliness, non-toxicity, and high performance are the directions for innovative development of adhesive products. Functional products such as low carbon footprint, low VOC, absence of restricted substances, weather resistance, temperature resistance, thermal conductivity, and high strength are the directions pursued by various manufacturers.

Aligned with the development of the circular economy, adhesive technology also has new areas for innovation. The Company's adhesive products will also move towards green sustainable development. Among them, reversible thermosetting resins, detachable adhesives, biodegradable adhesives, adhesives free of toxic substances, and adhesives with a low carbon footprint will be the focus of future technological development.

## (2) Overview of the Coatings Market

The coating 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 paint development trends focus on energy and environmental issues, with sustainability remaining a key focus. The definition of sustainability is to create a healthier and safer environment for both humans and ecosystems, reducing the use of petrochemical materials, avoiding the generation of greenhouse gases, and mitigating abnormal climate

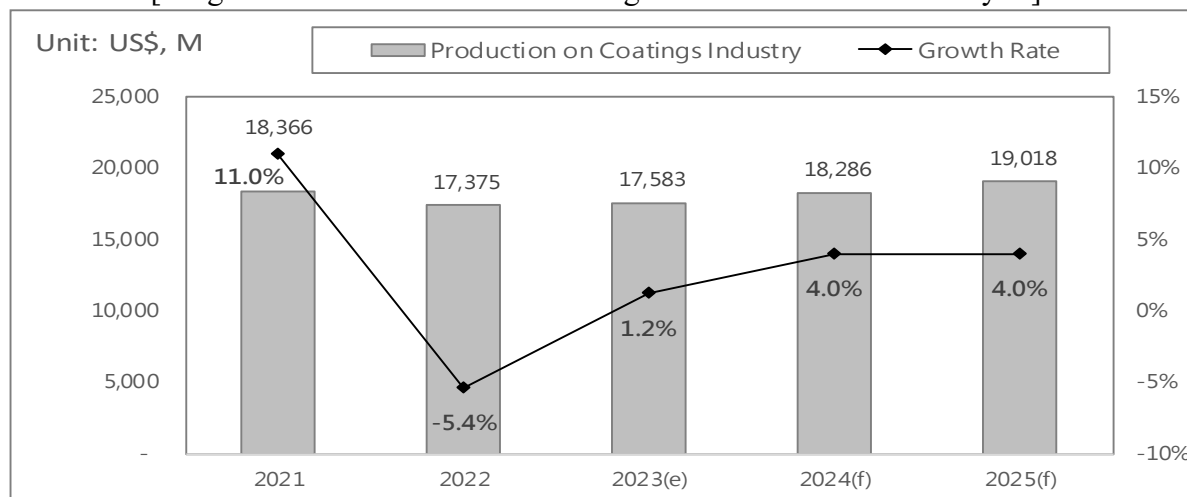


conditions on Earth. These goals are central to the development of the paint industry. In terms of product development trends, three key directions can be identified. Firstly, reducing environmental impact, such as decreasing VOC/toxic emissions, reducing greenhouse gas emissions, and providing a healthier environment. Secondly, improving energy efficiency by using paints that conserve energy. Thirdly, enhancing resource efficiency, for example, by utilizing renewable materials instead of petrochemical resources in paint production.

According to statistical data from the Industrial Technology Research Institute (ITRI) International Center for Materials Technology (ICMT) in 2023, the global coating market reached US\$17,375 million in 2022, with an expected compound annual growth rate (CAGR) of 0.9% from 2021 to 2025. In terms of regional distribution, Asia accounted for 45% of the global coating market in 2022, making it the largest coating-producing region globally. Europe, North America, Latin America, the Middle East, and Africa accounted for 23%, 19%, 7%, and 6% respectively, with Asia occupying roughly half of the global paint market.

Under increasingly stringent government and environmental regulations, the market growth of solvent-based products is being suppressed. In 2021, water-based products led the market, accounting for the largest share, exceeding 39%. It is expected that the increase in construction activity and consumer preference for environmentally friendly products will further support the growth of water-based products during the forecast period. Urbanization and continued growth in the construction industry, particularly in the Asia-Pacific region, are driving the consumption of paints and coatings. The urbanization rate in the Asia-Pacific region is growing at approximately 1.5% annually, the highest in the world. It is estimated that by 2030, more than half of the region's population will reside in urban areas. According to United Nations data, as of 2021, 33 megacities globally require residential planning for rapidly growing urban populations. By 2030, the global construction industry's output is expected to grow by 85% to reach US\$15.5 trillion, with the decorative paint market accounting for approximately 45% of the global market.

[Diagram: 2021~2025 Global Coatings Market Scale Trend Analysis]



Source: IEK, Industrial Technology Research Institute (May 2023)

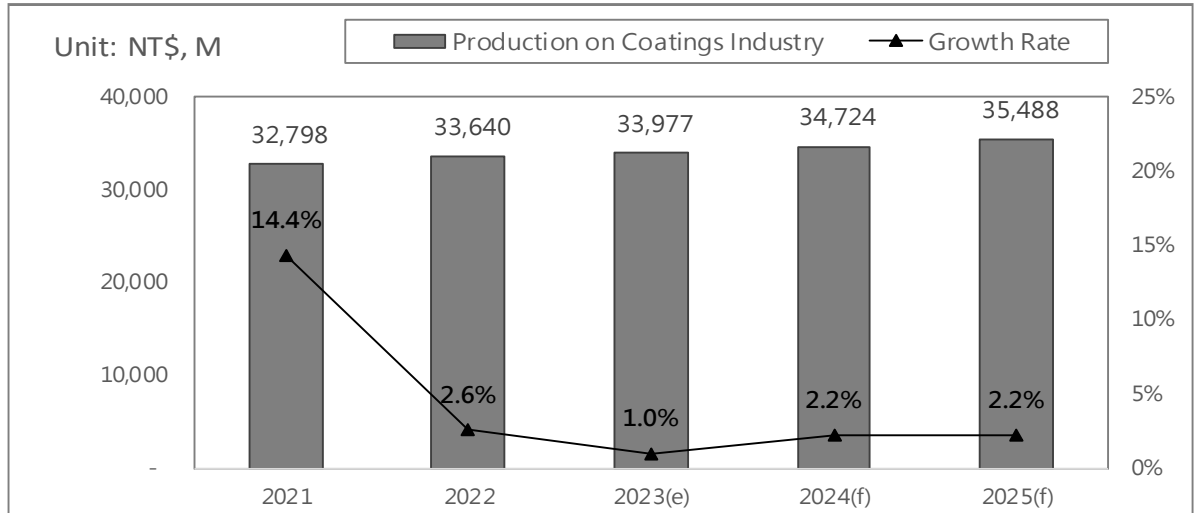
The Taiwan coating industry is primarily oriented towards the domestic market, with domestic sales accounting for over 60%. In terms of exports, China remains the largest export destination for Taiwan coating products. With the recent improvement in production technology and quality of Chinese coating factories, Taiwan manufacturers have also enhanced their own quality and technology accordingly.

According to statistical data from the Industrial Technology Research Institute (ITRI) International Center for Materials Technology (ICMT) in 2023, the coating industry is highly sensitive to the economic conditions of downstream industries. In 2021, benefiting from



economic recovery, expansions in 5G communication, electric vehicle, and cloud-based Internet of Things (IoT) industries prompted expansions of electronic giants and the return of Taiwanese businesses, which boosted demand for waterproofing and corrosion-resistant coatings, consequently driving paint sales growth. In 2022, domestic economic cooling due to interest rate hikes, coupled with sustained high building material costs, dampened demand for housing renovation and repair. However, active expansions in the technology sector led to increased demand for related waterproofing and corrosion-resistant paint products, along with synchronous growth in exports, resulting in a modest growth in the coating market. The production value grew by 2.6% to NT\$33,640 million compared to 2021. Looking ahead to 2023, the production value of Taiwan coatings is projected to increase to NT\$33,977 million, representing a 1.0% growth from 2022.

[Diagram: 2021~2025 Production Trend Analysis of Coatings in Taiwan]



Source: IEK, Industrial Technology Research Institute (May 2023)

Due to the impact of the COVID-19 pandemic, there has been a growing interest in the development of coatings with antimicrobial properties. Additionally, the coating industry is also subject to environmental regulations imposed by various countries. Therefore, environmentally friendly water-based coatings and solvent-free coatings are increasingly used in buildings. Functional coatings with features such as energy saving, fire resistance, and self-cleaning properties are driving the continuous growth of the global paint market. The Company's product strategy primarily focuses on environmentally friendly coatings that reduce environmental impact and improve energy and resource efficiency. The research and development of the products emphasizes non-toxic corrosion-resistant pigments, multifunctional and integrated industrial coatings, as well as water-based coatings. Additionally, the company also focuses on energy-saving coatings, bio-based coatings, high-performance coatings, and smart coatings.

## 2. Industrial Interrelationships

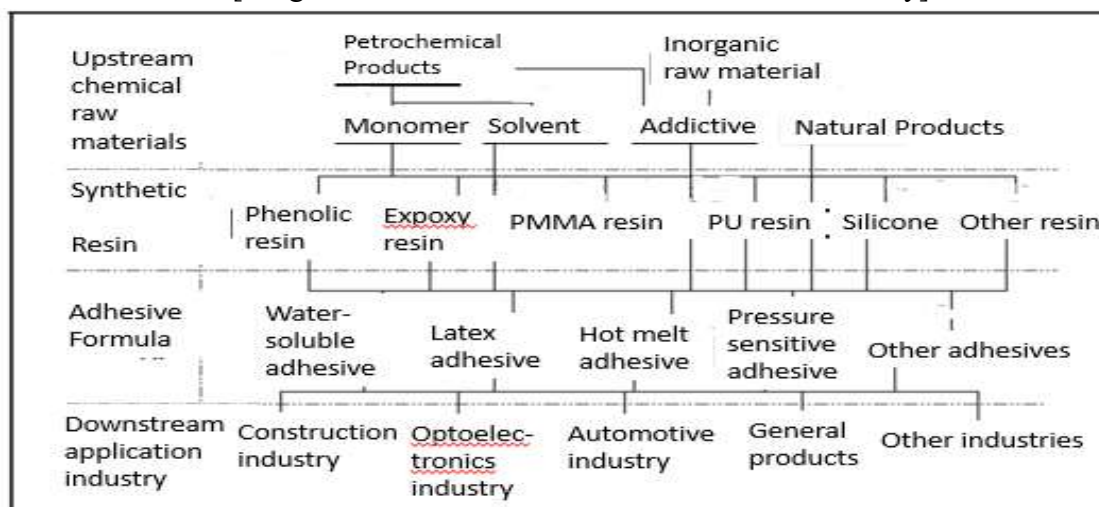
### (1) Adhesives Industry

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 2023)

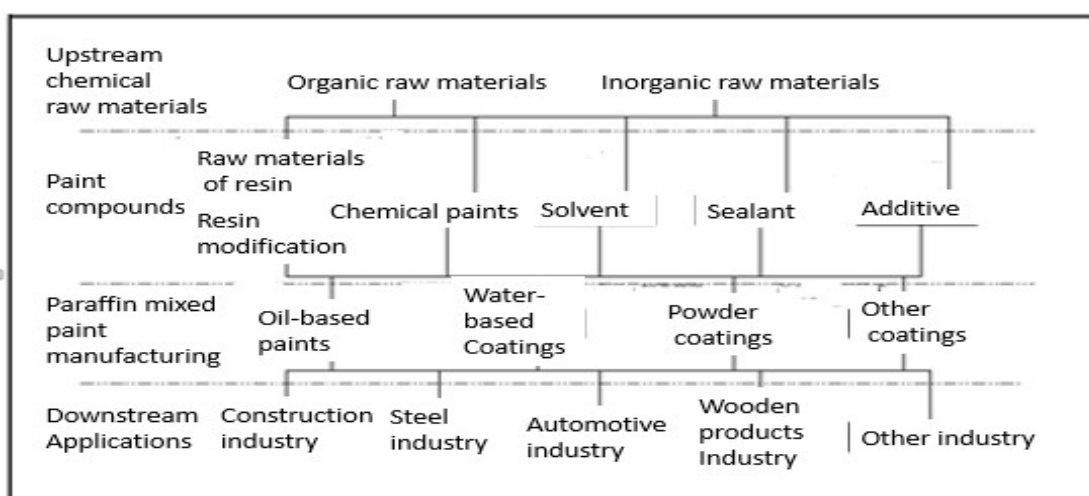
## (2)Coatings Industry

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 coating 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 coating 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 coating 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 2023)



### 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.

In response to the growth of the functional textile market and the promotion of ESG goals, major apparel brands urgently need to replace the coatings of functional textiles with environmentally friendly water-based resins, replacing existing high-pollution solvent-based resins. Starting in 2023, the Taiwan textile industry has begun collaborating with the NanPao Group to replace solvent-based resins with environmentally friendly water-based resins. The aim is to maintain a leading role in the global functional textile market and seize market opportunities successfully by leveraging innovative and sustainable core values.

#### (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 realm of water-based coatings, water-based and low VOC (volatile organic compound) formulations practically dominate the entire coatings market research and development direction. The focus of water-based coatings development lies in upstream water-based resins. One significant challenge in using water-based coatings is film formation. Since water-based resins are often in the form of emulsions, which are non-solvent systems, they require film-forming additives to aid in film formation. Presently, common types of water-based coatings include alkyd resin coatings, water-based epoxy resin coatings, water-based polyurethane coatings, water-based acrylic coatings, water-based fluorocarbon coatings, water-based organic silicon coatings, and water-based inorganic coatings.

Powder coatings, one of the industrial coatings, represent a more advanced technology compared to traditional coatings, with the major difference lying in their form. Powder coatings exist in the form of 100% solid fine powder and do not contain solvents, whereas



traditional coatings contain organic solvents. With the rise of environmental awareness, Europe and America have gradually developed a series of green products in the form of powder coatings to address issues such as reducing VOC emissions. These products boast characteristics such as low pollution, high economic efficiency, and energy conservation.

In 2006, Fuji Soft Film Information began recycling and disassembling used toner cartridges, with the recovered toner used in the steelmaking process. In Taiwan, toner is not officially listed as a recyclable item, and the most common disposal method is treating it as general household waste, often incinerating and burying it, which is environmentally unfriendly. Leveraging exclusive dispersion blending and surface treatment technologies developed by the Industrial Technology Research Institute (ITRI), non-hydrophilic toner has been successfully transformed into water-based black slurry. In 2021, NanPao Group began participating in the project to recycle toner and develop water-based black slurry applications, leading to the production of water-based paint from the slurry, marking a milestone in the circular economy. Collaborating with customers and coating manufacturers like NanPao, Fuji Soft Film Information, through cooperation with ITRI, utilized their exclusive dispersion blending and surface treatment technologies to successfully produce water-based black slurry from non-hydrophilic toner, manufacturing environmentally friendly water-based coatings. By the second half of 2023, they obtained Global Recycle Standard (GRS) certification, with a toner recycling rate of up to 50%, suitable for coatings on indoor decoration, outdoor buildings, and furniture surfaces. On December 14, 2023, the "Sustainable Low-Carbon Building Materials and Coatings Innovation Technology Seminar and Results Presentation" was held, bringing together experts in research and development, industrial technology, and architectural design to discuss innovative construction and coating technologies in light of current sustainability challenges.

In 2024, with the emergence of ESG, carbon emissions, and seismic issues, the application trends of powder coatings are expected to expand into five major areas: solar energy brackets and accessories coating, low-temperature curing powder coatings, coatings for potable water pipes, new construction and redevelopment projects, and automotive powder coatings, thus enlarging the market scale.

### (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.



Powder coatings, in collaboration with Northern Water, are being developed for "coating potable water pipes," aiming to improve the quality of domestic drinking water and ultimately achieve direct consumption, making a significant contribution to the sustainable development of public health in Taiwan. The progress of this Northern Water project is as follows. Phase 1, from 2020 to 2021: In the initial promotion stage, 10 kilometers of pipes are replaced annually. During this phase, besides familiarizing manufacturers and supervisory personnel with the DIP (Ductile Iron Pipe) powder coating construction method, time is also allocated for various cast iron pipe manufacturers to prepare for production line deployment. Phase 2, from 2022 to 2023: In the expanded promotion stage, 20 kilometers are replaced in 2022 and 30 kilometers in 2023. By this stage, construction and supervisory personnel are familiar with the DIP powder coating construction method. Management of the usage and procurement of DIP cement lining pipes should commence, gradually reducing inventory to facilitate entry into the next stage. Phase 3, from 2024 onwards: Entering the stable development stage, market supply is assured, and units have accumulated four years of construction experience with DIP powder coatings. The water distribution network can now be fully equipped with DIP powder-coated pipes. Taiwan Water Corporation has observed the success of Northern Water and has subsequently initiated similar trial projects to comprehensively improve the quality of potable water throughout Taiwan.

#### B. Environmentally Friendly Fluorine-Free Products in Line with ZDHC and International Trends

In recent years, there has been increasing attention to the sustainability of environmental protection, particularly regarding perfluoroalkyl substances (PFAS). International organizations, associations, certification systems, brands, and national regulations have all begun to restrict the use of PFAS. Furthermore, as of the end of 2023, suppliers are required to refrain from using PFAS. These chemicals have been identified as harmful to human health, with high doses associated with reproductive, carcinogenic, and other issues in mammals. To meet international market trends, NanPao utilizes polymer synthesis technology and branch chain structure design to provide fabric surfaces and cross-sectional microstructures with high-low differences, achieving excellent water repellency and anti-stain effects similar to fluorocarbon products. NanPao avoids the use of harmful fluorocarbon substances and does not add substances of high concern to the European Union such as octamethylcyclotetrasiloxane (D4), decamethylcyclopentasiloxane (D5), and dodecamethylcyclohexasiloxane (D6). This reduces human exposure to these harmful substances. NanPao develops fluorine-free environmentally friendly products for the production of non-toxic and eco-friendly functional apparel, leather, textiles, shoelaces, and ribbons for various brands and manufacturers.

#### C. High-Durability Eco-Friendly Automotive Leather Materials

Due to increasingly stringent VOC regulations and the significant reduction of solvent types and quantities in restricted substance lists, although solvent-based PU resin can meet existing product specifications, the VOC restrictions require additional equipment for disposal. For factories, this means significantly higher equipment costs. Therefore, water-based and non-solvent systems have seen research and testing efforts from multiple manufacturers in recent years. Given the high-end physical requirements of automotive leather, especially in terms of product durability, the conditions set are relatively stringent, and testing times are considerably long. Apart from standard endurance testing, manufacturers have increased test temperatures and humidity to reduce the time spent on durability testing, making it challenging for typical water-based polyurethanes to pass such test conditions. NanPao's development of PUD for automotive leather applications has adjusted the ratio of specific cross-linking structures and polycarbonates to



significantly improve hydrolysis resistance compared to the past. It also reduces the emission of solvents used in solvent-based PU. Through formulation design, it meets the physical property standards required for automotive leather.

D. Key Materials for 5G and Electronics Industry

The future is moving towards the B5G/6G and beyond high-frequency generation, where electronic material substrates demand even stricter physical properties. Apart from meeting the high heat stability and mechanical properties required for manufacturing processes, they also need to fulfill the high-frequency, high-speed transmission demands and even meet certain standards in terms of product aesthetics. Therefore, manufacturers are investing significant efforts not only in optimizing existing materials but also in developing next-generation revolutionary materials. Polyimide (PI) and Liquid Crystal Polymer (LCP) materials are both new-generation high-performance engineering plastics. These materials not only outperform traditional plastics in basic physical properties but also allow for functional design of material structures according to different application requirements. In the field of communication materials, Modified Polyimide (MPI) and LCP are among the important materials needed in the future. However, the drawbacks in their respective performance hinder their widespread use. Overcoming these challenges or integrating their strengths is the aim of this development. Additionally, Colorless Polyimide (CPI), which is transparent, can be made into thin films that are "lightweight, flexible, and impact-resistant." When combined with the flourishing development of portable consumer electronics industry, these features further expand the application of these materials. NanPao recognizes the significant market demand for these products. While competing with major domestic and international manufacturers, it also invests heavily in research and development resources and communicates with consumers at the terminal level to make products more user-friendly, mobile, and personalized.

E. UV Solvent-Free Technology

With the increasing global environmental awareness, there is a growing demand from governments and businesses for environmentally friendly products. Reducing the emission of volatile organic compounds (VOCs) meets the requirements of environmental regulations. UV solvent-free technology, characterized by rapid curing and quick drying, can significantly shorten production cycles and increase production efficiency. In pursuit of efficient and energy-saving production modes, UV solvent-free technology will become the industry's preferred choice. Therefore, continuous investment in research and development, ongoing improvement, and optimization of UV solvent-free technology are essential to increase curing speed, reduce costs, and enhance product quality to meet the ever-changing market demands. UV solvent-free technology is applicable to various materials for coating and printing, including plastics, metals, glass, etc., and has extensive application requirements in industries such as automotive, electronics, packaging, construction, etc. The rapid development of these industries will bring enormous market growth potential for the UV solvent-free industry. The UV solvent-free industry has promising prospects for development, with environmental protection, innovation, and efficiency being key driving forces. By better seizing market opportunities, it can achieve sustained and healthy development.

F. Quantum Dot (QD) Nanotechnology

Quantum dots possess excellent optoelectronic properties, making them widely used in display technology, optoelectronic devices, and other fields. Here are some of the relevant applications of quantum dots:

- a. Display Technology: Quantum dots' application in display technology is one of its most successful areas. Because quantum dots can produce high-purity spectra, they enable displays with wide color gamut, high contrast, and low power consumption. In the future, as the demand for display quality continues to increase, quantum dot display



technology can be more widely applied in consumer electronics such as televisions, smartphones, and computers.

- b. Optoelectronic Devices: Quantum dots can also be used to fabricate efficient optoelectronic devices, such as photovoltaic cells and LED lighting. The bandgap structure and energy level control of quantum dot materials give them significant advantages in photovoltaic conversion efficiency. With the increasing demand for energy efficiency and renewable energy sources, the application of quantum dots in optoelectronic devices will continue to receive attention.
- c. Innovation in Materials and Fabrication Techniques: The performance of quantum dots is closely related to the properties of their materials and fabrication processes. Therefore, innovation in materials and fabrication techniques is crucial for driving the development of the quantum dot industry. In recent years, there have been continuous discoveries of new types of quantum dot materials and breakthroughs in fabrication techniques, such as non-toxic quantum dots, opening up new possibilities for the development of the quantum dot industry.

In summary, the quantum dot industry has broad application prospects and development potential. It holds important positions and promising prospects in fields such as display technology, biomedicine, and optoelectronic devices. In the future, with continuous technological advancements and increasing market demand, the quantum dot industry will continue to experience rapid growth.

#### G. Adhesives and Materials for Automotive and Electric Vehicle Applications

In response to the increasing demand for powder coatings in automotive and electric vehicle (EV) applications, powder coatings not only provide coating material for components such as aluminum wheels, wipers, brake pads, calipers, springs, stabilizer bars, bumpers, car shelves, and roof racks but have also been introduced into the automotive industry in 2024 with the implementation of the IATF 16949 automotive quality management system certification. Additionally, powder coatings have been developed for use in EV insulation battery seats and motor voltage buses.

#### H. Key Adhesives and Materials for the Electronics and Electrical Industries

In 2024, powder coatings have provided specialized powder paints for magnesium-aluminum alloy laptop motor housings in the electronics industry, as well as insulation packaging materials for general resistors, thermistors, varistors, capacitors, and inductor cores. Furthermore, in the optoelectronic industry, powder coatings have been developed for highly corrosion-resistant solar panel brackets and accessories, powder coatings for AI server chassis, and powder coatings for medium/low-voltage busbars, medium/low-voltage switchgear, high-end electrical equipment, and new energy vehicle insulation busbars.

### 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 coatings 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 coating sector, the Chinese anticorrosive coating 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 coatings. In this market, leading coating 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 coating sector is experiencing trends such as accelerated product and technological upgrades, the accelerated substitution of oil-based coatings with environmentally friendly products, the accelerated expansion of the high-end market, and accelerated localization. These trends present excellent market development opportunities for coating companies and have led to the accelerated expansion of industrial coating 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	2023	2024 Q1
Research and Development Expenses	519,403	129,931



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

Items	No.	New R&D technology or improvement project
Adhesives	1	The mid-sole of sports shoes is spray-painted with water-based resin
	2	Single-sided glue project (treatment agent, glue, etc.)
	3	Processing agents and glues for shoemaking process optimization
	4	Improved physical stability of water-based PU glue for shoes
	5	Tin-free water-based hardener
	6	ZDHC compliant shoe glue solution system
	7	Dynamic high temperature and humidity resistant glue solution system for shoes
	8	Environmentally friendly water-based NUV treatment agent
	9	VOC-free RB Primer
	10	Semi W/B Cleaner / PU Primer
	11	NIKE Bluelight 1.0 material glue potion system
	12	Cold light source (LED) irradiation treatment agent
	13	Ecological recycled PET shoe adhesive
	14	Bio-based water-based hardener
	15	Low VOC double-sided tape for automobiles
	16	PUR for electric vehicle interior bonding
	17	2K-PU pouring glue for car lights
	18	Highly weather-resistant solvent-based curtain glue
	19	Polyester adhesive for soft packages
	20	Textile bag material coating water-based PU/water-based resin coating
	21	Fabric coating/Foam coatingwater-based PU
	22	Rich absorbent and drainable water-based acrylic resin for textiles
	23	Fabric impregnated with water-based PU
	24	Biomass water-based PU for textile coatings for clothing materials
	25	Hot melt butyl insulating glass sealant
	26	Reactive PU insulating glass sealant
	27	Hot melt adhesive for heat-resistant packaging
	28	PU adhesive for soft packages that can be cooked at high temperatures
	29	Primer PUD for fabric coating (air bag)
	30	Contains biomass raw materials, difficult to stick to low polarity materials, woodworking flat PUR
	31	Car roof fitting and finishing PUD
	32	PUR for non-woven curtain lamination
	33	PUD for OMD film exterior decoration
Coatings	1	Cost-effective resin for elastic cement
	2	Low VOC version of metal self-leveling caulking
	3	One-component polyurethane waterproofing material
	4	Senge board water-based epoxy glue
	5	Adhesives for new and old concrete
	6	Waterproof coating for aluminum window frames
	7	artificial quartz stone resin
	8	Server case coating
	9	Special powder coating for pen motor casing
	10	Resin high compatibility powder coating
	11	Highly adhesive powder coating for mesh workpieces
	12	Solar brackets and accessories powder coating
	13	Powder coating on inner tube of tap water raw drink



Items	No.	New R&D technology or improvement project
Coatings	14	Transfer printing easy release powder coating
	15	Insulating powder coating for electronic motor passive components
	16	TRIBO metal (pearl) powder coating
Others	1	Epoxy resin for type IV gas cylinder composite wrapping
	2	Epoxy resin for dry wound prepreg tape
	3	Development of polyester polyols containing biomass-based C36 dimer acid
	4	Bio-based polyester polyol
	5	Development of fluorine-free anti-siphon additives for shoelaces/webbing
	6	Development of environmentally friendly water-based polyurethane coatings for high-durability automotive leather

#### (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	2022		2023	
	Amount	%	Amount	%
Taiwan	3,023,490	13.74	2,950,418	14.33
Asia	15,748,577	71.57	14,048,980	68.26
Oceania	2,707,164	12.30	3,096,596	15.05
Others	525,082	2.39	485,194	2.36
Total	22,004,313	100.00	20,581,188	100.00

#### 2. Market Share

NanPao 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 2023 Industrial Technology Research Institute's International Research Institute of Manufacturing, the global adhesive and coating production values were US\$14,093 million and US\$17,583 million, respectively. The Company's adhesives and coatings accounted for 3.35% and 0.27% 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 research estimates, the global adhesive and sealant market is expected to have a compound annual growth rate (CAGR) of 6.26% from 2023 to 2030, reaching a market size of US\$20.94 billion by 2030. In the footwear market, global sportswear brands believe that the Asian consumer market, especially in India, shows strong growth potential. Research institutions estimate that Asian consumers are expected to contribute half of the global consumption growth in the next decade, with the global sportswear market growing annually at a rate of 3-4%.



The coating industry has low concentration, with numerous manufacturers worldwide. High-end products mainly come from the United States and Europe. In recent years, market suppliers have expanded their business territories through investments, mergers, and acquisitions. Research and development of product innovation and production technology have become the main strategies for leading the market.

Taiwan's main import countries for coating include Japan and the United States, with import prices averaging more than ten times the domestic sales price. Approximately 10% of Taiwan's coating is exported to regions such as China and Vietnam annually. Therefore, Taiwan's focus on developing coating technology mainly revolves around balancing price and performance. However, under the trend of high value-added and global environmental protection and energy saving led by the Ministry of Economic Affairs domestically, Taiwan coating products are gradually moving towards different markets.

According to market research data, the global anti-corrosion coating market is expected to have a CAGR of 5.8% from 2022 to 2030, reaching US\$12.6 billion by 2030, considering the changes in the commercial environment post-COVID-19. The solvent-based epoxy resin market is projected to have a CAGR of 5.5%, while the epoxy solid market is expected to have a CAGR of 5.3%. Despite facing triple pressures of demand contraction, supply shocks, and expected weakening, China's economic development still exhibits strong resilience, potential, and a fundamentally positive outlook. This provides the fundamental support for the sustainable growth of the coating industry and is the prerequisite for the large-scale expansion of coating companies' production capacity.

#### 4. Competitive Advantages

- (1) Collaborating with internationally renowned brands and factories to develop new technologies and products continuously enhances product quality and competitiveness, deepening long-term relationships with customers.
- (2) Providing on-site technical services to enhance product added value, complete multinational deployment, and meet customer expectations for short lead times and cost reduction.
- (3) As a designated supplier for sports shoe brands, NanPao leads other suppliers with simplified water-based product processes.
- (4) Products undergo long-term reliability and durability certification, resulting in high costs and thresholds for competitors.
- (5) A complete product line meets the needs of customers for one-stop shopping and diverse customer groups.
- (6) Customers come from different industries and regions, dispersing and reducing the impact of fluctuations in a single industry or region's economy.

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

##### (1) Favorable Factors

##### A. Adequate production capacity with economies of scale

The group has decades of experience in adhesive development, design, and manufacturing. With a strong technical development team and rigorous manufacturing and quality management processes, the group can adjust production processes promptly according to customer needs and assist customers in optimizing existing products while responding promptly to customer demands. The group has established production bases in various locations such as Thailand, mainland China's Fuqing, Indonesia, mainland China's Kunshan, Vietnam, mainland China's Foshan, Dongguan, Australia, Malaysia, and mainland China's Huai'an, continuously expanding production capacity. With economies of scale, flexible production capacity, and professional process technology, it becomes difficult for new competitors to enter, and these abundant production resources also provide the group with significant competitive advantages in obtaining orders from international giants.



B. Global logistics-based production

The group provides services to customers in a global logistics-based model, offering excellent products and logistical support. With good process management capabilities and high production flexibility, the group's well-established production and sales network covers Taiwan, mainland China, Southeast Asia, Australia, and other regions, allowing it to provide various products and timely services to customers nearby. Amid the shifting landscape of the global footwear industry, the group can seamlessly integrate its advantages in extensive deployment to meet customer service expectations and diverse needs for short lead times and cost reduction.

C. Maintaining deep cooperative relationships with international giants

Since its establishment, the group has been focusing on the research and development of adhesives and coatings related products. In the field of footwear adhesives, its product quality and stability have gained customer recognition, continuously receiving orders from internationally renowned giants. With an excellent research and development team, the group can timely develop and introduce new products based on trends in the footwear adhesive industry, ensuring a leading edge. Additionally, as a leading global adhesive supplier, the group collaborates with tier1 footwear brands and large-scale shoemaking groups in various product application tests and innovation projects, leveraging customer relationships to gain market insights during product front-end certification and technological innovation periods. The group has established good cooperative relationships with industry upstream and downstream players over the years, enabling it to cooperate with international renowned brands and factories in developing new technologies and products to continuously enhance product quality and competitiveness.

D. Possessing decades of critical technology development and new product development and mass production capabilities

The foundation of a company's survival and development lies in providing high-quality products, with stricter requirements in the chemical industry. Therefore, the group always upholds a comprehensive quality system, continuously improving product quality, and strengthening customer service as its top priority. With a robust research and development team, the group continuously recruits and cultivates professional research and project management personnel, actively innovating on existing technology and materials to develop critical technology and new products.

(2) Adverse Factors and Corresponding Strategies

Adverse Factors	Corresponding Strategies
A. Rising costs of raw materials	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	a. Strengthen product research and development to lower costs through technological advantages. b. Adjust product mix to focus on selling high-value-added products.



Adverse Factors	Corresponding Strategies
B. Intense price competition	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	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. Reduce the use of high-concern chemicals and actively seek alternative materials.

## (II) Major Applications and Manufacturing Processes of Key Products

### 1. Key Applications of Major Products

Category	Major Products	Application Description
Adhesives	High performance shoe glue	Various shoe material adhesives, surface treatment agents and automated applications, PU Dispersion (raw materials from European shoe rubber factories), adhesives and treatment agents to reduce VOC content, PU Reactive, mainly supplied to brand customers
	Treatment agent	Material surface treatment agent is beneficial to PU glue adhesion
	Outsole or midsole additives for shoes	Added to the midsole of shoes, the sports performance of the midsole can meet the needs of brand customers.
	Decorative glue	Connection between interior decoration and woodworking furniture, hardware retail
	Industrial spray glue	Adhesion of office desks, chairs, mattresses and other foam furniture
	Light coatingwater-based PU	The connection between bicycle seats and protective gear and other sports equipment
	Development of waterproof and breathable PUD	Apply environmentally friendly water-based PUD to fabrics instead of solvent-based coatings. The film surface is soft and non-sticky, and its physical properties are windproof, rainproof, and water pressure resistant.
	Biomass PUD coating	Used in clothing and biomedical products to solve the environmental, recycling, environmental protection, carbon emissions, etc. problems caused by the current industrial use of solvent-based resins.
	Hot melt adhesive for PSA	Products that comply with the U.S. USDA bio-certification, with waterproof and windproof coating for clothing materials
	Hot melt adhesive for packaging	Various types of temporary fixing and packaging glue
	Reactive PU insulating glass sealant	Glue for sealing various packaging materials
	Hot melt butyl insulating glass sealant	Used for insulating glass packaging to prevent air and water vapor from penetrating

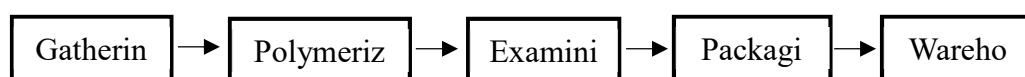


Category	Major Products	Application Description
Adhesives	Hot melt adhesive for filter materials	Used for insulating glass packaging to prevent air and water vapor from penetrating, and has good weather resistance
	Hot melt adhesive for heat-resistant packaging	Used for assembling various types of filter materials, including infusion glue, thread glue and laminating glue. It has excellent adhesion and operability to non-woven fabrics.
	Temperature-resistant hot melt adhesive for automobiles	Used for heat-resistant cup assembly, it still has excellent adhesion at high temperatures and will not soften due to heat.
	Hot melt adhesive for independent barrels	Used for automobile assembly, with extremely high heat resistance and excellent bonding effect with low polarity materials
	Shellac	Used in the assembly of independent drum beds, with good operating performance and heat resistance
	Pressure-sensitive high initial strength PUR woodworking glue	Hot melt glue specifically for fruit flies
	Pressure-sensitive adhesive for optics	PUR woodworking glue with pressure sensitivity has strong initial strength, and the final strength is also like PUR
Coatings	Indoor/outdoor wall decoration and waterproof coating	Architectural coatings have the functions of decorating, protecting and changing the living environment; waterproofing materials are water-based systems that have functions such as weather resistance and aesthetics.
	Decorative appearance coating and functional coating for metal products/woodenware	It protects objects from being easily scratched and is anti-fouling and insect-proof; it keeps the appearance or color in the best condition, and the coating makes the object more shiny and prevents fading.
	Environmentally friendly flooring and construction materials	Suitable for floors in hospitals, pharmaceutical factories, sterile rooms, electronics factories, offices, automobile repair shops, etc.
	Food can coating	Prevent corrosion of tank walls and avoid dissolution of metal ions
	Solvent-free UV coating for metal	Temporarily protect objects against rust
	Soundproof floor	Used in residential floors/slab cement layers (dining rooms, kitchens, bedrooms, etc.) as a multi-purpose composite material for buffering, sound insulation, noise reduction, and simple waterproofing
	Thermal insulation mortar	Effectively reduces heat conduction between mortar layers; adding low-density fillers ensures smooth construction, good durability and stable quality.
	T43 series powder coating	The key resin of the formula is epoxy resin, which can be used in chemical-resistant and corrosion-resistant products, such as oil and gas pipeline valves, construction steel bars, large and small pipe diameter coatings, various large and small oil drums, internal and external water pipes and valves class etc.

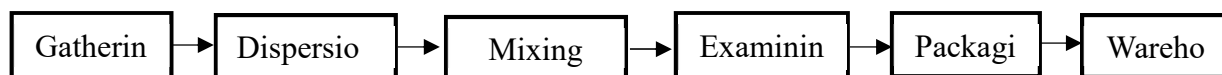


## 2. Manufacturing process

### (1) Adhesives



### (2) Coatings



### (III) Supply Status of Main Raw Materials

The main raw materials of the Group's products include adipic acid, banana water, butanediol, methyl ethyl ketone, VAE latex, vinyl acetate, toluene, hydrocarbon resin, hexamethylene diisocyanate, chloroprene rubber, etc., all provided by excellent domestic and foreign manufacturers. The sources of materials are abundant and of stable quality, and good relationships have been established with major suppliers. Additionally, there are more than two suppliers 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	2022			2023		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Adhesives		229,987	228,432	15,208,081	232,392	205,868	12,572,796
Coatings		18,978	15,322	1,390,070	17,993	14,609	1,191,130
Others (Note)		—	—	3,342,314	—	—	3,458,010
Total		248,965	243,754	19,940,465	250,385	220,477	17,221,936

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	2022				2023			
		Internal sales		External sales		Internal sales		External sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Adhesives		22,807	1,587,935	170,054	14,479,553	20,999	1,489,790	151,715	13,012,510
Coatings		5,062	539,464	11,839	1,114,811	5,093	553,088	9,816	903,343
Others (Note)		—	896,091	—	3,386,459	—	907,540	—	3,714,917
Total		27,869	3,023,490	181,893	18,980,823	26,092	2,950,418	161,531	17,630,770

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		2022	2023	As of March 31, 2024
Number of employees	Sales	581	603	604
	Management	799	786	811
	R&D	319	335	335
	Direct	884	864	901
	Indirect	500	554	570
	Total	3,083	3,142	3,221
Average Age		40.04	40.60	40.29
Average Work Tenure		6.28	6.89	7.01
Percentage Distribution Academic Qualification	Ph. D.	0.26	0.25	0.25
	Master's Degree	6.81	7.03	7.05
	University/College	40.00	40.21	40.17
	High School	36.26	36.09	36.08
	Below High School	16.67	16.42	16.45



#### 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
1、Date of disposition: September 6, 2023 2、Disposition reference number: Environmental Inspection Letter No. 1120110404 3、Violation of regulations: Violation of Article 31, Paragraph 1, Item 1 of the Waste Disposal Act. 4、Violation details: The waste generated by Baoli Factory was disposed of as general industrial waste (code D-0499) on May 12, 112, entrusted to the clearing institution for transportation to the processing institution, Daining Co., Ltd. However, the sampled waste from this batch was analyzed, and the total mercury content (2.04 mg/L) of D-0499 exceeded the toxicity leaching test standard, classifying it as hazardous industrial waste. This does not conform to the items specified in the approved industrial waste disposal plan. Baoli Factory failed to list this hazardous industrial waste in the industrial waste disposal plan as required. 5、Disposition: A fine of NT\$60,000.	60	1、Re-survey the disposal methods of hazardous industrial waste (containerized). 2、Containers containing toxic substances and heavy metals are all treated as B-0299 and B-0399. 3、Amend the waste disposal plan to add B-0299. Approval letter from the Tainan City Environmental Protection Bureau was obtained on September 1, 112 (Letter No. 1120107142).	100



## 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) The Company has a comprehensive and legally compliant leave system in place, with effective leave management. In addition to statutory leave entitlements, the Company reviews the utilization rate of annual leave in each department, encouraging employees to balance work and life.
- (2) To facilitate employees in adjusting between work and family responsibilities and considering safety concerns during commuting, the Company adopts flexible working hours during commuting hours to improve punctuality, attendance issues, and enhance employee autonomy.
- (3) Employees are entitled to labor insurance, national health insurance, and group insurance from their date of employment.
- (4) The Company has established an "Employee Stock Ownership Trust Plan," providing relative incentives for stock purchases through trust arrangements to establish flexible funds for personal short, medium, and long-term financial utilization or financial planning.
- (5) In addition to the basic monthly salary, bonuses are provided for festivals such as Mid-Autumn Festival, Dragon Boat Festival, and Chinese New Year. Flexible short and long-term incentive schemes are designed based on overall company operations, team and individual performance. Employees share in profit surplus to attract, retain, motivate, and systematically develop high-quality talent.
- (6) The Company has set up an "Employee Welfare Committee" with the aim of caring for employees' lives, promoting physical and mental health, and maintaining harmony between labor and management. It is responsible for planning and implementing various welfare programs, including festive activities, club activities, employee trips, as well as providing assistance for emergencies, hospitalization, and various subsidies for significant life events such as weddings and funerals.

#### 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, risk management). 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.
- F 、 Continuous Improvement: Since 2022, the Company has incorporated continuous improvement projects into training courses. Through interdepartmental collaboration, the Company focuses on setting key tasks and short-, medium-, and long-term goals, as well as conducting training courses to enhance employee capabilities. Additionally, case management and experience sharing are established to facilitate knowledge transfer, and competitions with awards are organized to motivate personnel.
- (3) In 2023, a total of 16,735 individuals participated in training courses offered by the Company's learning and development platform, accumulating a total training duration of 22,369 hours. On average, each person received 1.34 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 reporte	Anytime



Communication Channel	Target	Content	Frequency
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
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 job seekers' personal data and refrains from using it for recruitment and selection purposes without the consent of the applicants. Employment practices and policies adhere to labor laws and the Company's guidelines, promoting fairness, non-discrimination, prohibiting child labor, and preventing forced or compulsory labor.
- (2) The Company actively promotes gender equality and implements measures to narrow the gender gap. In terms of gender diversity indicators, female employees account for 26.04% of the workforce, with female employees in management positions representing 12.50% of total managerial roles. Female employees in senior management positions account for 7.29% of total managerial roles. The Company will continue to set goals to enhance gender diversity and foster a gender-friendly workplace.
- (3) The Company regularly reviews its compensation policy and monitors industry market salary levels to facilitate the recruitment and retention of high-quality talent. Special job allowances are provided based on the unique nature of different job roles. Incentive bonuses such as sales bonuses, research and development bonuses, and proposal bonuses are also established to motivate employees in their work. To retain outstanding talent, the Company plans related incentive reward systems to provide employees with worry-free compensation and benefits.
- (4) To ensure smooth labor-management communication channels, the Company regularly convenes labor-management meetings, bi-weekly meetings, department head exchange meetings, symposiums, and toolbox meetings to address issues related to various systems and working environments.
- (5) The Company establishes a whistleblowing mailbox and hotline for employees, external individuals, and vendors to report any financial, legal, or integrity-related misconduct directly. A whistleblower protection mechanism is clearly defined, ensuring protection for whistleblowers, investigators, and the content of the reports. 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.

## **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. Framework for Information Security Risk Management

The Company established the "Information Security Committee" in 2021, responsible for executing information operations security management planning, establishing and maintaining an information security management system, coordinating the formulation, implementation, risk management, and compliance auditing of information security and protection-related policies. The Information Security Committee is chaired by the CEO, with Pei-Yi Guo, Associate Manager of the Information Department, serving as the Chief Information Security Officer and Executive Secretary. Members of the Information Security Committee include top executives from various functional units within the Company, including the Adhesives and Specialty Business Division, Sports Goods Adhesives and Materials Business Division, Paints and Coatings Business Division, Operation Management Division, Financial Management Division, R&D & Innovation Division, Human Resources Department, Information Department, Legal Department, and Auditing Office. Additionally, "Information Security Audit Group" and "Information Security Execution Group" have been established, specializing in planning and auditing company information security and physical security, and leading the operation of this committee.

2. Information Security Policy

The Company's information security policy covers the Company and its subsidiaries at home and abroad, guided by the principles of (1) strengthening information security management to ensure the confidentiality, integrity, and availability of information assets; (2) providing an information environment for the continuous operation of the company's information business; and (3) meeting the requirements of relevant regulations to protect against deliberate or accidental threats from internal and external sources.

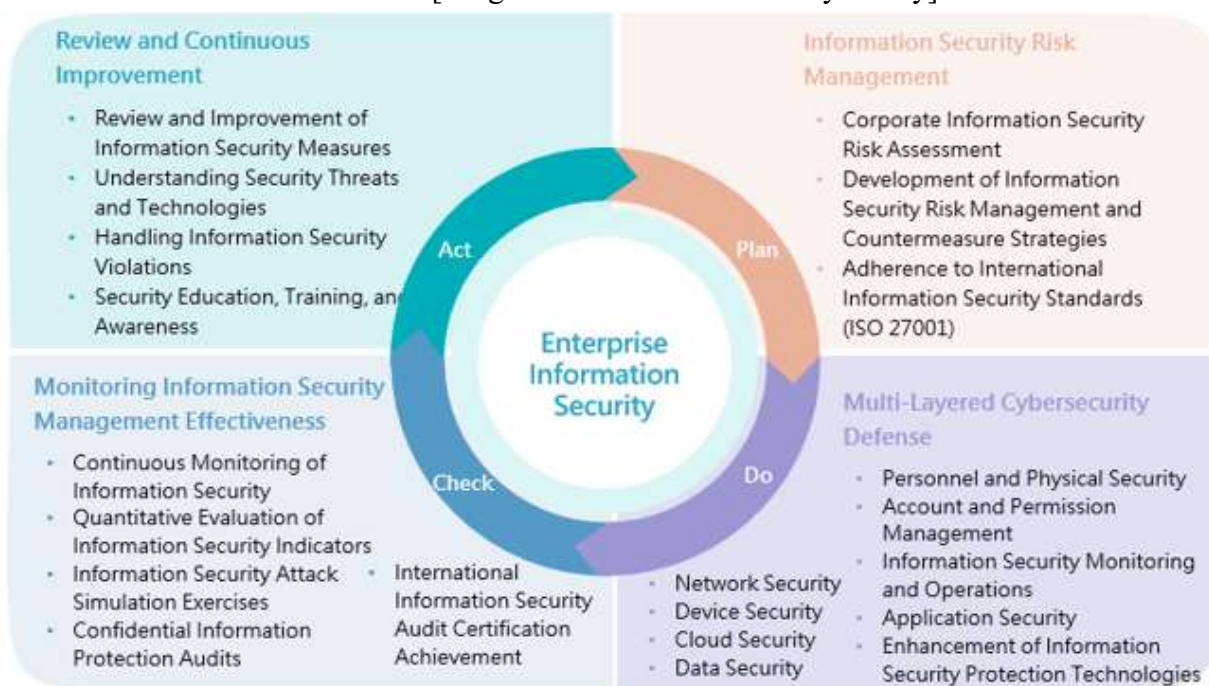
The Company has implemented and established a comprehensive Information Security Management System (ISMS), focusing on system, technical, and procedural aspects to mitigate enterprise information security threats, establish information security protection environments that meet customer needs, and continuously improve through the "Plan-Do-Check-Act" (PDCA) management cycle.

- (1) Planning Phase: Emphasis is placed on information security risk management. In order to strengthen information security, the Company introduced ISO27001 information security management system certification in 2022 to ensure that information systems operate under standardized management norms, reducing security vulnerabilities and production abnormalities caused by human errors. Continuous improvement is achieved through annual review operations.
- (2) Execution Phase: Multi-layered information security protection mechanisms are constructed, continuously introducing new information security risk control technologies to enhance the efficiency of detection and response processes for various types of security incidents. Information security and network security protection processes are strengthened to safeguard critical company assets.



- (3) Check Phase: Regular monitoring of information security management indicators and annual third-party review audits of the above management systems, as well as host vulnerability scanning and social engineering exercises conducted by information security vendors, ensure the continuous improvement of information security management and defense capabilities.
- (4) Action Phase: Review and continuous improvement. When employees and contractors violate information security-related regulations and procedures, penalties are imposed according to regulations, and ongoing comprehensive information security education and training are conducted to enhance awareness of information security.

[Diagram: Information Security Policy]



### 3. Specific Management Plans

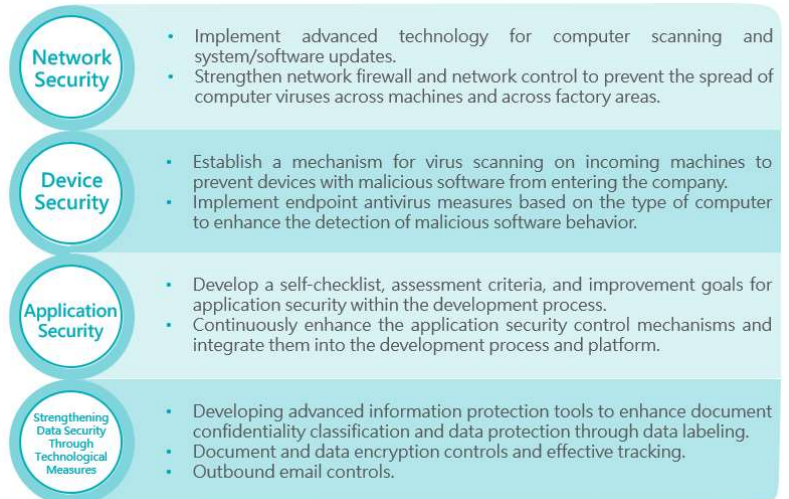
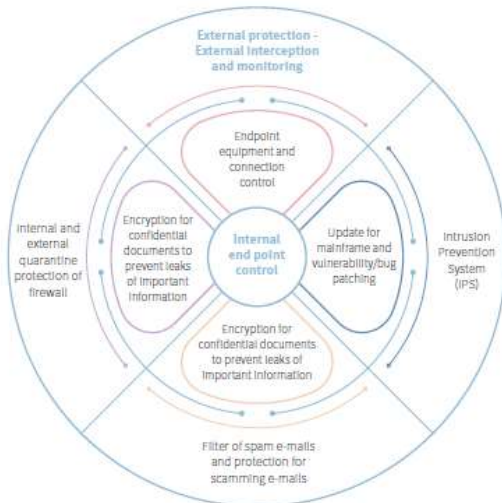
#### (1) Multi-layered Cybersecurity Protection

To achieve information security policies and goals, the Company has established an "Information Security Protection Map" and adopted proactive information security strengthening operations. This includes the implementation of next-generation firewalls, intrusion prevention systems, malicious email filtering, operating system updates, antivirus software deployment, encryption of confidential documents, and endpoint device connection control mechanisms. A network segmentation mechanism has been established to create layered network isolation, isolating each network service according to its purpose. Additionally, regular updates and patches for operating systems and application vulnerabilities are implemented. Furthermore, offsite backups for important data files are conducted to prevent comprehensive harm in the event of external network attacks infiltrating the Company's internal network.



[Diagram: Information Security Protection Map]

[Diagram: Multi-layered Cybersecurity Protection]

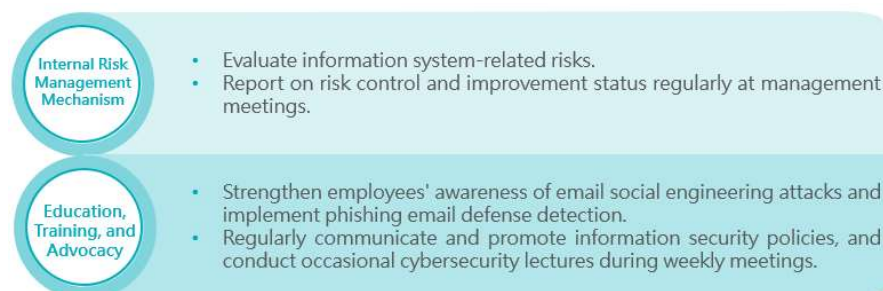


## (2) Review and Continuous Improvement

Through the internal risk management mechanism, information system-related risks are assessed regularly. Reports on risk control and improvement status are presented at management meetings to control and reduce network-related risks.

Every year, through information security education and training programs, employees' awareness of information security is enhanced. Regular social engineering exercises are conducted annually to assess the strength and weaknesses of employees' cybersecurity awareness. Employees with weaker cybersecurity awareness are given additional training. Additionally, information security policies and knowledge are regularly disseminated via email, and specialized seminars are held during weekly meetings to reduce the risk of employees mistakenly clicking on malicious emails. Furthermore, operating systems and application vulnerabilities are regularly patched and updated, and important data files are backed up offsite as a precaution.

[Diagram: Review and Continuous Improvement]



## 4. Resources Allocated for Information and Communication Security Management

- (1) **Information Security Certification:** Passed ISO 27001 information security certification in June 2022 and underwent a follow-up audit in 2023, with no significant security breaches found during the related security audits.
- (2) **Education and Training:** In 2023, all 27 newly hired employees at the headquarters completed a one-hour pre-employment information security training course. Additionally, the group conducted five social engineering phishing email tests in November, involving a total of 500 participants.
- (3) **Security Awareness Campaigns:** Bi-monthly email bulletins on information security policy were disseminated. On September 27, 2023, a seminar on "Insight into Internal Information Security Risks" was conducted during the weekly meeting to convey important regulations and precautions regarding information security protection.



(4) Customer Satisfaction: No complaints were received in 2023 regarding the loss of customer data.

(5) Strengthening Security Budget: The Company is committed to continually implementing information security management. In 2023, the cost of purchasing information equipment and allocating related personnel resources amounted to NT\$9,424 thousands. For 2024, the projected resource investment is NT\$1,949 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:

Unit: NT\$1,000

Event Description	Loss Amount	Response Measures and Improvement Actions	Expenditure Amount
<p>1 、 Date: April 2023</p> <p>2 、 Situation: A hacker organization launched a ransomware attack targeting the CVE-2021-21974 vulnerability in the VMware virtualization platform, resulting in the encryption of data on ERP systems, group email servers, and other subsystems of subsidiaries in Taiwan/Mainland China/Malaysia, rendering them unusable.</p> <p>3 、 Impact: The cause of this cybersecurity incident was the exploitation of an unpatched vulnerability in VMware. As all relevant data had been backed up offsite, preliminary assessments indicate that there was no compromise to data integrity or confidential information. The company has taken remedial measures and allocated additional budget to strengthen information technology security.</p>	0	<p>1 、 Activate the Cybersecurity Recovery Emergency Response Team and collaborate with vendors for support, completing the recovery within three days of the incident.</p> <p>2 、 Upgrade the group's VMware 6.0 version ESXi servers to version 8.0 to effectively patch the vulnerability.</p> <p>3 、 Update the operating system (OS) hosts with the latest patches.</p> <p>4 、 Add a secondary backup space, expand offsite backup space, and implement snapshot storage systems.</p>	7,855



## VII. Important Contracts

Company Name	Contract Nature	Parties	Contract Period	Main Content	Restrictions
Taiwan Nanpao	Credit	Mizuho Bank	20231215~20251215	Working capital; NT\$ 700 million; cyclical use; repayment upon maturation	None
Taiwan Nanpao	Credit	Taipei Fubon Bank	20231211~20251211	Working capital; NT\$ 350 million; cyclical use; repayment upon maturation	Subject to certain financial ratios and standards
Taiwan Nanpao	Credit	Mega Bank	20231106~20251106	Working capital; NT\$ 100 million; cyclical use; repayment upon maturation	None
Taiwan Nanpao	Credit	DBS Bank	20231130~20251130	Working capital; US\$ 10 million; cyclical use; repayment upon maturation	None
Taiwan Nanpao	Credit	Chinatrust Bank	20230930~20251031	Working capital; NT\$ 250 million; cyclical use; repayment upon maturation	Subject to certain financial ratios and standards
Prince Pharmaceutical	Credit	Taiwan Cooperative Bank	20200629~20350629	Secured loan; NT\$ 316,765 thousands; 180 installments with monthly principal and interest payments	None
Huaian Nanpao	Credit	Chinatrust Bank	20230930~20251031	Medium-term loan; RMB 20 million; borrowing period exceeds 1 year, repay 1% after 6 months from the first disbursement date, add 1% after 12 months, add 8% after 15 months, add 22.5% after 18 months, and repay the remaining principal after 24 months	Subject to certain financial ratios and standards
Huaian Nanpao	Credit	E. SUN Bank	20230518~20240518	Medium-term loan; RMB 20 million; interest payable quarterly, with the first period starting from the date of disbursement and each subsequent period every 6 months thereafter; 4 installments for principal repayment, with 10% repaid in each of the first three periods and 70% repaid in the fourth period	None



Company Name	Contract Nature	Parties	Contract Period	Main Content	Restrictions
Nan Pao Advanced Investment	Credit	E. SUN Bank	20240110~20270108	Medium-term loan; RMB 40 million; utilization period of 3 years, with repayment in quarterly installments; the first period starts 6 months after the disbursement date, and each subsequent period occurs every 6 months thereafter; 6 installments for principal repayment, with 1% repaid in each of the first five periods and 95% repaid in the sixth period	None
Taiwan Nanpao	Technical Cooperation	Industrial Technology Research Institute	20240101~20290901	"Functional polyurethane resin synthesis technology" technology authorization and "water-based polyurethane formation method" patent authorization	None
Nan Pao Advanced Investment	Other	Puxin (Shanghai) Chemical Co., Ltd.	20231221	NanPao Fine Chemical Materials (Anhui) Co., Ltd. joint venture	None



## VI. Financial Information

### I. Five-Year Financial Summary

#### (I) Balance Sheet

##### 1. Consolidated

Unit: NT\$1,000

Item \ Year		Five-Year Financial Summary				
		2019	2020	2021	2022	2023
Current Assets		11,109,972	11,245,153	12,651,328	12,859,062	13,431,577
Property, Plant, and Equipment		4,096,892	4,515,380	4,931,769	5,507,684	5,808,353
Intangible Assets		193,837	191,309	376,859	368,608	809,125
Other Assets		2,997,550	3,394,600	7,967,679	6,010,429	3,615,341
Total Assets		18,398,251	19,346,442	25,927,635	24,745,783	23,664,396
Current Liabilities	Before Distribution	4,908,092	5,082,030	6,361,921	6,336,224	6,392,434
	After Distribution	5,631,517	5,926,025	7,085,346	7,541,932	8,200,996 (Note)
Non-current liabilities		2,933,612	3,068,128	3,295,675	2,766,183	2,725,283
Total Liabilities	Before Distribution	7,841,704	8,150,158	9,657,596	9,102,407	9,117,717
	After Distribution	8,565,129	8,994,153	10,381,021	10,308,115	10,926,279 (Note)
Equity Attributable to Owners of Parent		9,740,740	10,266,601	15,277,847	14,552,026	13,177,213
Capital Stock		1,205,707	1,205,707	1,205,707	1,205,707	1,205,707
Capital Surplus		2,103,848	2,101,673	2,101,673	2,115,333	2,124,891
Retained Earnings	Before Distribution	6,110,080	6,608,043	6,635,665	7,683,895	8,907,660
	After Distribution	5,386,655	5,764,048	5,912,240	6,478,187	7,099,098 (Note)
Others Equity Interests		321,105	351,178	5,334,802	3,547,091	938,955
Treasury Stocks		-	-	-	-	-
Non-controlling Interest		815,807	929,683	992,192	1,091,350	1,36,466
Total Shareholders' Equity	Before Distribution	10,556,547	11,196,284	16,270,039	15,643,376	14,546,679
	After Distribution	9,833,122	10,352,289	15,546,614	14,437,668	12,738,117 (Note)

Note: Amounts resolved by the board meeting dated on March 14, 2024.



## 2. Individual

Unit: NT\$1,000

Item \ Year		Five-Year Financial Summary				
		2019	2020	2021	2022	2023
Current Assets		2,702,859	2,853,957	3,596,060	3,039,895	3,358,021
Property, Plant, and Equipment		1,770,504	1,940,046	2,170,973	2,662,699	2,789,471
Intangible Assets		35,995	29,289	24,541	26,656	24,732
Other Assets		9,388,964	9,786,548	14,735,278	13,397,772	12,345,037
Total Assets		13,898,322	14,609,840	20,526,852	19,127,022	18,517,261
Current Liabilities	Before Distribution	1,776,129	2,201,993	2,872,376	2,794,956	3,671,477
	After Distribution	2,499,554	3,045,988	3,595,801	4,000,664	5,480,039 (Note)
Non-current liabilities		2,381,453	2,141,246	2,376,629	1,780,040	1,668,571
Total Liabilities	Before Distribution	4,157,582	4,343,239	5,249,005	4,574,996	5,340,048
	After Distribution	4,881,007	5,187,234	5,972,430	5,780,704	7,148,610 (Note)
Equity Attributable to Owners of Parent		9,740,740	10,266,601	15,277,847	14,552,026	13,177,213
Capital Stock		1,205,707	1,205,707	1,205,707	1,205,707	1,205,707
Capital Surplus		2,103,848	2,101,673	2,101,673	2,115,333	2,124,891
Retained Earnings	Before Distribution	6,110,080	6,608,043	6,635,665	7,683,895	8,907,660
	After Distribution	5,386,655	5,764,048	5,912,240	6,478,187	7,099,098 (Note)
Others Equity Interests		321,105	351,178	5,334,802	3,547,091	938,955
Treasury Stock		-	-	-	-	-
Non-controlling Interest		-	-	-	-	-
Total Shareholders' Equity	Before Distribution	9,740,740	10,266,601	15,277,847	14,552,026	13,177,213
	After Distribution	9,017,315	9,422,606	14,554,422	13,346,318	11,368,651 (Note)

Note: Amounts resolved by the board meeting dated on March 14, 2024.



## (II) Condensed Statement of Income

## 1. Consolidated

Unit: NT\$1,000

Item \ Year	Five-Year Financial Summary				
	2019	2020	2021	2022	2023
Net Revenue	17,113,546	15,551,344	17,980,007	22,004,313	20,581,188
Gross Profit	4,717,529	4,370,293	4,102,045	5,287,537	6,490,460
Operating Profit	1,682,029	1,501,700	1,052,194	1,824,375	2,964,382
Non-operating Income & Expenses	110,653	104,392	150,347	561,039	429,379
Profit before Income Tax	1,792,682	1,606,092	1,202,541	2,385,414	3,393,761
Income from Operations of Continued Segments - Before Tax	1,315,224	1,267,122	929,353	1,862,728	2,566,432
Income from Discontinued Departments	-	-	-	-	-
Profit for the year	1,315,224	1,267,122	929,353	1,862,728	2,566,432
Other Comprehensive Income for the year	(482,222)	23,934	4,972,725	(1,738,825)	(2,623,573)
Total Comprehensive Income for the Year	833,002	1,291,056	5,902,078	123,903	(57,141)
Profit (Loss) Attributable to Owners of Parent	1,228,200	1,219,753	875,780	1,741,459	2,428,215
Profit (Loss) Attributable to Non-controlling interest	87,024	47,369	53,573	121,269	138,217
Total Comprehensive Income for the year Profit (Loss) Attributable to Owners of Parent	750,385	1,251,461	5,855,241	(16,056)	(178,663)
Total Comprehensive Income for the year Profit (Loss) Attributable to Non-controlling Interest	82,617	39,595	46,837	139,959	121,522
Earnings Per Share	10.19	10.12	7.26	14.44	20.14



## 2. Individual

Unit: NT\$1,000

Item \ Year	Five-Year Financial Summary				
	2019	2020	2021	2022	2023
Net Revenue	5,173,269	4,635,634	5,359,550	6,212,303	5,975,982
Gross Profit	1,424,992	1,491,568	1,221,762	1,672,674	2,185,895
Operating Profit	452,590	533,220	352,865	524,610	1,055,066
Non-operating Income & Expenses	1,036,320	831,744	642,777	1,482,204	1,851,036
Profit before Income Tax	1,488,910	1,364,964	995,642	2,006,814	2,906,102
Income from Operations of Continued Segments - Before Tax	1,228,200	1,219,753	875,780	1,741,459	2,428,215
Income from Discontinued Departments	-	-	-	-	-
Profit for the year	1,228,200	1,219,753	875,780	1,741,459	2,428,215
Other Comprehensive Income for the year	(477,815)	31,708	4,979,461	(1,757,515)	(2,606,878)
Total Comprehensive Income for the Year	750,385	1,251,461	5,855,241	(16,056)	(178,663)
Profit (Loss) Attributable to Owners of Parent	1,228,200	1,219,753	875,780	1,741,459	2,428,215
Profit (Loss) Attributable to Non-controlling interest	-	-	-	-	-
Total Comprehensive Income for the year Profit (Loss) Attributable to Owners of Parent	750,385	1,251,461	5,855,241	(16,056)	(178,663)
Total Comprehensive Income for the year Profit (Loss) Attributable to Non-controlling Interest	-	-	-	-	-
Earnings Per Share	10.19	10.12	7.26	14.44	20.14

### (III) Auditors' Opinions in the Recent Five Years

Year	CPA Firm	CPA	Audit Opinion
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
2023	Deloitte & Touche Taiwan	Chao-Chin, Yang, 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				
		2019	2020	2021	2022	2023
Financial Structure (%)	Ratio of Liabilities to Assets	42.62	42.13	37.25	36.78	38.53
	Ratio of Long-term Capital to Fixed Assets	329.28	315.91	396.73	334.25	297.36
Solvency (%)	Current Ratio	226.36	221.27	198.86	202.95	210.12
	Quick Ratio	176.50	174.63	149.48	155.57	165.54
	Times Interest Earned Ratio	26.90	28.28	22.95	28.64	33.55
Operating Ability	Accounts Receivable Turnover (Turns)	4.46	3.98	4.29	4.70	4.21
	Average Collection Period	82	92	85	78	87
	Inventory Turnover (Turns)	5.40	5.06	5.41	5.79	5.14
	Accounts Payable Turnover (Turns)	6.34	5.26	5.67	6.37	5.83
	Average Days in Sales	68	72	67	63	71
	Fixed Assets Turnover (Turns)	4.25	3.61	3.81	4.22	3.64
	Total Assets Turnover (Turns)	0.96	0.82	0.79	0.87	0.85
Profitability	Return on Total Assets (%)	7.63	6.93	4.27	7.59	10.91
	Return on Stockholders' Equity (%)	12.58	11.65	6.77	11.67	17.00
	Ratio of Pre-tax Income to Issued Capital (%)	148.68	133.21	99.74	197.84	281.47
	Profit Ratio (%)	7.69	8.15	5.17	8.47	12.47
	Earnings Per Share (\$)	10.19	10.12	7.26	14.44	20.14
Cash Flow	Cash Flow Ratio (%)	37.98	38.14	2.15	30.25	48.95
	Cash Flow Adequacy Ratio (%)	102.28	86.80	56.05	72.12	103.40
	Cash Flow Reinvestment Ratio (%)	8.92	8.06	-	7.16	10.74
Leverage	Operating Leverage	1.67	1.77	2.25	1.79	1.55
	Financial Leverage	1.04	1.04	1.05	1.05	1.04
Reasons for changes in financial ratios in the last two years:						
1. Return on Total Assets, Return on Stockholders' Equity, Ratio of Pre-tax Income to Issued Capital, Profit Ratio, Earnings Per Share: Mainly due to the increase in profits for the current period.						
2. Cash Flow Ratio, Cash Flow Adequacy Ratio, Cash Flow Reinvestment Ratio: Mainly due to the increase in profits for the current period and the gradual collection of accounts receivable, leading to an increase in cash flow from operating activities.						



## 2. Individual

Item		Year	Financial Analysis of the Past Five Years				
			2019	2020	2021	2022	2023
Financial Structure (%)	Ratio of Liabilities to Assets		29.91	29.73	25.57	23.92	28.84
	Ratio of Long-term Capital to Fixed Assets		684.67	639.56	813.21	613.37	532.21
Solvency (%)	Current Ratio		152.18	129.61	125.19	108.76	91.46
	Quick Ratio		123.85	107.67	100.85	87.45	74.40
	Times Interest Earned Ratio		72.46	62.58	46.64	54.98	83.75
Operating Ability	Accounts Receivable Turnover (Turns)		4.50	3.53	3.54	3.81	3.44
	Average Clection Period		81	103	103	96	106
	Inventory Turnover (Turns)		7.08	6.62	7.23	7.22	6.39
	Accounts Payable Turnover (Turns)		6.38	5.26	5.54	5.79	5.29
	Average Days in Sales		52	55	50	51	57
	Fixed Assets Turnover (Turns)		2.95	2.50	2.61	2.57	2.19
	Total Assets Turnover (Turns)		0.38	0.33	0.31	0.31	0.32
Profitability	Return on Total Assets (%)		9.07	8.68	5.08	8.93	13.05
	Return on Stockholders' Equity (%)		12.68	12.19	6.86	11.68	17.51
	Ratio of Pre-tax Income to Issued Capital (%)		123.49	113.21	82.58	166.44	241.03
	Profit Ratio (%)		23.74	26.31	16.34	28.03	40.63
	Earnings Per Share (\$)		10.19	10.12	7.26	14.44	20.14
Cash Flow	Cash Flow Ratio (%)		22.48	21.75	7.35	19.06	35.42
	Cash Flow Adequacy Ratio (%)		46.49	36.14	28.37	33.16	47.69
	Cash Flow Reinvestment Ratio (%)		-	-	-	-	0.64
Leverage	Operating Leverage		1.97	1.92	2.05	2.06	1.56
	Financial Leverage		1.05	1.04	1.07	1.08	1.03

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

1. Ratio of Liabilities to Assets: The increase in other accounts payable during the current period led to an increase in liabilities, and the decrease in assets was due to the increase in losses from equity investments measured at fair value through other comprehensive income.
2. Times Interest Earned Ratio: The growth in profits for the current period and the decrease in interest expenses due to reduced borrowing resulted in a decline in interest expenses.
3. Return on Total Assets, Return on Stockholders' Equity, Ratio of Pre-tax Income to Issued Capital, Profit Ratio, Earnings Per Share: Mainly due to the increase in profits for the current period.
4. Cash Flow Ratio, Cash Flow Adequacy Ratio, Cash Flow Reinvestment Ratio: Mainly due to the increase in profits for the current period, resulting in an increase in cash flow from operating activities.
5. Operating Leverage: The significant increase in gross profit margin for the current period led to a relative increase in operating profit.



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: 2024 General Shareholders' Meeting

The Board of Directors has prepared the Company's 2023 Business Report, Financial Statements, and proposal for earnings distribution. The CPA firm of Deloitte & Touche was retained to audit the Financial Statements and has issued an audit report. The Business Report, Financial Statements, and earnings distribution proposal have been reviewed and determined to be correct and accurate by the Audit Committee. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

Nan Pao Resins Chemical Co., Ltd.

Audit Committee Convener :

Yun, Chen

March 14, 2024

- IV. **Consolidated Financial Statements for the Years Ended December 31, 2023 and 2022, and Independent Auditors' Report:** Please refer to Appendix 1.
- V. **Individual Financial Statements for the Years Ended December 31, 2023 and 2022, 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	2022/12/31	2023/12/31	Difference	%	Remark
Current Assets	12,859,062	13,431,577	572,515	4	
Property, Plant, and Equipment	5,507,684	5,808,353	300,669	5	
Intangible Assets	368,608	809,125	440,517	120	Note1
Other Assets	6,010,429	3,615,341	(2,395,088)	(40)	Note2
<b>Total Assets</b>	<b>24,745,783</b>	<b>23,664,396</b>	<b>(1,081,387)</b>	<b>(4)</b>	
Current Liabilities	6,336,224	6,392,434	56,210	1	
Non current liabilities	2,766,183	2,725,283	(40,900)	(1)	
<b>Total Liabilities</b>	<b>9,102,407</b>	<b>9,117,717</b>	<b>15,310</b>	<b>0</b>	
Equity Attributable to Owners of Parent	14,552,026	13,177,213	(1,374,813)	(9)	
Capital Stock	1,205,707	1,205,707	-	-	
Capital Surplus	2,115,333	2,124,891	9,558	0	
Retained Earnings	7,683,895	8,907,660	1,223,765	16	
Other Equity	3,547,091	938,955	(2,608,136)	(74)	Note2
Non Controlling Interests	1,091,350	1,369,466	278,116	25	Note3
<b>Total Stockholders' Equity</b>	<b>15,643,376</b>	<b>14,546,679</b>	<b>(1,096,697)</b>	<b>(7)</b>	

Note 1: Mainly due to the recognition of intangible assets resulting from the acquisition of Changshu Yu Bo Polymer Materials Co., Ltd. by the Company in April 2023.

Note 2: Mainly due to the adjustment of other assets and other equity items caused by the Company's holdings of financial assets measured at fair value through other comprehensive income according to the valuation report.

Note 3: Mainly due to the increase in non-controlling interests as the Company acquired 70% equity interest in Changshu Yu Bo Polymer Materials Co., Ltd. in April 2023.



## II. Financial Performance

### (I) Analysis of Financial Performance

Unit: NT\$1,000; %

Item \ Year	2022	2023	Difference	%	Remark
Sales Revenue	22,004,313	20,581,188	(1,423,125)	(6)	
Operating Costs	16,716,776	14,090,728	(2,626,048)	(16)	
Gross Profit	5,287,537	6,490,460	1,202,923	23	Note1
Operating Expenses	3,463,162	3,526,078	62,916	2	
Operating Profit	1,824,375	2,964,382	1,140,007	62	Note1
Non-operating Income and Expenses	561,309	429,379	(131,660)	(23)	Note2
Profit Before Income Tax	2,385,414	3,393,761	1,008,347	42	Note3
Tax Expense	(522,686)	827,329	304,643	58	Note4
Net Income	1,862,728	2,566,432	703,704	38	Note3
Other Comprehensive Income	(1,738,825)	(2,623,573)	(884,748)	51	Note5
Total Comprehensive Income	123,903	(57,141)	(181,044)	(146)	Note5

Note 1: Mainly due to adjustments in product structure and emphasis on high-margin products, as well as stabilization in raw material prices during the current year.

Note 2: Mainly due to a decrease in dividend income of approximately NT\$87,640 thousands compared to the previous year.

Note 3: Mainly due to the optimization of product structure and increase in gross profit margin during the current year.

Note 4: Mainly due to the growth in consolidated profits during the current year.

Note 5: Mainly due to valuation losses on financial assets measured at fair value through other comprehensive income during the current year.

### (II) Sales Volume Forecast and Related Information, as well as the Major Impact on Financial Performance and Future Plan:

The Company estimates sales quantity based on industry environment, market supply and demand projections, business development, current order status, and production capacity planning at its manufacturing facilities. For the sales of major products in 2023, considering global inflation and concerns about potential economic downturns, sales and operations are expected to be conservative in the first half of the year, with opportunities for steady growth in the second half. Concurrently, the Company is optimizing its product portfolio to focus on improving profitability. Currently, the Company has a sound financial structure and robust operational capabilities, with sufficient internal funds and net cash flow from operating activities to meet the working capital and capital expenditure requirements driven by revenue growth.



### III. Cash Flow

#### Changes in Consolidated Cash Flows for 2023

Unit: NT\$1,000

Cash Balance 2022/12/31	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 2023/12/31
3,996,346	3,128,986	(792,095)	(1,736,906)	(21,766)	4,574,565

(I) Cash Flow Analysis for 2023:

1. Operating Activities: Mainly due to the increase in profit for the year and the continuous collection of accounts receivable.
2. Investing Activities: Mainly due to the acquisition of subsidiary Changshu Yu Bo Polymer Materials Co., Ltd. during the year and an increase in time deposits with original maturities exceeding three months.
3. Financing Activities: Mainly due to the increase in cash dividends paid during the year.

(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 2023	2023	2024
R&D and Administrative Building and equipment	Working Capital and Bank Loan	2023/12/31	980,000	879,990	100,010	-
2023 new equipment, equipment renewal and capacity expansion	Working Capital	2023/12/31	650,000	-	650,000	-
2024 new equipment, equipment renewal and capacity expansion	Working Capital	2024/12/31	1,290,000	-	-	1,290,000

(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 2023, the investment loss recognized under the equity method amounted to NT\$8,974 thousands, compared to an investment loss of NT\$714 thousands in 2022, resulting in an increase of NT\$8,260 thousands in investment losses. 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 headed by the board of directors as the highest management and decision-making body. The board of directors follows the Company's operational strategy and industry environment to establish risk management policies and ensures the effective operation of management mechanisms. The Company, approved by the board of directors, established a multi-tiered risk management organizational structure. In 2021, various risk management units were integrated into a "Risk Management Team," with the Chief Executive Officer serving as the convener of the Risk Management Team. They are responsible for executing 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 overall execution and coordination. The "Risk Management Team" is subordinate to the Audit Committee (composed of three independent directors), which regularly reports on the Company's risk environment, risk management priorities, risk assessments, and response measures during risk management meetings. The Risk Management Team reports on the Company's risk management execution to the Audit Committee and the board of directors at least once a year.

[Diagram: Risk Management Framework]



#### 2. Risk Management Policy

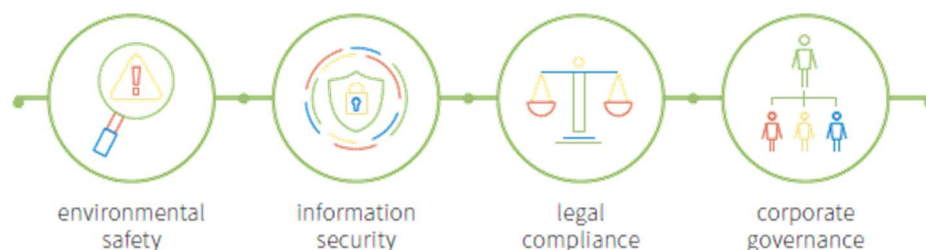
The Company has formulated a "Risk Management Policy" based on the framework of ISO 31000, which was approved by the board of directors in 2023, to serve as the highest guiding principle for the Company's risk management. The Risk Management Team conducts regular risk factor identification each year to identify relevant risks that may affect the sustainable development of the enterprise. For each risk identified, risk management policies are developed covering mechanisms such as management objectives, organizational structure, allocation of responsibilities, and risk management procedures, which are implemented to effectively identify, assess, and control various risks of the company, keeping significant risks within acceptable bounds.



### 3. Scope of Risk Management

The Company further identifies risk items starting from three focus areas of environmental, social, and corporate governance concerns. Risk management includes four major dimensions related to Company operations: "Environmental Safety," "Information Security," "Legal Compliance," and "Corporate Governance." The main categories of risks include: strategic risks, operational risks, financial risks, information risks, compliance risks, integrity risks, and other emerging risks (such as climate change, biodiversity, forest, water, or infectious disease-related risks).

[Diagram: Scope of Risk Management]



The Company's risk management process includes risk identification, risk analysis, risk assessment, risk response, and risk monitoring and review. In addition to cross-departmental communication and data collection to consolidate the overall impact of various risks on the company, the severity of each risk's impact is also linked to the Company's short, medium, and long-term operational goals to understand the Company's tolerance for risk impacts. To implement a balanced risk management mechanism, all potential risks that may affect operations and profitability, including various strategies, operations, finances, and hazards, are integrated and managed. Through the establishment of corporate risk management implementation measures, the aim is to provide appropriate risk management for all stakeholders. Using a risk matrix to assess the frequency of risk events and the severity of their impact on company operations, defining the priority and level of risk, and adopting corresponding risk management strategies based on the risk level.

[Diagram: Corporate Risk Management Process]





(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 2023, interest expenses amounted to NT\$104,261 thousands, accounting for 0.51% of the current net revenue. Based on the Company's calculation of financial liabilities' cash flow interest rate risk in 2023, an increase of 1 basis point (0.25%) in market interest rates would lead to a decrease of NT\$3,932 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 2023, the net gain from foreign currency exchange amounted to a loss of NT\$10,582 thousand, accounting for 0.05% of the current net revenue. Based on the Company's calculation of monetary items denominated in foreign currencies for 2023, a 1% appreciation of the NT\$ against the US dollar would result in a decrease of NT\$9,520 thousands in consolidated profit before tax.

3. Inflation

The Directorate-General of Budget, Accounting and Statistics (DGBAS) of Taiwan announced that the Consumer Price Index (CPI) for the full year of 2023 increased by 2.49%, reaching the second highest level in 15 years. The main raw materials used by our company include adipic acid, vinyl acetate, hydrogenated petroleum resin, chloroprene rubber, and VAE latex. The procurement of our raw materials is mostly conducted through contractual negotiation, allowing us to adjust prices with suppliers in response to fluctuations in the price level. Therefore, the volatility of raw material prices is not expected to significantly impact the company's profitability in the short term. However, we will continue to prudently assess the trend of basic raw material prices in the future and develop the most suitable procurement strategies in line with operational needs.

(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 2023 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) Loans to Others: As of the printing date of the annual report, the loans extended by the Company and its subsidiaries are provided to the Company and/or wholly-owned subsidiaries. These loans comply with relevant laws and regulations and are processed according to applicable provisions.



- (2) Endorsement Guarantees: As of the printing date of the annual report, the Company provides endorsement guarantees only to subsidiaries in which it holds more than 50% of the shares. These endorsement guarantees comply with relevant laws and regulations and are processed according to applicable provisions.
- (3) Derivative Transactions: As of the printing date of the annual report, neither the Company nor its subsidiaries engage in derivative transactions.
- (4) To manage financial transaction risks, the Company has established internal management measures and operating procedures based on sound financial and operational management in accordance with relevant laws and regulations of the Financial Supervisory Commission. These management measures include "Loan and Endorsement Guarantee Operating Procedures" and "Asset Acquisition or Disposal Processing Procedures."

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

1. The Company incurred R&D expenses of NT\$519,403 thousands in 2023, accounting for 2.53% 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 2024 are expected to range from 2% to 3% 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

In response to technological changes, the Company established the Information Security Committee under the Board of Directors in November 2021, with the CEO serving as the convener, responsible for coordinating the company's information security policies and governance matters. Additionally, the Company's Information Security Management System (ISMS) obtained third-party verification and ISO 27001 international standard certification in June 2022, with continued completion of re-verification in 2023, enhancing information security management policies and related management procedures. In the future, the deployment of cybersecurity defense systems will involve implementing next-generation firewalls, intrusion detection systems, malicious email filtering, operating system updates, antivirus software deployment, confidential document encryption, and endpoint device connectivity control, among other security defense mechanisms. This will establish a network segmentation mechanism and increase defense depth in both management and technical aspects to mitigate cybersecurity risks. In the recent year and up to the printing date of the annual report, technological changes and industry developments 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  
In the recent year and up to the printing date of the annual report, the Company has not engaged in any mergers or acquisitions.
- (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. On April 19, 2022, the Kaohsiung High Administrative Court ruled to annul both the administrative decision and the appeal decision. The Company then appealed to the Land Affairs Bureau of the Tainan City Government. The Administrative Court dismissed the appeal on January 18, 2024.
  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 18, 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.



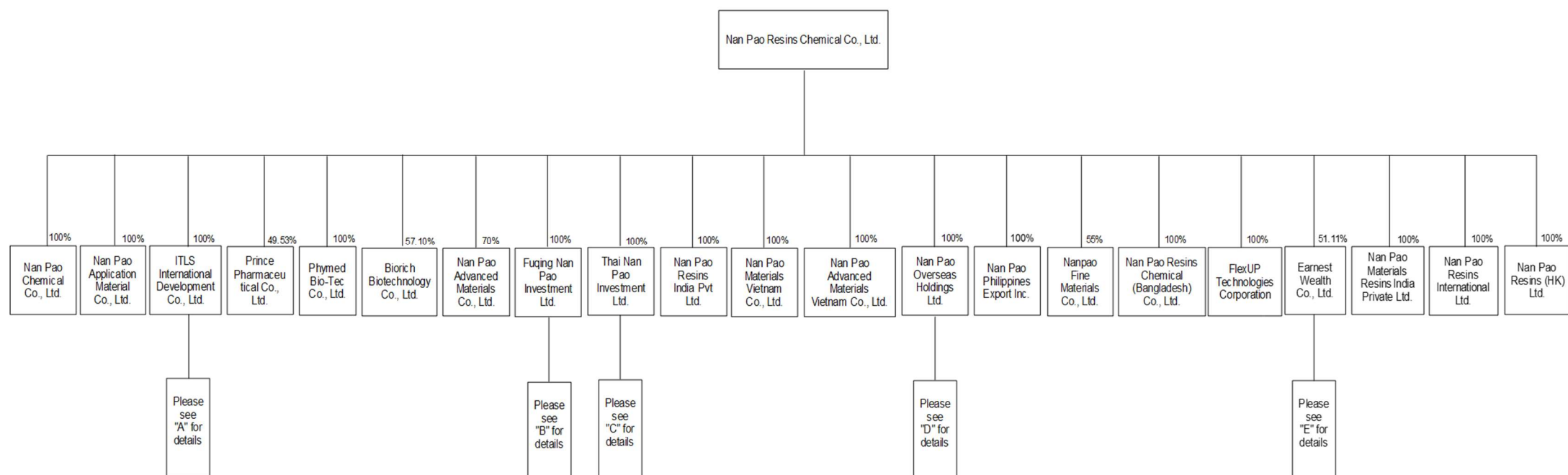
## VIII. Special Disclosure

### I. Summary of Affiliated Companies

#### (I) The Consolidated Business Report of Affiliated Companies

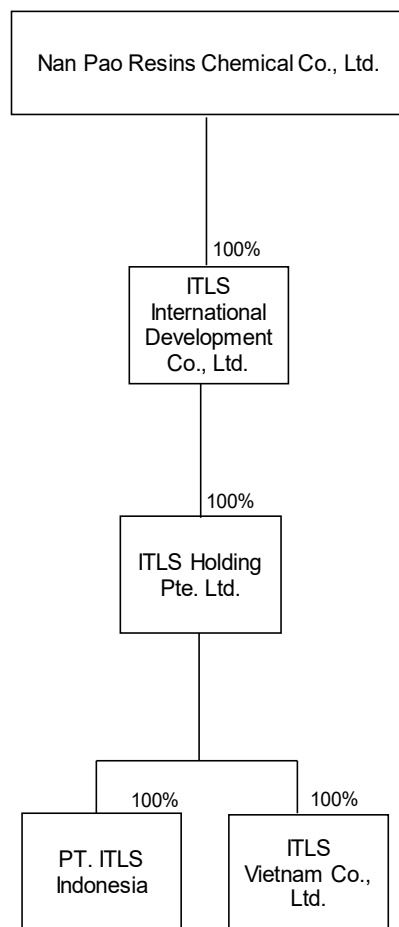
##### 1. Subsidiaries Chart Chart of Affiliated Companies

December 31, 2023

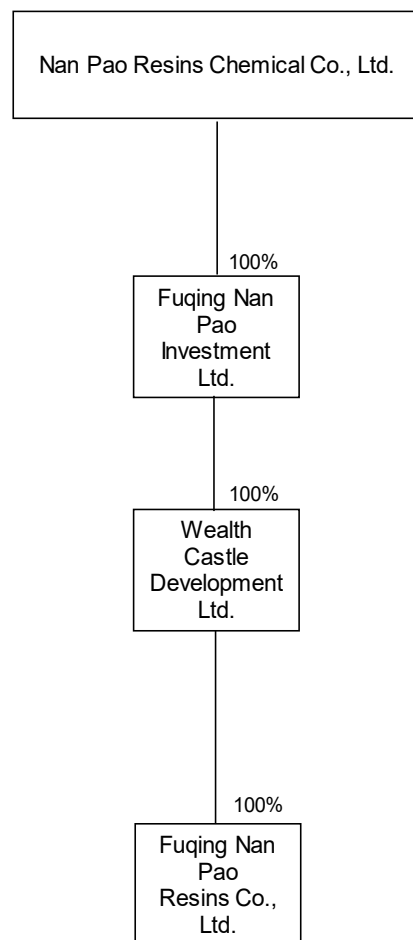




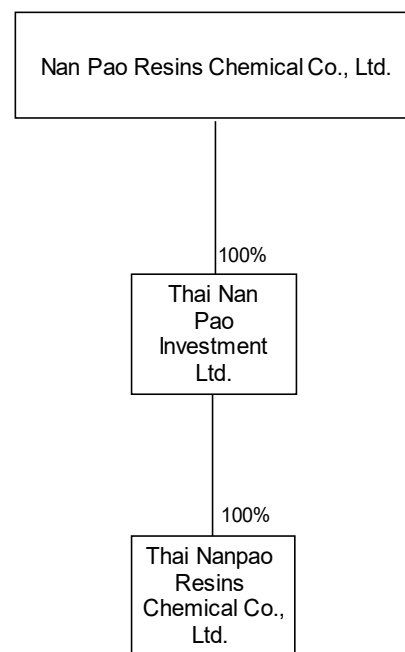
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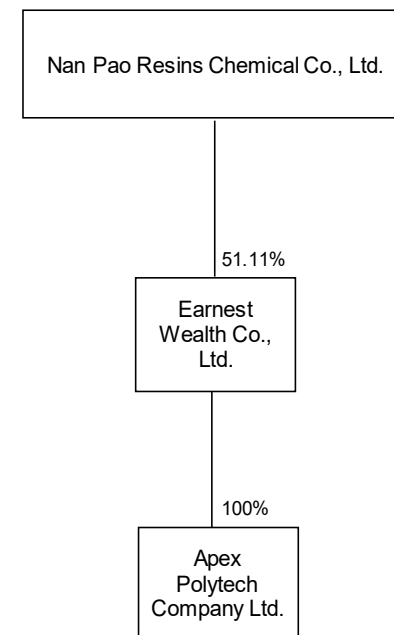
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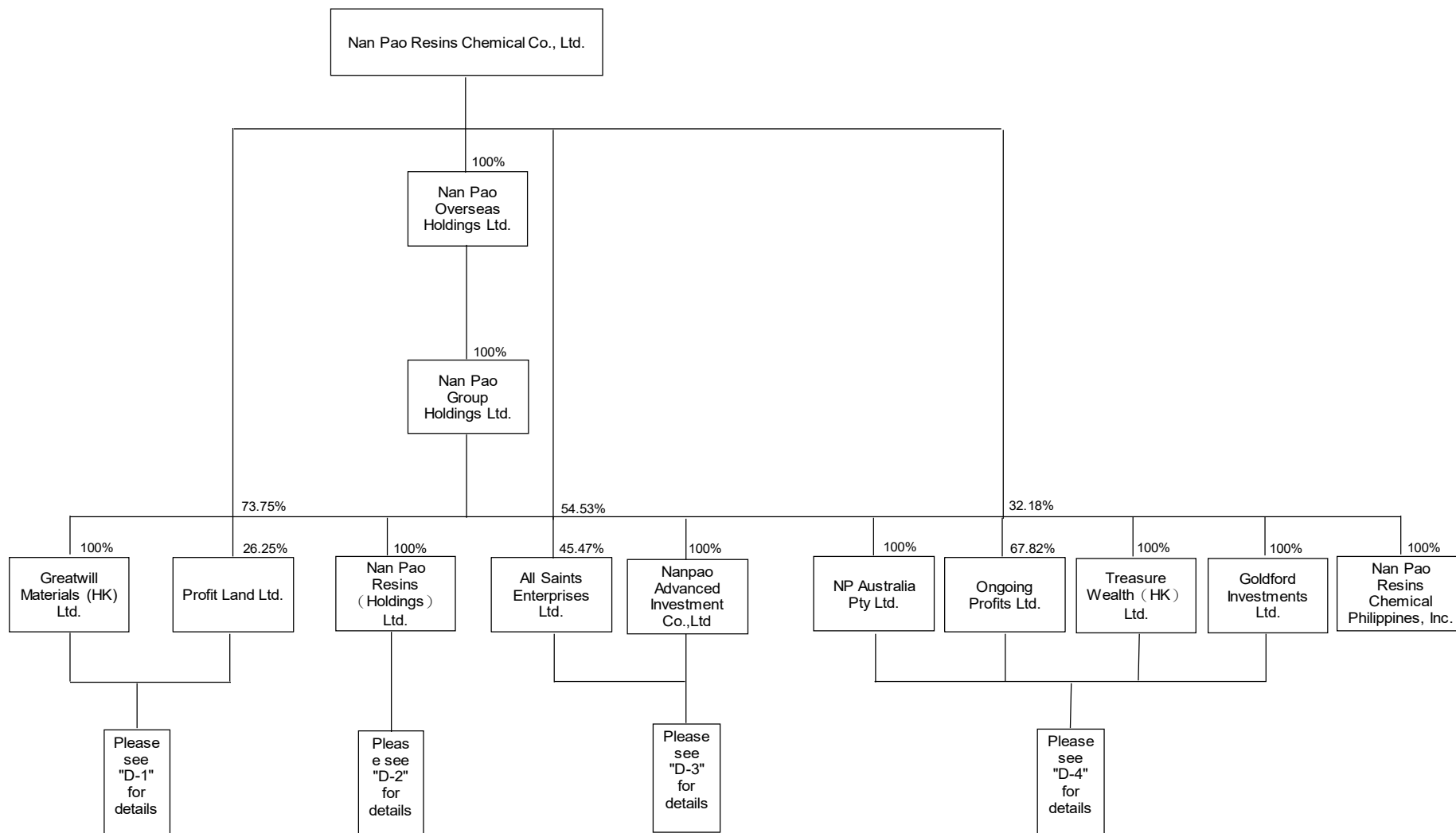


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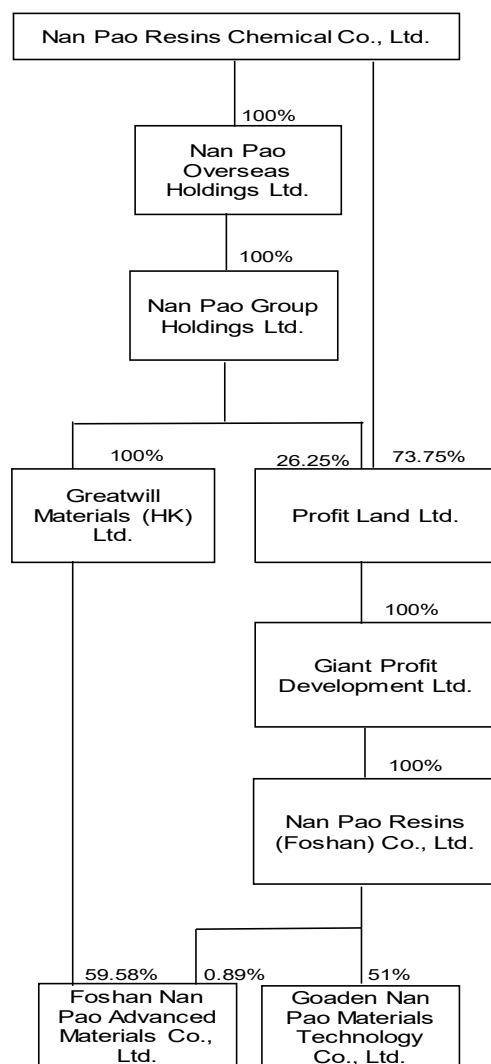


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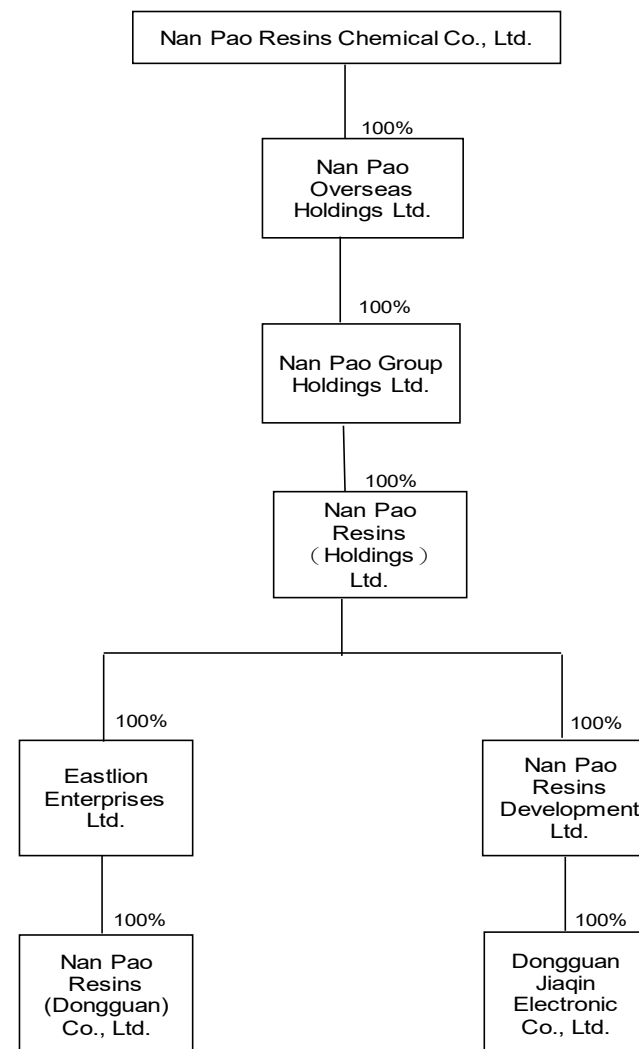




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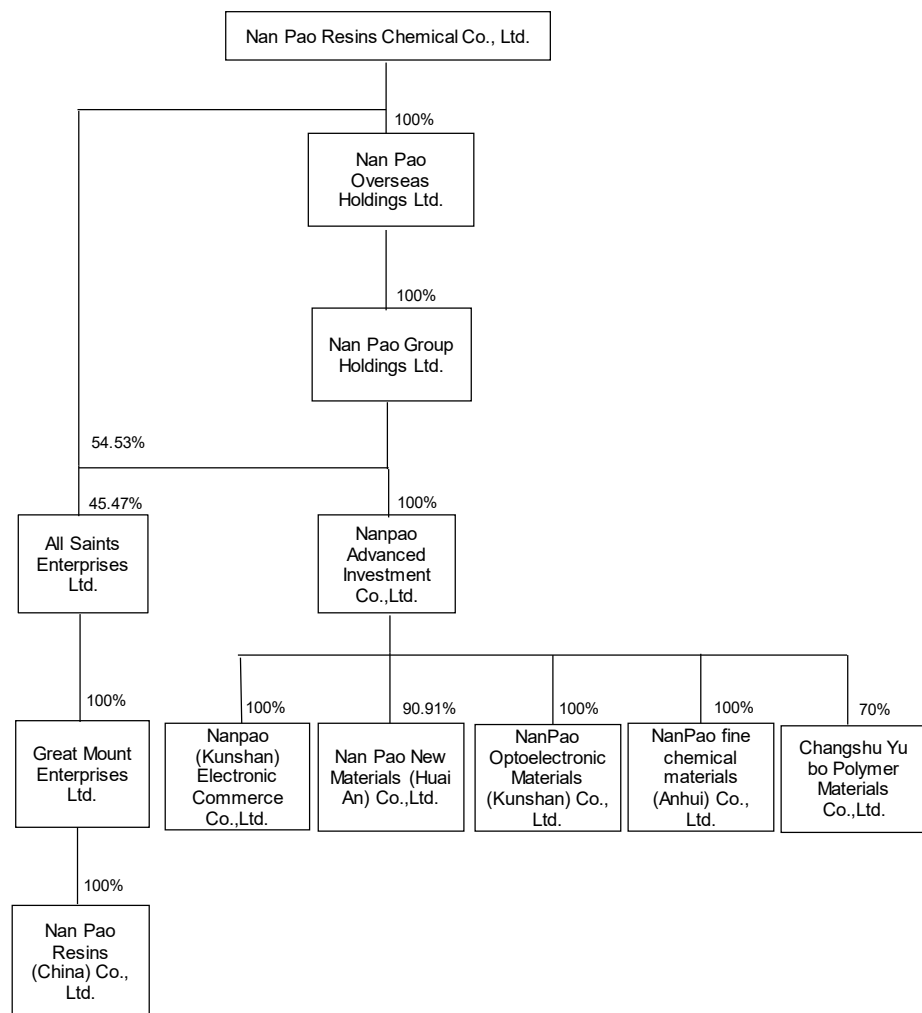


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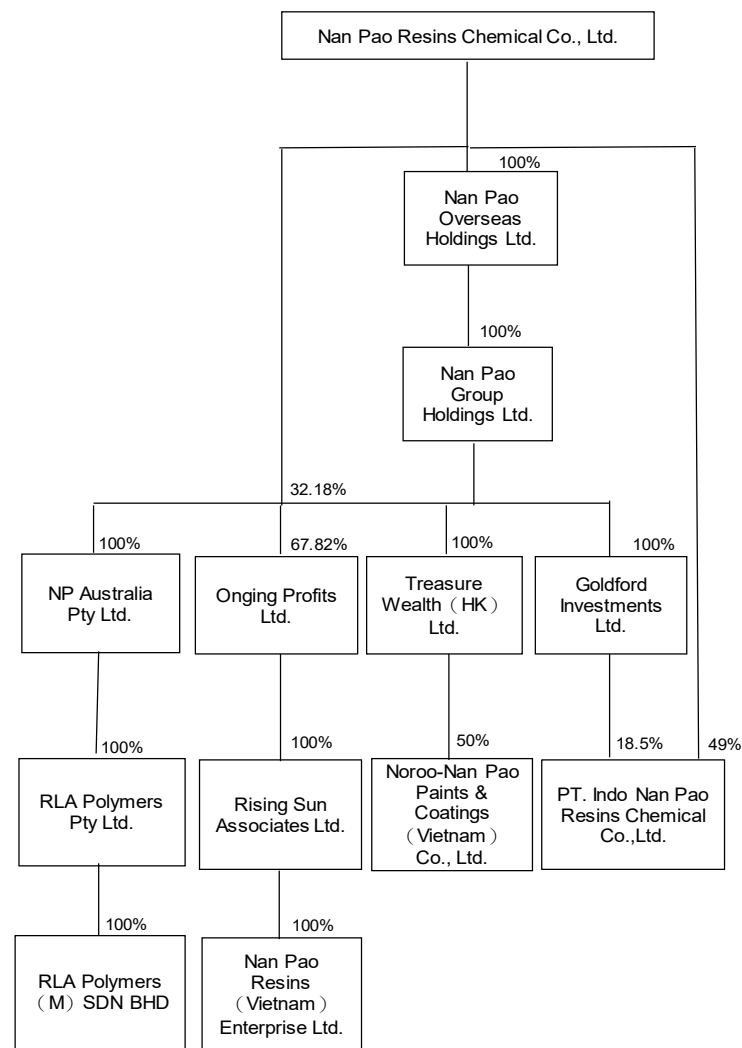




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## 2. Information Regarding Affiliated Companies

December 31, 2023 / 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	24,000,000	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	2F., No. 600-2, Kunjia Rd., Kunshan Economic Technical Development Zone, Jiangsu Province	CNY	5,175,280	Production and trading of adhesives and chemicals
Nan Pao Resins (HK) Limited	2019.06.26	Flat 13, 10F., Building B Tonic Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	USD	13,400,000	Production and trading of adhesives
Changshu Yu Bo Polymer Materials Co., Ltd.	2017.07.26	No. 17, Xinggang Road, Bixi Street, Changshu City	CNY	38,454,455	Production and trading of adhesives and chemicals



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	No. 12, Kohler Boulevard, 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	11,000,000,000	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	412 Kor Soi, 1cBangpoo Industrial Tumbon Preaksa Ampur Muang Samutprakarn 10280, Thailand	THB	211,970,000	Production and trading of adhesives
Phymed Bio-Tec Co., Ltd.	2009.06.30	No. 519, Zhongshan Rd., Xigang Dist., Tainan City	TWD	24,000,000	R&D and trading of healthy food
ITLS International Development Co., Ltd.	2009.01.22	3F., No. 356, Sec. 1, Neihs Rd., Neihs Dist., Taipei City	TWD	246,000,000	Trading of construction materials and chemicals



Company	Date of Incorporation	Place of Registration	Paid-in Capital		Major Business
ITLS Holding Pte. Ltd.	2009.08.11	8 Boon Lay Way, #09-14, 8 @ Tradehub 21, Singapore 609964	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, Vietnam	VND	95,047,269,805	Production and trading of construction 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	62,000,000	Trading of adhesives
Prince Pharmaceutical Co., Ltd.	1962.07.31	No. 168, Keyun S. Rd., Huwei Township, Yunlin County, Central Science Park	TWD	361,930,000	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, Vietnam	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, Philippines	PHP	25,750,000	Trading of adhesives
Nanpao Fine Materials Co., Ltd.	2020.10.15	No. 217, Xinxing Street, Xigang District, Tainan City	TWD	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	76,764,163	Production and trading of carbon fiber



Company	Date of Incorporation	Place of Registration	Paid-in Capital		Major Business
Nan Pao Resins Chemical (Bangladesh) Co., Ltd.	2021.06.30	House No, 42 5th floors, Lake drive Road, Sector 7, Ulttara, Dhaka	BDT	44,942,500	Trading of adhesives
FlexUP Technologies Corp.	2014.08.26	No. 10, Lane 99, Nanhai Street, Xigang District, Tainan City	TWD	188,800,000	Trading of chemicals
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
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 Materials Resins India Private Ltd.	2023.06.01	Room No.6, Flat No.3-D, Front Block, 188 P H Road, Kilpauk, Perambur Purasawalkam, Chennai-600010, Tamil Nadu, India	INR	80,760,030	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, 2024 / 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%
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	Shu-Wei, Chang	-	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	Wu-Xiong, Chen	-	0.00%
	Director	Sen-Mao, Kuo	-	0.00%
	Director	Shao-Bo, Cao	349,992	1.46%
	Director and General Manager	Yong-Sheng, Wu	-	0.00%
	Supervisor	Chun-Hui, Lin	-	0.00%
	Supervisor	Kun-Chin, Lin	-	0.00%
	Supervisor	Jia, Tao	-	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%



Company	Title	Name	Shares held	Shareholding
Rising Sun Associate Ltd.	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Chien-Ping, Chen	-	0.00%
Nan Pao Resins (Vietnam) Enterprise Ltd.	Director	Ying-Lin, Huang	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Director and General Manager	Chien-Ping, Chen	-	0.00%
Nan Pao Resins Chemical Philippines, Inc.	Director	Sen-Mao, Kuo	10	0.11%
	Director	Ming-Hsien, Hsu	10	0.11%
	Director and General Manager	Reginald V. Mungcal	10	0.11%
	Director	Cheng-Hsien, Wu	10	0.11%
	Director	Cheng-Hsien, Wu (Nan Pao Group Holdings Ltd.)	8,960	99.56%
Goldford Investments Ltd.	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ying-Lin, Huang	-	0.00%
	Director	Ming-Hsien, Hsu	-	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%



Company	Title	Name	Shares held	Shareholding
Dongguan Jiaqin Electronics Co., Ltd.	Chairman	Te-Tsung, Sun	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Shun-Hsing, Wu	-	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%
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%



Company	Title	Name	Shares held	Shareholding
Nan Pao Advanced Investment Co., Ltd.	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%
	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%
Changshu Yu Bo Polymer Materials Co., Ltd.	Director	Ying-Lin, Huang	-	0.00%
	Supervisor	Jie-Fu, Zheng	-	0.00%
	Supervisor	Kun-Chin, Lin	-	0.00%
	General Manager	Chao-Hsu, Wu	-	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%



Company	Title	Name	Shares held	Shareholding
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	Kun-Chin, Lin	-	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%
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%



Company	Title	Name	Shares held	Shareholding
Fuqing Nan Pao Resins Co., Ltd.	General Manager	He-Feng, Chung	-	0.00%
Thai Nan Pao Investments Ltd.	Director	Ying-Lin, Huang	-	0.00%
	Director	Sen-Mao, Kuo	-	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%
	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	Director and General Manager	Yuan-Yang, Lo	-	0.00%
	Supervisor	Cheng-Hsien, Wu	-	0.00%
ITLS Vietnam Co., Ltd.	Director and General Manager	Shun-Hsing, Wu	-	0.00%
	Director	Chun-Min, Hsu	-	0.00%
Nan Pao Chemical Co., Ltd.	Chairman	Yong-Ching, Shen (NAN PAO RESINS)	15,000,000	100.00%
	Director	Yi-Yi, Chen (NAN PAO RESINS)	15,000,000	100.00%



Company	Title	Name	Shares held	Shareholding
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	Uday Kumar	-	0.00%
	Director	Chin-Fu, Hsu	-	0.00%
	Director and General Manager	Yi-Han, Xie	1	0.00%
Prince Pharmaceutical Co., Ltd.	Chairman and General Manager	Chi-Ta, Lee	1,050,000	2.87%
	Director	Kuo-Hua, Wang (NAN PAO RESINS)	18,131,198	49.53%
	Director	Ying-Lin, Huang (NAN PAO RESINS)	18,131,198	49.53%
	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%



Company	Title	Name	Shares held	Shareholding
Nan Pao Advanced Materials Co., Ltd.	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	Sen-Mao, Kuo	100	0.00%
	Director	Shun-Hsing, Wu	100	0.00%
	Director and General Manager	Reginald Mungcal	100	0.00%
	Director	Cheng-Hsien, Wu (NAN PAO RESINS)	25,749,700	100.00%
Nanpao Fine Materials Co., Ltd.	Chairman	Ying-Lin, Huang (NAN PAO RESINS)	1,375,000	55.00%
	Director	Kun-Chin, Lin (NAN PAO RESINS)	1,375,000	55.00%
	Director	Ke-Cheng, Chen	1,000,000	40.00%
	Supervisor	Shu-Fen, Wu	-	0.00%
Nanpao New Materials (Huaian) Co., Ltd.	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)	18,880,000	100.00%



Company	Title	Name	Shares held	Shareholding
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	Sen-Mao, Kuo	-	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	Li-Hang, Hsieh	-	0.00%
	Director	Yu-Cheng, Lin	-	0.00%
	Director	Kun-Chin, Lin	-	0.00%
	General Manager	Yong-Cheng, Lin	-	0.00%
Nan Pao Materials Resins India Private Ltd.	Director	Ying-Lin, Huang	-	0.00%
	Director	Kun-Chin, Lin	-	0.00%
	Director	Thashy Chacko Mohan	1	0.00%
	Director and General Manager	Yi-Han, Xie	2	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.	2,396,725	4,773,889	-	4,773,889	-	(114)	551,180	6.96
Nan Pao Group Holdings Ltd.	2,396,725	4,824,308	56,060	4,768,248	-	(21,680)	551,158	6.96
Treasure Wealth (HK) Ltd.	18	168,161	276	167,885	-	(54)	801	173.83
Noroo-Nanpao Paints & Coatings (Vietnam) Co., Ltd.	227,513	410,231	91,857	318,374	478,445	(770)	1,607	NA
Greatwill Materials (HK) Ltd.	28	544,854	189	544,665	-	(691)	64,358	8,973.57
Foshan Nan Pao Advanced Materials Co., Ltd.	103,848	1,192,514	283,453	909,061	2,188,304	114,922	109,126	4.55
Ongoing Profits Ltd.	148,844	993,065	-	993,065	-	(100)	397,875	82.08
Rising Sun Associates Ltd.	92,115	991,624	-	991,624	-	(100)	397,946	132.65
Nan Pao Resins (Vietnam) Enterprise Ltd.	196,764	1,852,880	863,959	988,921	3,253,024	480,001	397,919	NA
Nan Pao Resins Chemical Philippines, Inc.	4,991	107,831	17,393	90,438	112,388	12,807	10,894	1,210.50



Company	Capital Stock	Total Assets	Total Liabilities	Net Worth	Net Sales	Operating Income	Net Profit / Loss	EPS
Goldford Investments Ltd.	14,923	127,026	-	127,026	-	(47)	32,351	66.57
Nan Pao Resins (Holdings) Ltd.	3	401,382	-	401,382	-	-	44,310	4,430.97
Eastlion Enterprises Ltd.	621	225,571	-	225,571	-	(3,305)	25,617	1,265.68
Nan Pao Resins (Dongguan) Co., Ltd.	74,164	213,068	33,998	179,070	261,265	39,012	28,793	NA
Nan Pao Resins Development Ltd.	92,115	168,427	-	168,427	-	-	18,618	6,206
Dongguan Jiaqin Electronic Ltd.	86,026	194,927	26,516	168,410	154,682	17,187	18,618	NA
NP Australia Pty. Ltd.	633,897	893,086	(48,077)	941,163	-	(2,721)	97,405	3.22
RLA Polymers Pty. Ltd.	585,804	2,342,553	1,520,005	822,548	3,099,393	174,727	100,526	6.07
RLA Polymers (M) Sdn. Bhd.	123,111	293,925	101,258	192,667	245,159	13,886	8,559	0.46
Nan Pao Materials Vietnam Co. ,Ltd.	706,215	1,881,238	385,999	1,495,239	1,993,380	329,152	296,435	NA
Nan Pao Resins International Ltd.	39	240,869	231,529	9,340	502,773	(10,126)	1,367	1.37
Nan Pao Advanced Investment Co., Ltd.	860,274	824,511	150,443	674,068	-	(5,839)	(47,763)	NA
Nan Pao (KunShan) Electronic Commerce Co., Ltd.	41,450	5,347	20	5,327	20	(147)	(110)	NA
Nanpao Optoelectronic Materials (Kunshan) Co., Ltd.	22,393	12,892	302	12,590	141	(2,759)	(2,519)	NA
Nan Pao Resins (HK) Limited	411,447	449,647	139,367	310,281	605,735	(27,262)	(32,399)	(2.42)
Profit Land Ltd.	40,940	1,195,095	-	1,195,095	-	(37)	271,209	203.41
Giant Profit Development Ltd.	39	1,185,363	-	1,185,363	-	(7)	270,978	27,097.80
Nan Pao Resins (Foshan) Co., Ltd.	245,640	1,478,808	294,468	1,184,340	1,909,946	293,283	270,970	NA
Goaden Nan Pao Material Technology Co., Ltd	21,676	23,719	68	23,651	-	31	293	NA
PT. Indo Nan Pao Resins Chemical Co., Ltd.	21,780	1,105,769	483,705	622,065	1,722,572	254,415	200,511	18.23
All Saints Enterprises Ltd.	307,050	378,395	-	378,395	-	(137)	(8,463)	(0.85)
Great Mount Enterprises Ltd.	39	374,237	-	374,237	-	(12)	(8,430)	(843.03)
Nan Pao Resins (China) Co., Ltd.	355,722	493,419	119,312	374,107	565,848	(11,746)	(8,425)	NA
Fuqing Nan Pao Investment Ltd.	153,218	229,243	-	229,243	-	(99)	27,326	5.40
Wealth Castle Development Ltd.	39	228,927	433	228,494	-	(150)	27,508	2,715.52
Fuqing Nan Pao Resins Co., Ltd.	146,163	303,141	75,072	228,069	404,812	35,786	27,653	NA
Thai Nan Pao Investments Ltd.	162,184	184,057	-	184,057	-	(123)	1,879	0.35
Thai Nanpao Resins Chemical Co., Ltd.	191,133	149,438	15,762	133,676	68,909	(2,285)	(37)	0.00
Phymed Bio-Tec Co., Ltd.	24,000	16,694	2,798	13,896	1,778	(2,880)	(2,882)	(1.20)



Company	Capital Stock	Total Assets	Total Liabilities	Net Worth	Net Sales	Operating Income	Net Profit / Loss	EPS
ITLS International Development Co., Ltd.	246,000	318,182	55,319	262,862	217,764	18,938	16,159	0.66
ITLS Holding Pte. Ltd.	513,883	85,492	180	85,312	-	(298)	(2,481)	(0.11)
PT. ITLS Indonesia Co., Ltd.	54,472	14,224	604	13,620	17,028	(503)	(468)	(0.19)
ITLS Vietnam Co., Ltd.	120,397	68,655	68	68,587	-	(3,135)	(1,702)	NA
Nan Pao Chemical Co., Ltd.	150,000	192,880	6,138	186,742	86,650	6,460	7,776	0.52
Biorich Biotechnology Co., Ltd.	6,855	35,932	9,610	26,322	56,914	8,648	8,644	13.00
Nan Pao Application Material Co., Ltd.	2,000	8,740	100	8,640	-	(107)	21	0.10
Nan Pao Resins India Pvt. Ltd.	22,890	107,753	58,446	49,307	59,556	(1,775)	(835)	(0.13)
Prince Pharmaceutical Co., Ltd.	361,930	1,406,320	631,854	774,466	753,327	25,843	15,309	0.42
Nan Pao Advanced Materials Co., Ltd.	5,000	42,917	27,049	15,868	99,083	10,299	8,195	16.39
Nan Pao Advanced Materials Vietnam Co., Ltd.	429,387	933,052	256,901	676,151	901,136	163,087	161,136	NA
Nan Pao Philippines Export Inc.	14,278	35,634	18,954	16,680	52,722	1,834	1,237	0.05
Nanpao Fine Materials Co., Ltd.	25,000	123,187	46,849	76,338	218,689	61,895	49,152	19.66
Nanpao New Materials (Huaian) Co., Ltd.	332,159	293,152	94,311	198,840	21,512	(66,164)	(26,925)	NA
Nan Pao Resins Chemical (Bangladesh) Co. Ltd.	12,543	4,615	-	4,615	-	(5,301)	(5,309)	(0.02)
FlexUP Technologies Corp.	188,800	63,217	24,786	38,431	76,547	15,788	16,118	0.85
Earnest Wealth Co., Ltd.	55,269	66,146	-	66,146	-	(49)	2,000	1.10
Apex polytech Co., Ltd.	61,973	72,607	7,608	64,999	46,967	1,262	2,029	NA
NanPao Fine Chemical Materials (Anhui) Co., Ltd.	151,445	148,816	305	148,511	-	(3,327)	(3,155)	NA
Changshu Yu Bo Polymer Materials Co., Ltd.	166,392	389,417	216,286	173,131	188,994	18,515	7,684	NA
Nan Pao Materials Resins India Private Ltd.	29,817	28,051	33	28,018	-	(1,839)	(1,839)	(0.23)

(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, 2023 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Nan Pao Resins Chemical Co., Ltd.

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CHENG- HSIEN WU  
Chairman  
March 14, 2024



## **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. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, based on our audits and the report of other auditors (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, 2023 and 2022, 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 of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 audits and the report of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. 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, 2023 is detailed as follows:



### Authenticity of Revenue Recognition

As stated in Notes 4 (n) and 26, the Group's main source of revenue is revenue from the sale of adhesives and coatings. The sales amount of some customers changed significantly in 2023. We considered the materiality of this to the consolidated financial statements as well as the regulations in the auditing standards regarding the presumed significant risk in revenue recognition, and thus deemed the authenticity of revenue recognition of the aforementioned 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 these customers to check whether the sales actually occurred.

### **Other Matter**

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. Total assets of these subsidiaries amounted to NT\$5,418,155 thousand and NT\$5,274,657 thousand as of December 31, 2023 and 2022, respectively, accounting for 23% and 21% of the total consolidated assets, respectively. Net sales revenue was NT\$6,261,112 thousand and NT\$5,749,177 thousand, respectively, accounting for 30% and 26% 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, 2023 and 2022 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, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

#### Notice to Readers

*The accompanying 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, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,574,565	19	\$ 3,996,346	16
Financial assets at amortized cost - current (Notes 4, 9, 10, and 36)	627,336	3	352,043	2
Notes receivable (Notes 4 and 11)	343,899	2	310,864	1
Accounts receivable (Notes 4, 11 and 26)	4,056,979	17	4,261,020	17
Accounts receivable - related parties (Notes 4, 11, 26 and 35)	349,908	2	307,095	1
Other receivables (Notes 4 and 11)	88,994	-	97,544	-
Current tax assets (Note 28)	381	-	3,936	-
Inventories (Notes 4 and 12)	2,662,968	11	2,824,543	12
Other current assets (Note 20)	726,547	3	705,671	3
Total current assets	13,431,577	57	12,859,062	52
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	121,929	1	69,536	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	1,682,112	7	4,206,459	17
Financial assets at amortized cost - non-current (Notes 4, 9, 10 and 36)	37,907	-	128,484	1
Investments accounted for using the equity method (Notes 4 and 14)	30,312	-	39,286	-
Property, plant and equipment (Notes 4, 15 and 36)	5,808,353	25	5,507,684	22
Right-of-use assets (Notes 4 and 16)	1,324,936	6	1,179,673	5
Investment properties (Notes 4 and 17)	17,760	-	17,760	-
Goodwill (Notes 4, 18 and 31)	352,208	1	246,575	1
Other intangible assets (Notes 4 and 19)	456,917	2	122,033	1
Deferred tax assets (Notes 4 and 28)	294,970	1	256,284	1
Net defined benefit assets - non-current (Notes 4 and 24)	41,864	-	22,063	-
Other non-current assets (Note 20)	63,551	-	90,884	-
Total non-current assets	10,232,819	43	11,886,721	48
<b>TOTAL</b>	<u>\$ 23,664,396</u>	<u>100</u>	<u>\$ 24,745,783</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 21 and 36)	\$ 1,832,918	8	\$ 1,854,293	8
Contract liabilities - current (Notes 4 and 26)	29,380	-	34,241	-
Notes payable (Note 22)	344	-	463	-
Accounts payable (Notes 22 and 35)	2,176,712	9	2,658,505	11
Dividends payable	1,997	-	4,032	-
Other payables (Note 35)	1,355,367	6	1,080,261	4
Current tax liabilities (Note 28)	566,780	2	275,853	1
Lease liabilities - current (Notes 4 and 16)	102,212	-	87,235	-
Current portion of long-term borrowings (Notes 21 and 36)	145,577	1	138,721	1
Other current liabilities (Notes 23 and 35)	181,147	1	202,620	1
Total current liabilities	6,392,434	27	6,336,224	26
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 21 and 36)	894,993	4	1,223,855	5
Deferred tax liabilities (Notes 4 and 28)	1,188,145	5	876,315	3
Lease liabilities - non-current (Notes 4 and 16)	632,576	3	656,265	3
Other non-current liabilities (Note 23)	9,569	-	9,748	-
Total non-current liabilities	2,725,283	12	2,766,183	11
Total liabilities	9,117,717	39	9,102,407	37
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 25)</b>				
Share capital - ordinary shares	1,205,707	5	1,205,707	5
Capital surplus	2,124,891	9	2,115,333	9
Retained earnings				
Legal reserve	1,565,289	6	1,388,123	6
Special reserve	313,321	1	313,321	1
Unappropriated earnings	7,029,050	30	5,982,451	24
Total retained earnings	8,907,660	37	7,683,895	31
Other equity	938,955	4	3,547,091	14
Total equity attributable to owners of the Company	13,177,213	55	14,552,026	59
<b>NON-CONTROLLING INTERESTS</b>	1,369,466	6	1,091,350	4
Total equity	14,546,679	61	15,643,376	63
<b>TOTAL</b>	<u>\$ 23,664,396</u>	<u>100</u>	<u>\$ 24,745,783</u>	<u>100</u>

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

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



# NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 26 and 35)	\$ 20,581,188	100	\$ 22,004,313	100
OPERATING COSTS (Notes 12, 24, 27 and 35)	<u>14,090,728</u>	<u>68</u>	<u>16,716,776</u>	<u>76</u>
GROSS PROFIT	<u>6,490,460</u>	<u>32</u>	<u>5,287,537</u>	<u>24</u>
OPERATING EXPENSES (Notes 11, 24 and 27)				
Selling and marketing expenses	1,998,296	10	2,031,894	9
General and administrative expenses	978,930	5	898,945	4
Research and development expenses	519,403	2	513,724	3
Expected credit loss	<u>29,449</u>	<u>-</u>	<u>18,599</u>	<u>-</u>
Total operating expenses	<u>3,526,078</u>	<u>17</u>	<u>3,463,162</u>	<u>16</u>
PROFIT FROM OPERATIONS	<u>2,964,382</u>	<u>15</u>	<u>1,824,375</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES (Notes 14 and 27)				
Interest income	70,594	-	34,892	-
Other income	479,677	2	551,926	3
Other gains and losses	(7,657)	-	61,250	-
Finance costs	(104,261)	(1)	(86,315)	-
Share of loss of associates	<u>(8,974)</u>	<u>-</u>	<u>(714)</u>	<u>-</u>
Total non-operating income and expenses	<u>429,379</u>	<u>1</u>	<u>561,039</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	3,393,761	16	2,385,414	11
INCOME TAX EXPENSE (Notes 4 and 28)	<u>827,329</u>	<u>4</u>	<u>522,686</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>2,566,432</u>	<u>12</u>	<u>1,862,728</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 24, 25 and 28)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	1,227	-	38,551	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(2,529,084)	(12)	(2,091,887)	(9)
Income tax related to items that will not be reclassified subsequently to profit or loss	<u>(236)</u>	<u>-</u>	<u>(7,720)</u>	<u>-</u>
	<u>(2,528,093)</u>	<u>(12)</u>	<u>(2,061,056)</u>	<u>(9)</u>

(Continued)



# NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

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

	2023		2022	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ (115,243)	-	\$ 398,275	2
Income tax related to items that may be reclassified subsequently to profit or loss	<u>19,763</u>	<u>-</u>	<u>(76,044)</u>	<u>-</u>
	<u>(95,480)</u>	<u>-</u>	<u>322,231</u>	<u>2</u>
Other comprehensive loss for the year, net of income tax	<u>(2,623,573)</u>	<u>(12)</u>	<u>(1,738,825)</u>	<u>(7)</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	<u>\$ (57,141)</u>	<u>-</u>	<u>\$ 123,903</u>	<u>1</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 2,428,215	12	\$ 1,741,459	8
Non-controlling interests	<u>138,217</u>	<u>-</u>	<u>121,269</u>	<u>-</u>
	<u>\$ 2,566,432</u>	<u>12</u>	<u>\$ 1,862,728</u>	<u>8</u>
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ (178,663)	(1)	\$ (16,056)	-
Non-controlling interests	<u>121,522</u>	<u>1</u>	<u>139,959</u>	<u>1</u>
	<u>\$ (57,141)</u>	<u>-</u>	<u>\$ 123,903</u>	<u>1</u>
EARNINGS PER SHARE (Note 29)				
Basic	\$ 20.14		\$ 14.44	
Diluted	<u>\$ 20.08</u>		<u>\$ 14.39</u>	

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

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

(Concluded)



NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(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 Translation of 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, 2022	\$ 1,205,707	\$ 2,101,673	\$ 1,300,961	\$ 313,321	\$ 5,021,383	\$ (644,475)	\$ 5,979,277	\$ 5,334,802	\$ 15,277,847	\$ 992,192	\$ 16,270,039
Appropriation of 2021 earnings (Note 25)											
Legal reserve	-	-	87,162	-	(87,162)	-	-	-	-	-	-
Cash dividends distributed by the Company - \$6 per share	-	-	-	-	(723,425)	-	-	-	(723,425)	-	(723,425)
Arising from the difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Note 32)	-	10,852	-	-	-	-	-	-	10,852	(13,352)	(2,500)
Changes in ownership interests in subsidiaries (Note 32)	-	1,330	-	-	-	-	-	-	1,330	12,578	13,908
Issuance of employee share options by subsidiaries (Note 30)	-	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 25)	-	-	-	-	-	-	-	-	-	(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
Appropriation of 2022 earnings (Note 25)											
Legal reserve	-	-	177,166	-	(177,166)	-	-	-	-	-	-
Cash dividends distributed by the Company - \$10 per share	-	-	-	-	(1,205,708)	-	-	-	(1,205,708)	-	(1,205,708)
Arising from the difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Note 32)	-	(195)	-	-	-	-	-	-	(195)	(122)	(317)
Changes in ownership interests in subsidiaries (Note 32)	-	6,618	-	-	-	-	-	-	6,618	67,628	74,246
Issuance of employee share options by subsidiaries (Note 30)	-	3,135	-	-	-	-	-	-	3,135	3,136	6,271
Net profit for the year ended December 31, 2023	-	-	-	-	2,428,215	-	-	-	2,428,215	138,217	2,566,432
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	1,258	(79,052)	(2,529,084)	(2,608,136)	(2,606,878)	(16,695)	(2,623,573)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	2,429,473	(79,052)	(2,529,084)	(2,608,136)	(178,663)	121,522	(57,141)
Increase in non-controlling interests (Note 25)	-	-	-	-	-	-	-	-	-	85,952	85,952
BALANCE AT DECEMBER 31, 2023	\$ 1,205,707	\$ 2,124,891	\$ 1,565,289	\$ 313,321	\$ 7,029,050	\$ (419,351)	\$ 1,358,306	\$ 938,955	\$ 13,177,213	\$ 1,369,466	\$ 14,546,679

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

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



# NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,393,761	\$ 2,385,414
Adjustments for:		
Depreciation expenses	586,801	481,823
Amortization expenses	68,010	28,982
Expected credit loss recognized on trade receivables	29,449	18,599
Net (gain) loss on fair value changes of financial assets at fair value through profit or loss	(18,327)	6,599
Finance costs	104,261	86,315
Interest income	(70,594)	(34,892)
Dividend income	(390,075)	(477,714)
Compensation cost of employee share options	6,271	2,925
Share of loss of associates	8,974	714
(Gain) loss on disposal of property, plant and equipment	(1,996)	32,545
Gain on disposal of right-of-use assets	-	(1,374)
Gain on disposal of associates	-	(26,523)
Write-down of inventories	16,191	-
Impairment loss recognized on goodwill	2,096	-
Gain on lease modification	(20)	(304)
Changes in operating assets and liabilities		
Notes receivable	(27,055)	(2,207)
Accounts receivable	225,845	(367,800)
Accounts receivable - related parties	(42,912)	15,186
Other receivables	15,223	5,794
Inventories	171,197	255,522
Other current assets	(13,563)	(166,069)
Other non-current assets	(20,283)	(236)
Contract liabilities	(5,604)	(10,718)
Notes payable	(120)	(581)
Accounts payable	(498,061)	(13,649)
Other payables	25,575	146,116
Other current liabilities	(24,082)	(3,104)
Net defined benefit liabilities	(18,478)	(35,694)
Other non-current liabilities	406	(39,123)
Cash generated from operations	3,522,890	2,286,546
Interest received	66,459	41,139
Interest paid	(104,349)	(80,352)
Income tax paid	(356,014)	(330,570)
Net cash generated from operating activities	3,128,986	1,916,763
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(4,738)	(13,487)
Net increase in financial assets at amortized cost	(193,926)	-

(Continued)



# NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

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

	2023	2022
Net decrease in financial assets at amortized cost	\$ -	\$ 237,450
Purchase of financial assets at fair value through profit or loss	(34,066)	(40,000)
Acquisition of associates	-	(40,000)
Net cash outflow on acquisition of subsidiaries	(256,004)	-
Proceeds from disposal of non-current assets held for sale	-	405,000
Payments for property, plant and equipment	(557,738)	(874,311)
Proceeds from disposal of property, plant and equipment	7,851	3,338
Increase in refundable deposits	(399)	(2,727)
Payments for intangible assets	(7,425)	(2,048)
Proceeds from disposal of right-of-use assets	-	55,332
Acquisition of right-of-use assets	(135,725)	-
Dividends received	<u>390,075</u>	<u>477,714</u>
Net cash (used in) generated from investing activities	<u>(792,095)</u>	<u>206,261</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	6,449,540	9,803,903
Repayments of short-term borrowings	(6,602,609)	(10,146,397)
Proceeds from long-term borrowings	1,735,373	3,422,589
Repayments of long-term borrowings	(2,056,964)	(4,193,002)
Refund of guarantee deposits received	(539)	(2,179)
Repayment of the principal portion of lease liabilities	(62,764)	(54,320)
Cash dividends paid	(1,264,062)	(760,867)
Changes in non-controlling interests	65,311	11,408
Payments for transaction costs attributable to the issue of ordinary shares	<u>(192)</u>	<u>-</u>
Net cash used in financing activities	<u>(1,736,906)</u>	<u>(1,918,865)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(21,766)</u>	<u>51,226</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	578,219	255,385
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,996,346</u>	<u>3,740,961</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,574,565</u>	<u>\$ 3,996,346</u>

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

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

(Concluded)



# NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

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

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### 1. GENERAL INFORMATION

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

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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



As of the date the consolidated financial statements were authorized for issue, the Group has assessed 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 IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<b>New, Amended and Revised Standards and Interpretations</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

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

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

- d. Presentation reclassification

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

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



#### 4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

##### a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

##### b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit 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; 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 Company and the entities controlled by the Company (i.e. its subsidiaries).



Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of 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 of 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 Company 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 13 and Tables 6 and 7 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual 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 arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

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

For the purpose of presenting consolidated financial statements, the functional currencies of the Company's foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income 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 and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of



completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

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 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 initially measured at cost and subsequently measured at cost less accumulated depreciation.

Property, plant and equipment in the course of construction are measured at cost. Cost includes



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

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

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

i. Investment properties

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

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

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: financial assets at FVTPL, financial



assets at amortized cost and equity instruments at FVTOCI.

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash



and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the 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 considers the following situations as indication 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. 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 a 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 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 construction materials. Sales of adhesives, coatings, and construction 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.

## o. 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 to 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 to 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 by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets. 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 lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in 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.

## 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 as the assets are substantially ready for their intended use or sale.

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

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

q. 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.

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, 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.

s. 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.

t. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences 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, 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 such temporary differences are expected to reverse in the foreseeable future.

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

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

3) Current and deferred taxes

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



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. MATERIAL 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.

Management reviews the estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

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

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Cash on hand	\$ 6,803	\$ 8,617
Checking accounts and demand deposits	3,494,434	3,792,758
Cash equivalents (investments with original maturities within 3 months)		
Time deposits	<u>1,073,328</u>	<u>194,971</u>
	<u>\$ 4,574,565</u>	<u>\$ 3,996,346</u>

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Time deposits	0.63%-6.45%	1.8%-6%

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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



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

	December 31	
	2023	2022
Emerging market shares	\$ 20,296	\$ 13,951
Unlisted shares	<u>1,661,816</u>	<u>4,192,508</u>
	<u>\$ 1,682,112</u>	<u>\$ 4,206,459</u>

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

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

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2023	2022
<u>Current</u>		
Time deposits with original maturities of more than 3 months (a)	\$ 591,251	\$ 316,553
Pledged time deposits (a)	32,281	31,727
Refundable deposits	<u>3,804</u>	<u>3,763</u>
	<u>\$ 627,336</u>	<u>\$ 352,043</u>
<u>Non-current</u>		
Time deposits with original maturities of more than 12 months (a)	\$ 4,327	\$ 92,580
Pledged time deposits (a)	4,827	4,854
Restricted demand deposits	-	2,504
Refundable deposits	<u>28,753</u>	<u>28,546</u>
	<u>\$ 37,907</u>	<u>\$ 128,484</u>

- The ranges of interest rates for time deposits were approximately 0.63%-8.60% and 0.15%-10.40% per annum as of December 31, 2023 and 2022, respectively.
- Refer to Note 10 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.
- Refer to Note 36 for information relating to investments in financial assets at amortized cost pledged as security.



# 10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

	December 31	
	2023	2022
Financial assets at amortized cost - current	\$ 627,336	\$ 352,043
Financial assets at amortized cost - non-current	<u>37,907</u>	<u>128,484</u>
	<u>\$ 665,243</u>	<u>\$ 480,527</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, 2023 and 2022.

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

	December 31	
	2023	2022
<u>Notes receivable</u>		
At amortized cost		
Notes receivable - operating	<u>\$ 343,899</u>	<u>\$ 310,864</u>
<u>Accounts receivable (including related parties)</u>		
At amortized cost		
Gross carrying amount	\$ 4,498,986	\$ 4,633,636
Less: Allowance for impairment loss	<u>92,099</u>	<u>65,521</u>
	<u>\$ 4,406,887</u>	<u>\$ 4,568,115</u>
<u>Other receivables</u>		
Gross carrying amount	<u>\$ 88,994</u>	<u>\$ 97,544</u>

## a. Notes receivable

As of December 31, 2023 and 2022, 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 Group 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 accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the customers' past default experience, and current financial positions, economic conditions of the industry in which the customer operates, and the industry outlook. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. For accounts receivable that have been written off, the 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, 2023

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 365 Days	Over 365 Days	Total
Expected credit loss rate	0.02%-0.34%	0.12%-8%	2%-21%	6%-47%	23%-100%	100%	
Gross carrying amount	\$ 3,746,988	\$ 560,086	\$ 82,277	\$ 47,415	\$ 10,777	\$ 51,443	\$ 4,498,986
Loss allowance (Lifetime ECLs)	<u>(2,600)</u>	<u>(6,826)</u>	<u>(9,161)</u>	<u>(13,974)</u>	<u>(8,095)</u>	<u>(51,443)</u>	<u>(92,099)</u>
Amortized cost	<u>\$ 3,744,388</u>	<u>\$ 553,260</u>	<u>\$ 73,116</u>	<u>\$ 33,441</u>	<u>\$ 2,682</u>	<u>\$ -</u>	<u>\$ 4,406,887</u>

#### December 31, 2022

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 365 Days	Over 365 Days	Total
Expected credit loss rate	0.01%-0.13%	0.2%-5%	3%-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)	<u>(2,389)</u>	<u>(5,392)</u>	<u>(7,168)</u>	<u>(10,464)</u>	<u>(5,526)</u>	<u>(34,582)</u>	<u>(65,521)</u>
Amortized cost	<u>\$ 3,788,830</u>	<u>\$ 658,850</u>	<u>\$ 81,861</u>	<u>\$ 36,577</u>	<u>\$ 1,997</u>	<u>\$ -</u>	<u>\$ 4,568,115</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 65,521	\$ 48,770
Net remeasurement of loss allowance	29,449	18,599
Amounts written off	(3,069)	(3,921)
Acquisitions through business combinations	1,510	-
Foreign exchange gains and losses	<u>(1,312)</u>	<u>2,073</u>
Balance at December 31	<u>\$ 92,099</u>	<u>\$ 65,521</u>



## 12. INVENTORIES

	December 31	
	2023	2022
Goods	\$ 162,098	\$ 160,502
Finished goods and semi-finished goods	981,713	1,080,572
Work in progress	125,934	144,397
Raw materials and supplies	1,146,493	1,189,060
Inventory in transit	<u>246,730</u>	<u>250,012</u>
	<u>\$ 2,662,968</u>	<u>\$ 2,824,543</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 was \$14,092,724 thousand and \$16,705,501 thousand, respectively. The cost of goods sold included inventory write-downs of \$16,191 thousand for the year ended December 31, 2023.

## 13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			2023	2022	
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	
	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	49.53	50.51	c
	Phymed Bio-Tec Co., Ltd.	R&D and trading of health food	100	100	
	Biorich Biotechnology Co., Ltd.	R&D, production, trading of new high protein business and health food	57.1	57.1	
	Nan Pao Advanced Materials Co., Ltd.	Trading of adhesives and chemicals	70	70	
	Nan Pao Fine Materials Co., Ltd.	Production and trading of adhesives and chemicals	55	55	
	Fuqing Nan Pao Investment Ltd.	General investment	100	100	
	Thai Nan Pao Investment 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
	Nan Pao Philippines Export Inc.	Trading of adhesives	100	100	

(Continued)



Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2023	2022	
ITLS International Development Co., Ltd.	Earnest Wealth Co., Ltd.	General investment	51.11	51.11	d
	FlexUP Technologies Corp.	Trading of chemicals	100	96.87	
	Nan Pao Resins Chemical (Bangladesh) Co., Ltd.	Trading of adhesives	100	100	
	Nan Pao Resins International Ltd.	Trading of chemicals and related products	100	-	e
	Nan Pao Resins ( HK ) Ltd.	Production and trading of adhesives	100	-	e
	Nan Pao Materials Resins India Private Limited	Trading of adhesives	100	-	f
	ITLS Holding Pte. Ltd.	General investment	100	100	g
	Aftek Materials Vietnam Co., Ltd.	Production and trading of construction materials	-	70	
	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 Investment 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	
Nan Pao Group Holdings Ltd.	Greatwill Materials (HK) Ltd.	General investment	100	100	
	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 chemical substances and related products	-	100	e
	Nan Pao Advanced Investment Co., Ltd.	General investment	100	100	
	Nan Pao Resins ( HK ) Ltd.	Production and trading of adhesives	-	100	e
Greatwill Materials (HK) Ltd.	Foshan Nan Pao Advanced Materials Co., Ltd.	Production and trading of adhesives	59.58	59.58	
Profit Land Ltd.	Giant Profit Development Ltd.	General investment	100	100	
Giant Profit Development Ltd.	Nan Pao Resins (Foshan) Co., Ltd.	Production and trading of adhesives	100	100	
Nan Pao Resins (Foshan) Co., Ltd.	Goaden Nan Pao Materials Technology Co., Ltd.	Trading of footwear materials	51	51	
	Foshan Nan Pao Advanced Materials Co., Ltd.	Production and trading of adhesives	0.89	0.89	
Nan Pao Resins (Holdings) Ltd.	Eastlion Enterprises Ltd.	General investment	100	100	
	Nan Pao Resins Development Ltd.	General investment	100	100	
Eastlion Enterprises Ltd.	Nan Pao Resins (Dongguan) Co., Ltd.	Processing of adhesive products	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	

(Continued)



Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2023	2022	
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	
Nan Pao Advanced Investment Co., Ltd.	Nan Pao (Kunshan) Electronic Commerce Co., Ltd.	Online business agency and general merchandise trading	100	100	
	Nan Pao New Materials (Huaian) Co., Ltd.	Production and trading of carbon fiber	90.91	95.24	h
	Nan Pao Optoelectronic Materials (Kunshan) Co., Ltd.	Production and trading of adhesives and chemical substances	100	100	
	Nan Pao Fine Chemical Materials (Anhui) Co., Ltd.	Production and trading of coatings and chemical substances	100	100	
	Changshu Yu Bo Polymer Materials Co., Ltd.	Production and trading of adhesives and chemical substances	70	-	i

(Concluded)

- a. Direct and indirect shareholdings totaled 100%.
- b. Direct and indirect shareholdings totaled 67.5%.
- c. In February 2023, Prince Pharmaceutical Co., Ltd. processed a cash capital increase, and the Group did not subscribe share proportionately, and in October 2023, Prince Pharmaceutical Co., Ltd. exercised employee share options, resulting in a decrease in shareholding from 50.51% to 49.53% (refer to Note 32).
- d. The Group acquired FlexUP Technologies Corp. 3.13% interests in June 2023, resulting in an increase in shareholding from 96.87% to 100% (refer to Note 32).
- e. The Group acquired the share of Nan Pao Resins International Ltd. and Nan Pao Resins (HK) Ltd. which was held by Nan Pao Group Holdings Ltd. in April 2023, and the shareholding ratio was 100% after acquisition.
- f. The Group invested in and established Nan Pao Materials Resins India Private Limited, and have invested capital in the subsidiary in June 2023.
- g. Aftek Materials Vietnam Co., Ltd. had been liquidated in April 2023.
- h. In February 2023, 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 95.24% to 90.91% (refer to Note 32).
- i. The Group acquired Changshu Yu Bo Polymer Materials Co., Ltd. in April 2023, and the shareholding ratio was 70% after acquisition (refer to Note 31).



#### 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
The Group's share of:		
Total net loss and comprehensive income (loss) for the year	\$ (8,974)	\$ (714)

#### 15. PROPERTY, PLANT AND EQUIPMENT

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

Land 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.

Impairment assessment was not performed for the years ended December 31, 2023 and 2022 as there were no indications of impairment.

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

#### 16. LEASE ARRANGEMENTS

##### a. Right-of-use assets

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Carrying amount</u>		
Land (Note)	\$ 851,891	\$ 675,456
Buildings	426,454	459,620
Machinery	-	75
Transportation equipment	43,492	41,454
Miscellaneous equipment	3,099	3,068
	<u>\$ 1,324,936</u>	<u>\$ 1,179,673</u>



	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Additions to right-of-use assets	\$ 198,980	\$ 256,510
Depreciation charge for right-of-use assets		
Land	\$ 21,829	\$ 19,115
Buildings	61,953	52,352
Machinery	4	103
Transportation equipment	18,413	15,175
Miscellaneous equipment	858	567
	<u>\$ 103,057</u>	<u>\$ 87,312</u>

Note: The land use rights of subsidiaries in Vietnam pledged as collateral for bank borrowings are set out in Note 36.

Except for the aforementioned additions and recognized depreciation, there was no significant sublease or impairment of right-of-use assets of the Group for the years ended December 31, 2023 and 2022.

b. Lease liabilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Carrying amount</u>		
Current	\$ 102,212	\$ 87,235
Non-current	\$ 632,576	\$ 656,265

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Land	1.56%	1.56%
Buildings	0.77%-5.53%	0.77%-5.53%
Machinery	0.76%-2%	0.76%-2%
Transportation equipment	1.3%-5.37%	1.3%-5.37%
Miscellaneous equipment	5.37%-11.2%	5.37%-11.2%

c. Material leasing activities and terms

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



d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Expenses relating to short-term leases	\$ 38,162	\$ 58,398
Expenses relating to low-value asset leases	\$ 2,523	\$ 2,148
Total cash outflow for leases	\$ 121,994	\$ 129,957

The Group's leases of certain buildings and equipment 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.

## 17. INVESTMENT PROPERTIES

	<b>Land</b>
Balance at December 31, 2023 and 2022	\$ 17,760

Investment properties measured at fair value were both \$78,764 thousand as of December 31, 2023 and 2022. For investment properties not valued by any independent valuer, the 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.

## 18. GOODWILL

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Cost</u>		
Balance at January 1	\$ 249,679	\$ 241,175
Additional amounts recognized from business combinations that occurred during the year (Note 31)	108,642	-
Effects of foreign currency exchange differences	(914)	8,504
Balance at December 31	\$ 357,407	\$ 249,679
<u>Accumulated impairment losses</u>		
Balance at January 1	\$ 3,104	\$ 2,798
Impairment losses recognized	2,096	-
Effects of foreign currency exchange differences	(1)	306
Balance at December 31	\$ 5,199	\$ 3,104
Carrying amount at December 31	\$ 352,208	\$ 246,575

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.



Due to the production capacity efficiency of the subsidiaries of the Group was not as good as expected, the Group assessed recoverable amount of goodwill at December 31, 2023, and goodwill impairment losses of \$2,096 thousand were recognized and presented in other gains and losses.

The recoverable amount was determined based on a value-in-use calculation that used the cash flow projections in the financial budgets approved by management covering a 5-year period , and calculated by using the weighted average cost of capital ratio. The assumptions was based on the past operating conditions of the cash-generating unit and management's expectations of the market.

## 19. OTHER INTANGIBLE ASSETS

	Client relationships	Non-patented technology	Trademark	Others	Total
<u>Cost</u>					
Balance at January 1, 2023	\$ 122,158	\$ -	\$ 23,195	\$ 129,136	\$ 274,489
Additions	-	-	-	7,425	7,425
Acquisitions through business combinations	119,870	100,336	128,748	53,705	402,659
Disposals	-	-	-	(937)	(937)
Transfers from property, plant and equipment	-	-	-	1,280	1,280
Effects of foreign currency exchange differences	(1,936)	(2,359)	(2,861)	(1,145)	(8,301)
Balance at December 31, 2023	<u>\$ 240,092</u>	<u>\$ 97,977</u>	<u>\$ 149,082</u>	<u>\$ 189,464</u>	<u>\$ 676,615</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2023	\$ 65,922	\$ -	\$ 3,626	\$ 82,908	\$ 152,456
Amortization expenses	16,950	6,666	19,381	25,013	68,010
Disposals	-	-	-	(937)	(937)
Transfers from property, plant and equipment	-	-	-	263	263
Effects of foreign currency exchange differences	488	(134)	(285)	(163)	(94)
Balance at December 31, 2023	<u>\$ 83,360</u>	<u>\$ 6,532</u>	<u>\$ 22,722</u>	<u>\$ 107,084</u>	<u>\$ 219,698</u>
Carrying amount at December 31, 2023	<u>\$ 156,732</u>	<u>\$ 91,445</u>	<u>\$ 126,360</u>	<u>\$ 82,380</u>	<u>\$ 456,917</u>

(Continued)



	<b>Client relationships</b>	<b>Non-patented technology</b>	<b>Trademark</b>	<b>Others</b>	<b>Total</b>
<u>Cost</u>					
Balance at January 1, 2022	\$ 117,759	\$ -	\$ 22,359	\$ 117,018	\$ 257,136
Additions	-	-	-	10,381	10,381
Effects of foreign currency exchange differences	4,399	-	836	1,737	6,972
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at December 31, 2022	<u>\$ 122,158</u>	<u>\$ -</u>	<u>\$ 23,195</u>	<u>\$ 129,136</u>	<u>\$ 274,489</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2022	\$ 52,408	\$ -	\$ 1,287	\$ 64,959	\$ 118,654
Amortization expenses	11,467	-	2,274	15,241	28,982
Effects of foreign currency exchange differences	2,047	-	65	2,708	4,820
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at December 31, 2022	<u>\$ 65,922</u>	<u>\$ -</u>	<u>\$ 3,626</u>	<u>\$ 82,908</u>	<u>\$ 152,456</u>
Carrying amount at December 31, 2022	<u>\$ 56,236</u>	<u>\$ -</u>	<u>\$ 19,569</u>	<u>\$ 46,228</u>	<u>\$ 122,033</u>

(Concluded)

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

Client relationships	9-12years
Non-patented technology	10years
Trademark	5-10years
Others	2-15years

## 20. OTHER ASSETS

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Current</u>		
Input tax	\$ 254,349	\$ 254,824
Prepayments	106,313	105,116
Prepaid expenses	80,279	72,447
Overpaid tax retained for offsetting the future tax payable	261,288	242,511
Others	<u>24,318</u>	<u>30,773</u>
	<u>\$ 726,547</u>	<u>\$ 705,671</u>

(Continued)



	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Non-Current</u>		
Prepayments for equipment	\$ 36,327	\$ 83,943
Others	<u>27,224</u>	<u>6,941</u>
	<u>\$ 63,551</u>	<u>\$ 90,884</u>
		(Concluded)

## 21. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Secured bank loans (Note 36)	\$ 71,185	\$ 30,000
Unsecured bank loans	<u>1,761,733</u>	<u>1,824,293</u>
	<u>\$ 1,832,918</u>	<u>\$ 1,854,293</u>

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Secured bank loans	2.02%-3.85%	1.9%
Unsecured bank loans	1.60%-6.78%	1.45%-5.69%

### b. Long-term borrowings

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Secured bank loans (1)	\$ 299,492	\$ 330,921
Unsecured bank loans (2)	<u>741,078</u>	<u>1,031,655</u>
	1,040,570	1,362,576
Less: Current portion	<u>145,577</u>	<u>138,721</u>
	<u>\$ 894,993</u>	<u>\$ 1,223,855</u>

- 1) As of December 31, 2023 and 2022, the range of weighted average effective interest rates of the bank borrowings secured by the Group's freehold land, buildings, and deposit certificates (see Note 36), was 2.203%-2.308% and 1.95%-2.06% 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, 2023 and 2022, the range of weighted average effective interest rates of credit bank loans was 1.15%-4.5% and 1.03%-4.5% per annum, respectively. Long-term borrowings mentioned above will expire in March 2025, and payments of interest and principal are made on schedule.



## 22. NOTES PAYABLE AND ACCOUNTS PAYABLE

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Notes Payable</u>		
Operating	\$ <u>344</u>	\$ <u>463</u>
<u>Accounts Payable</u>		
Operating	\$ <u>2,176,712</u>	\$ <u>2,658,505</u>

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

## 23. OTHER LIABILITIES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Current</u>		
Other liabilities		
Refund liabilities	\$ 153,080	\$ 172,906
Others	<u>28,067</u>	<u>29,714</u>
	<u>\$ 181,147</u>	<u>\$ 202,620</u>
<u>Non-current</u>		
Other liabilities		
Guarantee deposits	\$ 2,092	\$ 2,677
Others	<u>7,477</u>	<u>7,071</u>
	<u>\$ 9,569</u>	<u>\$ 9,748</u>

## 24. 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 Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The 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:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Present value of defined benefit obligation	\$ 309,091	\$ 339,876
Fair value of plan assets	<u>(350,955)</u>	<u>(361,939)</u>
Net defined benefit assets	<u>\$ (41,864)</u>	<u>\$ (22,063)</u>

Movements in net defined benefit assets were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2022	<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>

(Continued)



	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Contributions from the employer	\$ -	\$ (21,534)	\$ (21,534)
Benefits paid	(32,424)	18,633	(13,791)
Exchange differences on foreign plans	43	-	43
Balance at December 31, 2022	<u>339,876</u>	<u>(361,939)</u>	<u>(22,063)</u>
Service cost			
Past service cost and gain on settlements	(1,310)	-	(1,310)
Current service cost	3,807	-	3,807
Net interest expense (income)	<u>5,076</u>	<u>(4,593)</u>	<u>483</u>
Recognized in profit or loss	<u>7,573</u>	<u>(4,593)</u>	<u>2,980</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,043)	(3,043)
Actuarial loss - changes in financial assumptions	1,343	-	1,343
Actuarial loss - experience adjustments	18	-	18
Actuarial loss - others	<u>455</u>	<u>-</u>	<u>455</u>
Recognized in other comprehensive income	<u>1,816</u>	<u>(3,043)</u>	<u>(1,227)</u>
Contributions from the employer	-	(15,749)	(15,749)
Benefits paid	(40,077)	34,369	(5,708)
Exchange differences on foreign plans	<u>(97)</u>	<u>-</u>	<u>(97)</u>
Balance at December 31, 2023	<u>\$ 309,091</u>	<u>\$ (350,955)</u>	<u>\$ (41,864)</u> (Concluded)

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Operating costs	\$ 1,130	\$ 93
Selling and marketing expenses	1,073	(131)
General and administrative expenses	843	(65)
Research and development expenses	<u>(66)</u>	<u>57</u>
	<u>\$ 2,980</u>	<u>\$ (46)</u>

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.



- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Discount rates	1.2%-6.74%	1.25%-7.5%
Expected rates of salary increase	2%-10%	1.5%-10%

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Discount rates		
0.25% increase	\$ (6,959)	\$ (7,572)
0.25% decrease	\$ 7,588	\$ 8,154
Expected rates of salary increase		
0.25% increase	\$ 7,485	\$ 8,046
0.25% decrease	\$ (6,916)	\$ (7,520)

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Expected contributions to the plans for the next year	\$ 16,956	\$ 18,437
Average duration of the defined benefit obligation	7 to 13.78 years	7 to 16.4 years



## 25. EQUITY

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Number of shares authorized (in thousands)	200,000	200,000
Shares authorized	\$ 2,000,000	\$ 2,000,000
Number of shares issued and fully paid (in thousands)	120,570	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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 2,040,204	\$ 2,040,204
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	10,659	10,854
Employee share options	44,083	44,083
Expired employee share options	135	135
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in subsidiaries (2)	29,810	20,057
	<u>\$ 2,124,891</u>	<u>\$ 2,115,333</u>

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

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

### c. Retained earnings and dividends policy

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

Under the dividends policy as set forth in the Articles, when the Company distributed profit, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve



10% of the remaining profit (This shall not apply if the accumulated legal reserve has reached the Company's paid-in capital), setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 27-g.

The Company is in a period of stable growth. In order to cope with the future operational expansion plan, the total amount of dividends distributed should not be less than 10% of the year's remaining profit. The profit can be distributed as cash dividends or stock dividends, and the issuance of cash dividends takes precedence over the payment of stock dividends. In principle, stock dividends are limited to 80% of the total dividends distributed.

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

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

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

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

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

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

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

d. Special reserve

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



e. Other equity items

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ (340,299)	\$ (644,475)
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	<u>(79,052)</u>	<u>304,176</u>
Balance at December 31	<u>\$ (419,351)</u>	<u>\$ (340,299)</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 3,887,390	\$ 5,979,277
Recognized for the year		
Unrealized loss - equity instruments	<u>(2,529,084)</u>	<u>(2,091,887)</u>
Balance at December 31	<u>\$ 1,358,306</u>	<u>\$ 3,887,390</u>

f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 1,091,350	\$ 992,192
Share in profit for the year	138,217	121,269
Other comprehensive income or loss during the year		
Exchange differences on the translation of the financial statements of foreign operations	(16,428)	18,055
Remeasurement of defined benefit plans	(337)	797
Related income tax	70	(162)
Changes in ownership interests in subsidiaries (Note 32)	67,506	(774)
Issuance of employee share options by subsidiaries (Note 30)	3,136	1,447
Repatriation of share capital from liquidation of subsidiaries	(8,810)	-
Dividend payout from subsidiaries	(56,319)	(41,474)
Non-controlling interests arising from acquisition of subsidiaries (Note 31)	<u>151,081</u>	<u>-</u>
Balance at December 31	<u>\$ 1,369,466</u>	<u>\$ 1,091,350</u>



## 26. REVENUE

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

	December 31, 2023	December 31, 2022	January 1, 2022
Accounts receivable (including related parties)	<u>\$ 4,498,986</u>	<u>\$ 4,633,636</u>	<u>\$ 4,117,118</u>
Contract liabilities - current			
Sale of goods	<u>\$ 29,380</u>	<u>\$ 34,241</u>	<u>\$ 44,959</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.

## 27. NET PROFIT

- a. Interest income

	For the Year Ended December 31	
	2023	2022
Bank deposits	<u>\$ 70,594</u>	<u>\$ 34,892</u>

- b. Other income

	For the Year Ended December 31	
	2023	2022
Dividend income	\$ 390,075	\$ 477,714
Reversal of litigation reserve	-	15,199
Grant income	53,179	11,604
Rental income	1,678	2,134
Others	<u>34,745</u>	<u>45,275</u>
	<u>\$ 479,677</u>	<u>\$ 551,926</u>

- c. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Net foreign exchange (losses) gains	\$ (10,582)	\$ 71,780
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	18,327	(6,599)
Loss on disposal of property, plant and equipment (Note)	-	(21,270)
Impairment loss recognized on goodwill	(2,096)	-
Others	<u>(13,306)</u>	<u>(10,558)</u>
	<u>\$ (7,657)</u>	<u>\$ 61,250</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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Interest on bank loans	\$ 85,716	\$ 71,224
Interest on lease liabilities	<u>18,545</u>	<u>15,091</u>
	<u>\$ 104,261</u>	<u>\$ 86,315</u>

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
An analysis of depreciation by function		
Operating costs	\$ 398,654	\$ 343,555
Operating expenses	<u>188,147</u>	<u>138,268</u>
	<u>\$ 586,801</u>	<u>\$ 481,823</u>
An analysis of amortization by function		
Operating costs	\$ 1,321	\$ 1,020
Operating expenses	<u>66,689</u>	<u>27,962</u>
	<u>\$ 68,010</u>	<u>\$ 28,982</u>

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Short-term employee benefits		
Salaries	\$ 2,217,561	\$ 2,150,696
Labor and health insurance	166,824	143,851
Others	<u>174,236</u>	<u>170,843</u>
	<u>2,558,621</u>	<u>2,465,390</u>
Post-employment benefits		
Defined contribution plans	120,781	107,038
Defined benefit plans (see Note 24)	<u>2,980</u>	<u>(46)</u>
	<u>123,761</u>	<u>106,992</u>
	<u>\$ 2,682,382</u>	<u>\$ 2,572,382</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 977,191	\$ 930,399
Operating expenses	<u>1,705,191</u>	<u>1,641,983</u>
	<u>\$ 2,682,382</u>	<u>\$ 2,572,382</u>



g. Compensation of employees

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

Accrual rate

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

Amount

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

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

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

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

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

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.



h. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Foreign exchange gains	\$ 271,240	\$ 383,203
Foreign exchange losses	<u>(281,822)</u>	<u>(311,423)</u>
	<u>\$ (10,582)</u>	<u>\$ 71,780</u>

## 28. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax		
In respect of the current year	\$ 663,392	\$ 462,518
Income tax on unappropriated earnings	10,388	57
Adjustments for prior years	<u>(28,884)</u>	<u>(38,656)</u>
	<u>644,896</u>	<u>423,919</u>
Deferred tax		
In respect of the current year	<u>182,433</u>	<u>98,767</u>
	<u>\$ 827,329</u>	<u>\$ 522,686</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit before income tax	<u>\$ 3,393,761</u>	<u>\$ 2,385,414</u>
Income tax expense calculated at the statutory rate	\$ 1,000,610	\$ 690,299
Non-deductible expenses in determining taxable income	2,728	3,374
Tax-exempt income	(78,015)	(95,298)
Temporary differences	(26,532)	23,538
Permanent differences	(9,965)	(25,092)
Income tax on unappropriated earnings	10,388	57
Adjustments for prior years	(28,884)	(38,656)
Tax relief	(44,241)	(35,536)
Repatriation of overseas funds	<u>1,240</u>	<u>-</u>
	<u>\$ 827,329</u>	<u>\$ 522,686</u>



b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	\$ 19,763	\$ (76,044)
Remeasurement of defined benefit plans	<u>(236)</u>	<u>(7,720)</u>
	<u>\$ 19,527</u>	<u>\$ (83,764)</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax assets		
Tax refund receivable	<u>\$ 381</u>	<u>\$ 3,936</u>
Current tax liabilities		
Income tax payable	<u>\$ 566,780</u>	<u>\$ 275,853</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Acquisitions through Business Combinations</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred Tax Assets</u>						
Temporary differences						
Exchange differences on translating the financial statements of foreign operations	\$ 85,074	\$ -	\$ 19,763	\$ -	\$ -	\$ 104,837
Defined benefit obligations	3,880	344	(236)	-	(173)	3,815
Write-downs of inventories	34,586	2,127	-	-	(119)	36,594
Allowance for impairment loss	10,252	2,680	-	-	(205)	12,727
Payables for annual leave	5,056	(309)	-	-	-	4,747
Unrealized gross profit	46,491	12,905	-	-	-	59,396
Others	<u>31,701</u>	<u>18,913</u>	<u>-</u>	<u>145</u>	<u>290</u>	<u>51,049</u>
	217,040	36,660	19,527	145	(207)	273,165
Carryforwards	<u>39,244</u>	<u>(17,484)</u>	<u>-</u>	<u>-</u>	<u>45</u>	<u>21,805</u>
	<u>\$ 256,284</u>	<u>\$ 19,176</u>	<u>\$ 19,527</u>	<u>\$ 145</u>	<u>(\$ 162)</u>	<u>\$ 294,970</u>
<u>Deferred Tax Liabilities</u>						
Temporary differences						
Foreign investment income	\$ 630,415	\$ 207,872	\$ -	\$ -	\$ (43)	\$ 838,244
Defined benefit obligations	6,347	3,616	-	-	-	9,963
Provision for land appreciation tax	235,087	-	-	-	-	235,087
Others	<u>4,466</u>	<u>(9,879)</u>	<u>-</u>	<u>113,142</u>	<u>(2,878)</u>	<u>104,851</u>
	<u>\$ 876,315</u>	<u>\$ 201,609</u>	<u>\$ -</u>	<u>\$ 113,142</u>	<u>\$ (2,921)</u>	<u>\$ 1,188,145</u>



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
Write-downs 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>

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

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

- f. Unused loss carryforwards

Loss carryforwards as of December 31, 2023 comprised:

Unused Amount	Expiry Year
\$ 1,686	2024
33,149	2025
74,990	2026
144,287	2027
65,533	2028
25,148	2029
26,914	2030
6,349	2031
3,629	2032
3,455	2033
<u>195,988</u>	Note
<u>\$ 581,128</u>	

Note: Unused loss carryforwards of certain subsidiaries have no expiry years in accordance with local regulations.



g. Income tax assessments

The income tax returns of domestic subsidiary Prince Pharmaceutical Co., Ltd. through 2020 have been assessed by the tax authorities. The income tax returns of the Company and other domestic subsidiaries through 2021 have been assessed by the tax authorities.

## 29. EARNINGS PER SHARE

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

Net Profit for the Year

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

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

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

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 30. 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 Prince Pharmaceutical Co., Ltd. Expect for cash capital increase reserved for employee stock options, the options granted are exercisable at certain percentages after the first anniversary from the grant date.



Information on employee share options was as follows:

<b>For the Year Ended December 31</b>				
	<b>2023</b>		<b>2022</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	2,000	\$ 24.85	-	\$ -
Options granted	-	-	2,000	25
Options exercised	(412)	24.85	-	-
Balance at December 31	<u>1,588</u>	<u>24.85</u>	<u>2,000</u>	<u>25</u>
Options exercisable, end of the year	<u>188</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:

	<b>September 2022</b>	<b>October 2022</b>
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 life. Expected 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.

The exercise price of the share options of Prince Pharmaceutical Co., Ltd. was \$25 in 2023, and the exercise price was adjusted due to the cash dividends issued in 2023. As of December 31, 2023, the exercise price was \$24.85.

Compensation costs recognized were \$6,271 thousand and \$2,925 thousand for the years ended December 31, 2023 and 2022, respectively.



### 31. BUSINESS COMBINATIONS

#### a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Changshu Yu Bo Polymer Materials Co., Ltd.	Epoxy resin production and sales	April 21, 2023	70.00%	<u>\$ 461,164</u>

The Group acquired Changshu Yu Bo Polymer Materials Co., Ltd. in April 2023. The purpose of the acquisition was to expand the business and strengthen the product portfolio.

#### b. Consideration transferred in the total amount of \$461,164 thousand.

#### c. Assets acquired and liabilities assumed at the date of acquisition

	Amount
Current assets	
Cash and cash equivalents	\$ 51,439
Accounts receivable and other receivables	88,310
Inventories	44,673
Other current assets	7,313
Non-current assets	
Property, plant and equipment	217,528
Right-of-use assets	75,857
Other intangible assets	402,659
Deferred tax assets	145
Other non-current assets	89
Current liabilities	
Short-term borrowings	(136,285)
Accounts payable and other payables	(128,790)
Current tax liabilities	(2,841)
Other current liabilities	(3,352)
Non-current liabilities	
Deferred tax liabilities	<u>(113,142)</u>
	<u>\$ 503,603</u>

#### d. Non-controlling interests

The non-controlling interest of Changshu Yu Bo Polymer Materials Co., Ltd. recognized at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to \$151,081 thousand. 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.



e. Goodwill recognized on acquisitions

	<b>Amount</b>
Consideration transferred	\$ 461,164
Add: Non-controlling interests	151,081
Less: Fair value of identifiable net assets acquired	<u>(503,603)</u>
Goodwill recognized on acquisitions	<u>\$ 108,642</u>

The goodwill recognized in the acquisition of Changshu Yu Bo Polymer Materials Co., Ltd. mainly represents the control premium included in the cost of the combination.

f. Net cash outflow on acquisition of subsidiaries

	<b>Amount</b>
Consideration paid in cash	\$ 461,164
Less: Cash and cash equivalents acquired	(51,439)
Less: Other payables	<u>(153,721)</u>
	<u>\$ 256,004</u>

g. Impact of acquisitions on the results of the Group

Had the Company concluded the acquisition at the beginning of 2023, the Group's consolidated revenue and profit for the year ended December 31, 2023 would have been as follows:

	<b>For The Year Ended December 31, 2023</b>
Revenue	<u>\$ 20,632,881</u>
Profit	<u>\$ 2,561,472</u>

This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the acquisition year, 2023, nor is it intended to be a projection of future results.



### 32. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

For the year ended December 31, 2023

	<b>Nan Pao New Materials (Huaian) Co., Ltd. (a)</b>	<b>Prince Pharmaceutical Co., Ltd. (b)</b>	<b>FlexUP Technologies Corp. (c)</b>
Consideration received (paid)	\$ 15,117	\$ 59,321	\$ (317)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred (from) to non-controlling interests	(10,539)	(57,089)	122
	<hr/>	<hr/>	<hr/>
Differences recognized from equity transactions	<u>\$ 4,578</u>	<u>\$ 2,232</u>	<u>\$ (195)</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	\$ -	\$ -	\$ (195)
Capital surplus - changes in percentage of ownership interests in subsidiaries	4,578	2,232	-
	<hr/>	<hr/>	<hr/>
	<u>\$ 4,578</u>	<u>\$ 2,232</u>	<u>\$ (195)</u>

For the year ended December 31, 2022

	<b>Nan Pao New Materials (Huaian) Co., Ltd. (a)</b>	<b>Progroups Technology Co., Ltd. (d)</b>	<b>Nan Pao Group Holdings Ltd. (e)</b>
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
	<hr/>	<hr/>	<hr/>
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 percentage of ownership interests in subsidiaries	1,330	-	-
	<hr/>	<hr/>	<hr/>
	<u>\$ 1,330</u>	<u>\$ 3,091</u>	<u>\$ 7,761</u>



- a. In February 2023, the Group did not subscribe the issuance of ordinary shares in the amount of RMB \$3,380 thousand for cash of Nan Pao New Materials (Huaian) Co., Ltd. in accordance with the shareholding ratio, decreasing its shareholding ratio from 95.24% to 90.91%. In January 2022, the 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. In February 2023, the Group did not subscribe the issuance of ordinary shares in the amount of \$90,000 thousand for cash of Prince Pharmaceutical Co., Ltd. in accordance with the shareholding ratio, decreasing its shareholding ratio from 50.51% to 50.10%. In addition, Prince Pharmaceutical Co., Ltd. exercised 412 thousand employee share options in October 2023, decreasing the shareholding ratio from 50.10% to 49.53%.
- c. The Group acquired FlexUP Technologies Corp. 3.13% interests in June 2023, and the shareholding ratio was increased from 96.87% to 100% after acquisition.
- d. The 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%.
- e. 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 a 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 has not affected 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.

### **33. CAPITAL MANAGEMENT**

The Group has to maintain large capital for plants and equipment expansion, therefore 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, stock dividends and other business requirements associated with its existing operations.

### **34. FINANCIAL INSTRUMENTS**

- a. Fair value of financial instruments not measured at fair value

The Group believes that the carrying amounts of financial instruments not measured at fair value recognized in the consolidated financial statements approximate their fair values.



b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Limited partnership	\$ -	\$ -	\$ 121,929	\$ 121,929
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Emerging market shares	\$ 20,296	\$ -	\$ -	\$ 20,296
Unlisted shares	-	-	1,661,816	1,661,816
	<u>\$ 20,296</u>	<u>\$ -</u>	<u>\$ 1,661,816</u>	<u>\$ 1,682,112</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Limited partnership	\$ -	\$ -	\$ 69,536	\$ 69,536
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Emerging market shares	\$ 13,951	\$ -	\$ -	\$ 13,951
Unlisted shares	-	-	4,192,508	4,192,508
	<u>\$ 13,951</u>	<u>\$ -</u>	<u>\$ 4,192,508</u>	<u>\$ 4,206,459</u>

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

Financial assets at FVTPL

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



Financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 4,192,508	\$ 6,284,859
Recognized in other comprehensive loss (included in unrealized valuation loss on financial assets at FVTOCI)	(2,530,692)	(2,091,887)
Purchases	-	13,487
Transfers out of Level 3	-	(13,951)
Balance at December 31	<u>\$ 1,661,816</u>	<u>\$ 4,192,508</u>

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

- a) The market approach is used to estimate the fair values of some of the unlisted shares, and the determination of fair value takes into consideration the industry type, valuation of comparable companies and the operating situation, or based on the net value of company.
- b) The asset approach is used to estimate the fair values of some of the unlisted shares, and the fair values are determined by assessing the total value of individual assets and liabilities covered by the valuation target, in order to reflect the overall value of the business or equity.
- c) Limited partnership are valued on the basis of their net worth.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 10,079,588	\$ 9,453,396
Financial assets at FVTPL - Mandatorily classified as at FVTPL	121,929	69,536
Financial assets at FVTOCI - Equity instruments	1,682,112	4,206,459

Financial liabilities

Amortized cost (2)	6,408,003	6,958,775
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- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable, accounts receivable (including related parties) and other receivables.
- 2) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings (including current portion of long-term borrowings) and refund of guarantee deposits (included in non-current liabilities).

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, notes receivable, accounts receivable, notes payable, accounts payable, borrowings and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks.



These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Major financing activities of the Group are reviewed by the board of directors based on relevant regulations and the internal control system. The Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

#### 1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other price (see (c) below).

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

##### a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the year are set out in Note 38.

##### Sensitivity analysis

The Group is mainly exposed to the USD and the VND.

The following table details the Group's sensitivity to a 1% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items. A positive number below indicates an increase in pre-tax profit and other equity associated with the functional currency weakening 1% against the relevant currency. For a 1% strengthening of the functional currency against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	USD Impact			
	For the Year Ended December 31			
	2023		2022	
Profit or loss	\$	9,520	\$	16,889 i
	VND Impact			
	For the Year Ended December 31			
	2023		2022	
Profit or loss	\$	9,414	\$	4,322 ii

i. This was mainly attributable to the exposure on outstanding foreign monetary items in USD that were not hedged at the end of the year. The Group's sensitivity to foreign currency decreased during the current year mainly due to the increase of other payables in USD.

ii. This was mainly attributable to the exposure on outstanding foreign monetary items in VND 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 increase of time deposits in VND.



b) Interest rate risk

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

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Fair value interest rate risk		
Financial assets	\$ 1,738,571	\$ 672,994
Financial liabilities	2,035,444	1,741,126
Cash flow interest rate risk		
Financial assets	3,253,873	3,392,013
Financial liabilities	1,572,832	2,219,243

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, 2023 and 2022 would decrease/increase by \$3,932 thousand and \$5,548 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 unlisted shares. As there is no open market quotation for such equity pricing, the price risk is immaterial.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the year, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation, could be equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

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

The Group's concentration of credit risk in accounts receivable was set out as follows:

	<b>December 31</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Group A	\$ 340,684	8	\$ 306,996	7



### 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, 2023

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 3,687,500	\$ 2,092	\$ -
Lease liabilities	120,452	296,224	447,853
Fixed interest rate liabilities	1,311,015	8,334	-
Variable interest rate liabilities	<u>696,186</u>	<u>738,434</u>	<u>204,261</u>
	<u>\$ 5,815,153</u>	<u>\$ 1,045,084</u>	<u>\$ 652,114</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>6-10 Years</b>	<b>11-20 Years</b>	<b>Over 21 Years</b>
Lease liabilities	<u>\$ 120,452</u>	<u>\$ 296,224</u>	<u>\$ 268,668</u>	<u>\$ 82,246</u>	<u>\$ 96,939</u>



December 31, 2022

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 3,916,167	\$ 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:

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

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

b) Financing facilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	\$ 2,613,186	\$ 2,962,893
Amount unused	<u>8,401,212</u>	<u>7,768,040</u>
	<u>\$ 11,014,398</u>	<u>\$ 10,730,933</u>
Secured bank overdraft facilities:		
Amount used	\$ 405,258	\$ 394,189
Amount unused	<u>632,915</u>	<u>336,666</u>
	<u>\$ 1,038,173</u>	<u>\$ 730,855</u>



### 35. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

Related Party Name	Related Party Category
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
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
Yu Po Chemical Co., Ltd.	Other related party

b. Sales of goods

Related Party Category	For the Year Ended December 31	
	2023	2022
Investors with significant influence	\$ 1,224,164	\$ 1,317,473
The Group is an executive of the Company	15	7
Other related party	<u>14,665</u>	<u>375</u>
	<u>\$ 1,238,844</u>	<u>\$ 1,317,855</u>

The sales prices were not significantly different from those with third parties. The credit term is 30 days to 105 days, which is not significantly different from that for non-related parties.

c. Purchases of goods

Related Party Category	For the Year Ended December 31	
	2023	2022
Other related party	\$ <u>5,985</u>	\$ <u>-</u>

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



d. Receivables from related parties

Line Item	Related Party Category / Name	December 31	
		2023	2022
Accounts receivable - related parties	Investors with significant influence		
	Pou Chen Corporation and Subsidiaries	\$ 340,684	\$ 306,996
	The Group is an executive of the Company	16	-
	Other related party	<u>9,208</u>	<u>99</u>
		<u>\$ 349,908</u>	<u>\$ 307,095</u>

The outstanding accounts receivable from related parties are unsecured.

e. Payables to related parties

Line Item	Related Party Category	December 31	
		2023	2022
Accounts payable	Other related party	<u>\$ 4,500</u>	<u>\$ -</u>
Other payables	Investors with significant influence	<u>\$ -</u>	<u>\$ 130</u>

The outstanding accounts payable to related parties are unsecured.

f. Refund liabilities

Line Item	Related Party Category / Name	December 31	
		2023	2022
Refund liabilities (included in other current liabilities)	Investors with significant influence		
	Pou Chen Corporation and Subsidiaries	<u>\$ 71,539</u>	<u>\$ 68,033</u>

g. Lease arrangements - the Group is lessee

Line Item	Related Party Category	For the Year Ended December 31	
		2023	2022
Lease expense	Other related party	<u>\$ 1,829</u>	<u>\$ 1,752</u>

The Group leased the buildings from related parties, and the rental is based on similar asset's market rates and fixed lease payments are paid monthly.



h. Remuneration of key management personnel

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

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

### 36. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for tariff, letters of credit, long-term and short-term bank borrowings:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Property, plant and equipment, net	\$ 658,677	\$ 662,903
Pledged deposits (classified as financial assets at amortized cost)	37,108	36,581
Right-of-use assets	<u>4,686</u>	<u>-</u>
	<u>\$ 700,471</u>	<u>\$ 699,484</u>

### 37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

- a. As of December 31, 2023 and 2022, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$141,263 thousand and \$139,120 thousand, respectively.
- b. Unrecognized commitments were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Acquisition of property, plant and equipment	\$ 42,151	\$ 175,383
Acquisition of raw materials	<u>75,454</u>	<u>50,787</u>
	<u>\$ 117,605</u>	<u>\$ 226,170</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.

### 38. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 53,459	30.71 (USD:NTD)	\$ 1,641,471
USD	6,677	7.0827 (USD:CNY)	205,024
USD	12,211	15,508 (USD:IDR)	374,947
USD	7,783	7.8149 (USD:HKD)	238,991
VND	973,097,805	0.000041 (VND:USD)	1,229,739
(Continued)			



	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 26,352	30.72 (USD:NTD)	\$ 809,409
USD	2,438	7.0827 (USD:CNY)	74,859
USD	7,480	7.815 (USD:HKD)	229,681
USD	10,733	15,508 (USD:IDR)	329,567
USD	2,099	4.6323 (USD:MYR)	64,920
VND	227,648,607	0.000041 (VND:USD)	288,335
			(Concluded)

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

Financial liabilities

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



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:

For the Year Ended December 31				
Functional Currency	2023		2022	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	31.155(USD:NTD)	\$ (22,577)	29.805(USD:NTD)	\$ (30,894)
NTD	1(NTD:NTD)	(1,463)	1(NTD:NTD)	75,171
CNY	4.396(CNY:NTD)	2,640	4.422(CNY:NTD)	28,944
SGD	23.20(SGD:NTD)	(24)	21.62(SGD:NTD)	(10)
AUD	20.69(AUD:NTD)	(432)	20.67(AUD:NTD)	(9,552)
IDR	0.00205(IDR:NTD)	1,084	0.00201(IDR:NTD)	11,930
VND	0.0013(VND:NTD)	7,489	0.0013(VND:NTD)	(4,242)
Others		<u>2,701</u>		<u>433</u>
		<u>\$ (10,582)</u>		<u>\$ 71,780</u>

### 39. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
- 9) Trading in derivative instruments (None)
- 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)

#### 40. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments were as follows:

a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

	Taiwan	Mainland China	Vietnam	Australia	Other Regions	Adjustments and Write-Off	Total
<i>For the year ended December 31, 2023</i>							
Revenue							
Revenue from external customers	\$ 3,787,685	\$ 5,964,084	\$ 5,486,284	\$ 3,098,026	\$ 2,245,109	\$ -	\$ 20,581,188
Inter-segment revenue	<u>3,673,643</u>	<u>788,255</u>	<u>1,186,668</u>	<u>1,367</u>	<u>33,224</u>	<u>(5,683,157)</u>	<u>-</u>
Total revenue	<u>\$ 7,461,328</u>	<u>\$ 6,752,339</u>	<u>\$ 6,672,952</u>	<u>\$ 3,099,393</u>	<u>\$ 2,278,333</u>	<u>\$ (5,683,157)</u>	<u>\$ 20,581,188</u>
Segment income	<u>\$ 1,241,974</u>	<u>\$ 386,093</u>	<u>\$ 970,306</u>	<u>\$ 172,006</u>	<u>\$ 270,940</u>	<u>\$ (76,937)</u>	<u>\$ 2,964,382</u>
Interest income							70,594
Other income							479,677
Other gains and losses							(7,657)
Finance costs							(104,261)
Share of loss of associates accounted for using the equity method							(8,974)
Profit before tax							<u>\$ 3,393,761</u>

(Continued)



	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>	\$ <u>1,824,375</u>
Interest income							34,892
Other income							551,926
Other gains and losses							61,250
Finance costs							(86,315)
Share of loss of associates accounted for using the equity method							(714)
Profit before tax							\$ <u>2,385,414</u>

(Concluded)

Segment profit represents the profit before tax earned by each segment without non-operating income and expenses and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

The decision of the Group's chief operating decision maker is based on the operating results of the different segments. Information on classified assets and liabilities from different business activities are not evaluated, and only the operating results of the reportable segments are shown.

b. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Adhesives	\$ 14,502,300	\$ 16,067,488
Construction materials	3,551,678	3,257,154
Coatings	1,456,431	1,654,275
Others	<u>1,070,779</u>	<u>1,025,396</u>
	\$ <u>20,581,188</u>	\$ <u>22,004,313</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.

	<u>Revenue from External Customers</u>	
	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Asia	\$ 14,048,980	\$ 15,748,577
Oceania	3,096,596	2,707,164
Taiwan	2,950,418	3,023,490
Europe	302,455	298,927
America	96,575	114,453
Africa	<u>86,164</u>	<u>111,702</u>
	\$ <u>20,581,188</u>	\$ <u>22,004,313</u>



	<b>Non-current Assets</b>	
	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Taiwan	\$ 4,064,967	\$ 3,994,306
Mainland China	1,582,068	744,500
Southeast Asia	1,388,677	1,408,814
Australia	<u>1,018,325</u>	<u>1,056,275</u>
	<u>\$ 8,054,037</u>	<u>\$ 7,203,895</u>

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

d. Information on major customers

No other single customers contributed 10% or more to the Group's revenue for both 2023 and 2022.



TABLE 1

NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

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

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

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

Note 2: The aggregate limit for borrowers is 40% of the Company's net value as stated in the financial statements. The upper limits for each borrower are:

1. For individual entity having business relationship with the Company, shall not exceed the total transaction amount between the parties during the period in 12 months prior to the time or the aggregate limit aforementioned.

2. For individual entity having borrow needs short-term financing, shall not exceed the 20% of the Company's net value.

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

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



TABLE 2

NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

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

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 2 & 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes 2 & 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 1)										
0	Nan Pao Resins Chemical Co., Ltd.	Nan Pao Group Holdings Ltd.	2	\$ 2,635,443	\$ 64,850	\$ 30,705	\$ -	\$ -	0.23	\$ 6,588,607	Y	N	N
		Nan Pao Resins Chemical Philippines, Inc.	2	2,635,443	32,425	30,705	-	-	0.23	6,588,607	Y	N	N
		Nan Pao Philippines Export Inc.	2	2,635,443	16,213	15,353	7,062	-	0.12	6,588,607	Y	N	N
		RLA Polymers (M) SDN BHD	2	2,635,443	64,850	61,410	-	-	0.47	6,588,607	Y	N	N
		RLA Polymers (M) SDN BHD	2	2,635,443	129,700	122,820	54,427	-	0.93	6,588,607	Y	N	N
		RLA Polymers Pty Ltd.	2	2,635,443	211,300	-	-	-	-	6,588,607	Y	N	N
		Nan Pao Advanced Investment Co., Ltd.	2	2,635,443	176,880	173,080	-	-	1.31	6,588,607	Y	N	Y
		Nan Pao New Materials (Huaian) Co., Ltd.	2	2,635,443	222,250	216,350	1,038	-	1.64	6,588,607	Y	N	Y
		Nan Pao New Materials (Huaian) Co., Ltd.	2	2,635,443	88,900	86,540	32,922	-	0.66	6,588,607	Y	N	Y
		Nan Pao New Materials (Huaian) Co., Ltd.	2	2,635,443	133,350	108,175	16,481	-	0.82	6,588,607	Y	N	Y
		Nan Pao New Materials (Huaian) Co., Ltd.	2	2,635,443	88,900	86,540	8,345	-	0.66	6,588,607	Y	N	Y
		Changshu Yu Bo Polymer Materials Co., Ltd.	2	2,635,443	92,862	90,867	4,695	-	0.69	6,588,607	Y	N	Y
		Changshu Yu Bo Polymer Materials Co., Ltd.	2	2,635,443	92,862	90,867	28,454	-	0.69	6,588,607	Y	N	Y
		Changshu Yu Bo Polymer Materials Co., Ltd.	2	2,635,443	92,862	90,867	2,730	-	0.69	6,588,607	Y	N	Y
		Nan Pao Fine Materials Co., Ltd.	2	2,635,443	20,000	20,000	-	-	0.15	6,588,607	Y	N	N
		Nan Pao Fine Materials Co., Ltd.	2	2,635,443	20,000	20,000	-	-	0.15	6,588,607	Y	N	N

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

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

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

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



**TABLE 3**

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

**MARKETABLE SECURITIES HELD**  
**DECEMEBR 31, 2023**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Nan Pao Resins Chemical Co., Ltd.	CDIB - Innolux Limited Partnership	None	Financial assets at fair value through profit or loss - non-current	-	\$ 121,929	9	\$ 121,929	
Nan Pao Resins Chemical Co., Ltd.	Dairen Chemical Corp. - publicly owned company	None	Financial assets at fair value through other comprehensive income - non-current	10,424,970	\$ 1,639,075	2	\$ 1,639,075	
	Hua Chi Venture Capital Co., Ltd. - privately-issued equity	"	"	7,895	1,987	1	1,987	
	Opulence Optronics Co., Ltd. - privately-issued equity	"	"	877,208	3,534	8	3,534	
	Revivegen Co., Ltd. - emerging stock	"	"	570,107	20,296	1	20,296	
	Contact Organics Pty Ltd - privately-issued equity	"	"	2,902	-	17	-	
					\$ 1,664,892		\$ 1,664,892	
Nan Pao Chemical Co., Ltd.	Ace Chemical Corp. -privately-issued equity	None	Financial assets at fair value through other comprehensive income - non-current	1,249,915	\$ 17,220	10	\$ 17,220	

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

Note 2: Please refer to Tables 6 and 7 for information on investments in subsidiaries and associates.



TABLE 4

# **NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES**

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

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

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



**TABLE 5**

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

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

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

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



**TABLE 6**

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

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				Ending Balance	Beginning Balance	Number of Shares	%	Carrying Amount			
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Chemical Co., Ltd.	No.519, Zhongshan Rd., Xigang Dist, Tainan City	Trading of chemical substances	\$ 300,000	\$ 300,000	15,000,000	100	\$ 186,742	\$ 7,776	\$ 7,776	
	Nan Pao Application Material Co., Ltd.	No.519, Zhongshan Rd., Xigang Dist, Tainan City	Trading of chemical substances	60,000	60,000	200,000	100	8,640	21	21	
	ITLS International Development Co., Ltd.	3F, No.356, Sec.1, NeiHu Rd., Taipei	Trading of construction materials and chemical substances	696,000	696,000	24,600,000	100	261,409	16,159	20,564	
	Prince Pharmaceutical Co., Ltd.	No. 168, Keyun S. Rd., Kendi Vil., Huwei Township, Yunlin County	Manufacturing, packaging, and processing of raw materials for various pharmaceutical and health food	365,600	324,683	18,131,198	49.53	416,610	15,309	7,631	
	Phymed Bio-Tec Co., Ltd.	No.519, Zhongshan Rd., Xigang Dist, Tainan City	R&D and trading of health food	34,000	34,000	2,400,000	100	13,896	(2,882)	(2,882)	
	Biorich Biotechnology Co., Ltd.	3F, No.356, Sec.1, NeiHu Rd., Taipei	R&D, production, and trading of new high protein business and health food	64,121	64,121	391,462	57.1	15,030	8,644	4,936	
	Nan Pao Advanced Materials Co., Ltd.	No. 521, Zhongshan Rd., Xigang Dist, Tainan City	Trading of adhesives and chemicals	3,500	3,500	350,000	70	11,108	8,195	5,737	
	Nan Pao Fine Materials Co., Ltd.	No.217, Xinxing St., Qingan Vil., Xigang Dist., Tainan City	Production and trading of adhesives and chemicals	13,750	13,750	1,375,000	55	30,565	49,152	17,155	
	FlexUP Technologies Corp.	No. 10, Ln. 99, Nanhai St., Nanhai Vil., Xigang Dist., Tainan City	Trading of chemical substances	39,863	19,546	18,880,000	100	31,908	16,118	7,502	
	Perfect & Outstanding Technology Inc.	No.320-17 and 18, Xiaoxinying, Xiaoxin Vil., Shanhua Dist., Tainan City	Production and trading of renewable energy	40,000	40,000	2,500,000	22.9	30,312	(27,192)	(8,974)	
	Fuqing Nan Pao Investment Ltd.	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	229,243	27,326	27,326	
	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	183,783	1,879	1,879	
	Nan Pao Resins India Pvt Ltd.	204, Abhishek, off New Link Road, Andheri(W), Mumbai 400053, India	Trading of adhesives	42,299	16,499	6,200,000	100	49,307	(835)	(835)	
	Nan Pao Materials Resins India Private Limited	ROOM No.6, FLAT NO.3-D, FRONT BLOCK, 188 P H ROAD, Kilpauk, Perambur Purasawalkam, Chennai-600010, Tamil Nadu, India	Trading of adhesives	30,750	-	8,076,000	100	28,018	(1,839)	(1,839)	
	Nan Pao Materials Vietnam Co., Ltd.	LotA4, A5, A10, A11 Daden Industrial Park, Thu Dau Mot City, Binh Duong Province, Vietnam	Production and trading of adhesives and chemicals	685,094	685,094	-	100	1,446,069	296,435	287,087	
	Nan Pao Advanced Materials Vietnam Co., Ltd.	Phue Son Industrial Area, Ninh Phuc Commune, Ninh Binh City, Ninh Binh province	Production and trading of adhesives and chemicals	465,970	465,970	-	100	676,151	161,136	161,136	
	Nan Pao Overseas Holdings Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	2,386,015	2,386,015	78,056,502	100	4,661,123	551,180	565,250	
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General investment	186,588	186,588	983,333	73.75	866,792	271,209	199,643	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	All Saints Enterprises Ltd.	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	206,339	(8,463)	(4,615)	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	272,038	397,875	128,763	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Jl. Pajajaran Raya No.44, Jatiuwung Tangerang 15137, Indonesia	Production and trading of adhesives	44,754	39,276	5,390,000	49	234,814	200,511	98,250	Nan Pao Resins Chemical Co., Ltd. and related companies hold 67.5% of voting shares
	Nan Pao Philippines Export Inc.	Lot IL-2 Subic Bay Gateway Park Phase II, Subic Bay Freeport Zone	Trading of adhesives	14,993	14,993	25,750,000	100	16,680	1,237	1,237	
	Nan Pao Resins Chemical (Bangladesh) Co., Ltd.	House No, 42 5 <sup>th</sup> floors, Lake drive Road, Sector 7, Ulttara, Dhaka	Trading of adhesives	13,571	4,193	284,425	100	4,615	(5,309)	(5,309)	
	Earnest Wealth Co., Ltd.	Level 2, Lotenau Centre Building, Vaea Street, Apia, Samoa	General investment	42,958	42,958	920,000	51.11	45,461	2,000	1,023	
	Nan Pao Resins International Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Trading of chemical substances and related products	6,804	-	1,000	100	9,340	1,367	2,479	
	Nan Pao Resins (HK) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Production and trading of adhesives	363,753	-	13,400,000	100	307,518	(32,399)	(60,110)	

(Continued)



Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				Ending Balance	Beginning Balance	Number of Shares	%	Carrying Amount			
ITLS International Development Co., Ltd.	ITLS Holding Pte. Ltd.	8 Boon Lay Way, #09-14, 8 @ Tradehub 21, Singapore 609964	General investment	\$ 502,822	\$ 502,822	22,064,549	100	\$ 85,312	\$ (2,481)		
	Aftek Materials Vietnam Co., Ltd.	No. 16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and trading of construction materials	-	49,172	-	-	-	(576)		
Fuqing Nan Pao Investment Ltd.	Wealth Castle Development Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	140,015 (USD 4,560,000)	140,015 (USD 4,560,000)	10,000	100	228,494	27,508		
Thai Nan Pao Investment Ltd.	Thai Nanpao Resins Chemical Co., Ltd.	412 Kor Soi, 1cBangpoo Industrial Tumbon Preaksa Ampur Muang Samutprakarn 10280, Thailand	Production and trading of adhesives	171,298 (USD 5,578,821)	171,298 (USD 5,578,821)	21,197,000	100	133,676	(37)		
Earnest Wealth Co., Ltd.	Apex Polytech Co., Ltd.	Lot T29-15A Street 7, Protrade International Industrial Park, An Tay Commune, Ben Cat Town, Binh Duong, Vietnam.	Production and trading of adhesives	66,016 (USD 2,150,000)	66,016 (USD 2,150,000)	-	100	64,999	2,029		
Nan Pao Overseas Holdings Ltd.	Nan Pao Group Holdings Ltd.	Vistra (Cayman) Limited P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KYI-1205 Cayman Islands	General investment	2,396,725 (USD 78,056,502)	2,396,725 (USD 78,056,502)	78,056,502	100	4,768,248	551,158		
ITLS Holding Pte. Ltd.	PT. ITLS Indonesia	Jl. Pajajaran Raya No. 44, Kel. Gandasari, Kec. Jatiuwung, Tangerang-15137 Indonesia	Production and trading of construction materials	77,733 (USD 2,531,620)	77,733 (USD 2,531,620)	2,437,109	100	13,620	(468)		
	ITLS Vietnam Co., Ltd.	No.16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and trading of construction materials	133,674 (USD 4,353,487)	133,674 (USD 4,353,487)	-	100	68,587	(1,702)		
Nan Pao Group Holdings Ltd.	Greatwill Materials (HK) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	38,688 (USD 1,260,000)	38,688 (USD 1,260,000)	7,172	100	544,665	64,358		
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General investment	57,690 (USD 1,887,627)	57,690 (USD 1,887,627)	350,000	26.25	313,713	271,209		Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	Nan Pao Resins (Holdings) Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	646,465 (USD 21,054,073)	646,465 (USD 21,054,073)	10,000	100	401,382	44,310		
	All Saints Enterprises Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	163,752 (USD 5,333,075)	163,752 (USD 5,333,075)	4,547,451	45.47	172,056	(8,463)		Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	NP Australia Pty Ltd.	Collins Square Tower Five Level 22, 727 Collins Street, Docklands VIC 3008	General investment	633,897 (AUD 30,214,354)	633,897 (AUD 30,214,354)	30,214,354	100	941,163	97,405		
	Ongoing Profits Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	117,809 (USD 3,836,817)	117,809 (USD 3,836,817)	3,287,546	67.82	673,497	397,875		Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	Treasure Wealth (HK) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	141,550 (USD 4,610,000)	141,550 (USD 4,610,000)	4,610	100	167,885	801		
	Goldford Investments Ltd.	Creque Building, P.O. Box 116, Road Town, Tortola, British Virgin Islands	General investment	17,958 (USD 584,844)	17,958 (USD 584,844)	486,000	100	127,026	32,351		
	Nan Pao Resins Chemical Philippines, Inc.	Road 22 Phase 11, Cogeo Village, Antipolo City, Philippines	Trading of adhesives	6,448 (USD 210,000)	6,448 (USD 210,000)	9,000	100	90,438	10,894		
	Nan Pao Resins International Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Trading of chemical substances and related products	-	786 (HKD 200,000)	-	-	-	1,367		Shares were fully resold during the period to Nan Pao Resins Chemical Co., Ltd.
	Nan Pao Resins (HK) Limited	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Production and trading of adhesives	-	534,267 (USD 17,400,000)	-	-	-	(32,399)		Shares were fully resold during the period to Nan Pao Resins Chemical Co., Ltd.
Profit Land Ltd.	Giant Profit Development Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	245,640 (USD 8,000,000)	245,640 (USD 8,000,000)	10,000	100	1,185,363	270,978		
Nan Pao Resins (Holdings) Ltd.	Eastlion Enterprises Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	170,109 (USD 5,540,100)	170,109 (USD 5,540,100)	20,240	100	225,571	25,617		
	Nan Pao Resins Development Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	92,115 (USD 3,000,000)	92,115 (USD 3,000,000)	3,000	100	168,427	18,618		
All Saints Enterprises Ltd.	Great Mount Enterprises Ltd.	Unit 2102, 21/F The Broadway, No., 54-62 Lockhart, Road, Wanchai, Hong Kong	General investment	307,050 (USD 10,000,000)	307,050 (USD 10,000,000)	10,000	100	374,237	(8,430)		
NP Australia Pty Ltd.	RLA Polymers Pty Ltd.	Collins Square Tower Five Level 22, 727 Collins Street, Docklands VIC 3008	Production and trading of construction materials and chemical substances	447,595 (AUD 21,334,344)	447,595 (AUD 21,334,344)	16,552,080	100	822,548	100,526		
Ongoing Profits Ltd.	Rising Sun Associates Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	148,844 (USD 4,847,546)	148,844 (USD 4,847,546)	3,000,000	100	991,624	397,946		

(Continued)



Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				Ending Balance	Beginning Balance	Number of Shares	%	Carrying Amount			
Treasure Wealth (HK) Ltd.	Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Ken Nhon Trach II, Xa Hiep Phuoc, Huyen Nhon Trach, Tinh Dong Nai, Vietnam	Production and trading of coatings	\$ 140,936 (USD 4,590,000)	\$ 140,936 (USD 4,590,000)	-	50	\$ 159,187	\$ 1,607		Nan Pao Resins Chemical Co., Ltd. and related companies hold 67.5% of voting shares
Goldford Investments Ltd.	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Jl. Pajajaran Raya No. 44, Jatiuwung Tangerang 15137, Indonesia	Production and trading of adhesives	4,029 (IDR 2,035,000,000)	2,060 (IDR 1,040,625,000)	2,035,000	18.5	115,082	200,512		
Rising Sun Associates Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	10 Thong Nhat Boulevard, Song Than 2 Industrial Park Di An Town, Binh Duong Province, S.R Vietnam	Production and trading of adhesives	104,649 (USD 3,408,217)	104,649 (USD 3,408,217)	-	100	988,921	397,919		
RLA Polymers Pty Ltd.	RLA Polymers (M) SDN BHD	No.5, Lebuhraya Petai, Pandamaran, 42000 Port Klang, Selangor Darul Ehsan, Malaysia	Production and trading of construction materials and chemical substances	125,288 (AUD 5,971,801)	125,288 (AUD 5,971,801)	18,415,500	100	192,667	8,559		

(Concluded)

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

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



TABLE 7

NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

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

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

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023 (Note 4)	Investment Amount Authorized by the Investment Commission, MOEA (Note 4)	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 3)
\$ 1,813,870 (USD 59,074,102)	\$ 2,886,469 (USD 94,006,490)	\$ 7,906,328

Note 1: The methods of investment in mainland China are divided into the following three categories (indicate the category number):  
(1) Direct investment in mainland China.  
(2) Investment in mainland China through companies in a third region (please specify investee company in third region).  
(3) Other methods.

Note 2: Recognized in the investment gain (loss) column in the current period:  
(1) If the Company is still in the preparation stage, and there is still no investment gain or loss, it should be disclosed.  
(2) The basis for recognition of investment gain (loss) which falls under the following 3 categories should be disclosed:  
A. The financial statements were audited by an international accounting firm that has a business relationship with an accounting firm in the ROC.  
B. The financial statements were audited by the CPA of the parent company in the ROC.  
C. Others.

Note 3: The Company's investment limit in mainland China is calculated as follows:  
\$13,177,213×60%=\$7,906,328

Note 4: Relevant amounts are calculated based on the exchange rate of US\$1 = NT\$30.705 at the end of the period.  
Relevant amounts are calculated based on the exchange rate of CNY 1 = NT\$4.327 at the end of the period.

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

Note 6: Nantong Nan Pao Resins Materials Co., Ltd. had been liquidated in December 2022. but its share proceeds have not been remitted to Taiwan; hence, it has not been deducted from the investment amount authorized by the Investment Commission, MOEA.

Note 7: Nan Pao Resins (Yunan) Co., Ltd. had been liquidated in June 2022. but its share proceeds have not been remitted to Taiwan; hence, it has not been deducted from the investment amount authorized by the Investment Commission, MOEA.



**TABLE 8**

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

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES  
FOR THE YEAR ENDED DECEMEBR 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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

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



**TABLE 9**

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

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMEBR 31, 2023  
(Amounts in Thousands of New Taiwan Dollars)**

No.	Company Name	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	\$ 549,086		2
				Sales revenue	1,344,177	Calculated based on general transaction prices, telegraphic transfer within 90 days	7
		Nan Pao Resins (Foshan) Co., Ltd.	1	Accounts receivable - related parties	59,298		-
				Sales revenue	201,422	Calculated based on general transaction prices, telegraphic transfer within 90 days	1
		PT. Indo Nan Pao Resins Chemical Co., Ltd.	1	Accounts receivable - related parties	217,252		1
				Sales revenue	649,323	Calculated based on general transaction prices, telegraphic transfer within 90 days	3
		Nan Pao Materials Vietnam Co., Ltd.	1	Accounts receivable - related parties	122,029		1
				Sales revenue	470,649	Calculated based on general transaction prices, telegraphic transfer within 90 days	2
		ITLS International Development Co., Ltd.	1	Accounts receivable - related parties	21,167		-
				Sales revenue	77,209	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Nan Pao Advanced Materials Vietnam Co., Ltd.	1	Accounts receivable - related parties	77,468		-
				Sales revenue	317,841	Calculated based on general transaction prices, telegraphic transfer within 90 days	2
		Nan Pao Resins (HK) Ltd.	1	Accounts receivable - related parties	24,704		-
				Sales revenue	84,191	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Nan Pao Advanced Materials Co., Ltd.	1	Accounts receivable - related parties	21,531		-
				Sales revenue	69,322	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Prince Pharmaceutical Co., Ltd.	1	Purchases	18,761	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Nan Pao Chemical Co., Ltd.	1	Purchases	15,383	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
1	Nan Pao Resins (Vietnam) Enterprise Ltd.	Nan Pao Resins Chemical Philippines, Inc.	1	Sales revenue	12,360	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Dongguan Jiaqin Electronics Co., Ltd.	1	Sales revenue	12,786	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Thai Nan Pao Investment Ltd.	1	Sales revenue	16,063	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Nan Pao Group Holdings Ltd.	1	Other payables - related parties	644,805		3
		PT. Indo Nan Pao Resins Chemical Co., Ltd.	3	Accounts receivable - related parties	23,754		-
				Sales revenue	85,891	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
2	Nan Pao Resins (Foshan) Co., Ltd.	Nan Pao Resins (HK) Ltd.	3	Sales revenue	14,467	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Nan Pao Resins International Ltd.	3	Accounts receivable - related parties	21,901		-
				Sales revenue	50,701	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Nan Pao Resins India Pvt Ltd.	3	Accounts receivable - related parties	18,068		-
				Sales revenue	18,332	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Fuqing Nan Pao Resins Co., Ltd.	3	Accounts receivable - related parties	33,662		-
3	Nan Pao Resins (HK) Ltd.			Sales revenue	105,047	Calculated based on general transaction prices, telegraphic transfer within 90 days	1
				Purchases	35,491	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Nan Pao Resins (China) Co., Ltd.	3	Sales revenue	12,684	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Nan Pao Resins (Dongguan) Co., Ltd.	3	Other payables - related parties	81,487		-
				Processing fee	261,265	No prices for similar products available for comparison, payment made 90 days from the date of the invoice	1
		PT. Indo Nan Pao Resins Chemical Co., Ltd.	3	Sales revenue	17,653	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Nan Pao Advanced Materials Vietnam Co., Ltd.	3	Sales revenue	37,307	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
				Purchases	74,113	Calculated based on general transaction prices, telegraphic transfer within 90 days	-

(Continued)



No.	Company Name	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount (Note 2)	Payment Terms	% of Total Sales or Assets
4	Nan Pao Resins (China) Co., Ltd.	Nan Pao Resins ( Vietnam ) Enterprise Ltd.	3	Sales revenue	\$ 26,768	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Nan Pao Philippines Export Inc.	3	Sales revenue	25,175	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Fuqing Nan Pao Resins Co., Ltd.	3	Purchases	57,123	No prices for similar products available for comparison, payment made 90 days from the date of the invoice	-
		PT. Indo Nan Pao Resins Chemical Co., Ltd.	3	Accounts receivable - related parties	52,034		-
5	Nan Pao Materials Vietnam Co., Ltd.	PT. Indo Nan Pao Resins Chemical Co., Ltd.	3	Sales revenue	132,143	Calculated based on general transaction prices, telegraphic transfer within 90 days	1
		Nan Pao Resins ( HK ) Ltd.	3	Purchases	42,256	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
				Sales revenue	13,171	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Nan Pao Advanced Materials Vietnam Co., Ltd.	3	Accounts payable - related parties	14,169		-
		Nan Pao Advanced Materials Vietnam Co., Ltd.	3	Accounts receivable - related parties	43,688		-
				Sales revenue	74,599	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Nan Pao Chemical Co., Ltd.	3	Purchases	58,929	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Nan Pao Fine Materials Co., Ltd.	3	Accounts payable - related parties	46,547		-
		Nan Pao Fine Materials Co., Ltd.	3	Purchases	96,670	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Nan Pao Resins ( Vietnam ) Enterprise Ltd.	3	Accounts receivable - related parties	78,248		-
				Sales revenue	227,202	Calculated based on general transaction prices, telegraphic transfer within 90 days	1
		Nan Pao Resins International Ltd.	3	Accounts receivable - related parties	30,706		-
		Nan Pao Resins International Ltd.	3	Sales revenue	62,940	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Nan Pao Resins India Pvt Ltd.	3	Accounts receivable - related parties	30,769		-
				Sales revenue	31,220	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		FlexUP Technologies Corp.	3	Purchases	67,347	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
6	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Nan Pao Fine Materials Co., Ltd.	3	Accounts payable - related parties	14,417		-
				Purchases	85,197	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Nan Pao Resins ( HK ) Ltd.	3	Accounts payable - related parties	30,219		-
				Purchases	17,977	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
7	Foshan Nan Pao Advanced Materials Co., Ltd.	Nan Pao Resins India Pvt Ltd.	3	Sales revenue	26,054	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Nan Pao Resins (Foshan) Co., Ltd.	3	Accounts receivable - related parties	16,039		-
				Sales revenue	53,547	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		PT. Indo Nan Pao Resins Chemical Co., Ltd.	3	Sales revenue	14,771	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
8	Nan Pao Advanced Materials Vietnam Co., Ltd.	Nan Pao Resins International Ltd.	3	Accounts receivable - related parties	172,979		1
				Sales revenue	377,117	Calculated based on general transaction prices, telegraphic transfer within 90 days	2
9	RLA Polymers Pty Ltd.	Thai Nanpao Resins Chemical Co., Ltd.	3	Purchases	15,303	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.****II INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2023**

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

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

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.



**TABLE 11****NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES****CHANGES IN PROPERTY, PLANT AND EQUIPMENT  
FOR THE YEAR ENDED DECEMEBR 31, 2023  
(In Thousands of New Taiwan Dollars)**

	Land	Land Improvement	Buildings	Machinery and equipment	Transportation equipment	Miscellaneous equipment	Construction in progress	Total
<u>Cost</u>								
Balance at January 1, 2023	\$ 1,185,300	\$ 24,935	\$ 3,365,622	\$ 3,302,847	\$ 267,481	\$ 1,203,596	\$ 134,096	\$ 9,483,877
Acquisitions through business combinations	-	-	181,658	36,334	2,193	21,255	-	241,440
Additions	-	1,364	211,606	328,865	20,583	137,051	(101,371)	598,098
Disposals	-	-	(11,096)	(13,770)	(10,167)	(16,277)	-	(51,310)
Reclassification	-	-	-	-	-	(1,280)	-	(1,280)
Effects of foreign currency exchange differences	<u>89</u>	<u>(43)</u>	<u>(22,102)</u>	<u>(16,438)</u>	<u>(2,214)</u>	<u>(3,379)</u>	<u>(328)</u>	<u>(44,415)</u>
Balance at December 31, 2023	<u>\$ 1,185,389</u>	<u>\$ 26,256</u>	<u>\$ 3,725,688</u>	<u>\$ 3,637,838</u>	<u>\$ 277,876</u>	<u>\$ 1,340,966</u>	<u>\$ 32,397</u>	<u>\$ 10,226,410</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2023	\$ -	\$ 10,378	\$ 954,552	\$ 2,087,363	\$ 196,460	\$ 727,440	\$ -	\$ 3,976,193
Acquisitions through business combinations	-	-	12,254	6,134	738	4,786	-	23,912
Depreciation expenses	-	2,689	110,804	230,439	23,573	116,239	-	483,744
Disposals	-	-	(7,339)	(12,977)	(9,579)	(15,560)	-	(45,455)
Reclassification	-	-	-	-	-	(263)	-	(263)
Effects of foreign currency exchange differences	<u>-</u>	<u>(3)</u>	<u>(7,068)</u>	<u>(9,468)</u>	<u>(1,382)</u>	<u>(2,153)</u>	<u>-</u>	<u>(20,074)</u>
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 13,064</u>	<u>\$ 1,063,203</u>	<u>\$ 2,301,491</u>	<u>\$ 209,810</u>	<u>\$ 830,489</u>	<u>\$ -</u>	<u>\$ 4,418,057</u>
Carrying amount at December 31, 2023	<u>\$ 1,185,389</u>	<u>\$ 13,192</u>	<u>\$ 2,662,485</u>	<u>\$ 1,336,347</u>	<u>\$ 68,066</u>	<u>\$ 510,477</u>	<u>\$ 32,397</u>	<u>\$ 5,808,353</u>
<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	<u>694</u>	<u>-</u>	<u>92,487</u>	<u>69,968</u>	<u>6,276</u>	<u>6,980</u>	<u>3,806</u>	<u>180,211</u>
Balance at December 31, 2022	<u>\$ 1,185,300</u>	<u>\$ 24,935</u>	<u>\$ 3,365,622</u>	<u>\$ 3,302,847</u>	<u>\$ 267,481</u>	<u>\$ 1,203,596</u>	<u>\$ 134,096</u>	<u>\$ 9,483,877</u>
<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 expenses	-	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	<u>-</u>	<u>-</u>	<u>30,320</u>	<u>44,233</u>	<u>4,010</u>	<u>4,580</u>	<u>-</u>	<u>83,143</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 10,378</u>	<u>\$ 954,552</u>	<u>\$ 2,087,363</u>	<u>\$ 196,460</u>	<u>\$ 727,440</u>	<u>\$ -</u>	<u>\$ 3,976,193</u>
Carrying amount at December 31, 2022	<u>\$ 1,185,300</u>	<u>\$ 14,557</u>	<u>\$ 2,411,070</u>	<u>\$ 1,215,484</u>	<u>\$ 71,021</u>	<u>\$ 476,156</u>	<u>\$ 134,096</u>	<u>\$ 5,507,684</u>



## **Appendix 2: Statutory Financial Statements**

### **INDEPENDENT AUDITORS' REPORT**

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

#### **Opinion**

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

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

#### **Basis for Opinion**

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

#### **Key Audit Matters**

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

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



### Authenticity of Revenue Recognition

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

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

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

### **Other Matter**

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

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

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

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

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

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

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



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

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

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

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

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



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

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

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

#### Notice to Readers

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

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



# NAN PAO RESINS CHEMICAL CO., LTD.

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

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

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

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



# NAN PAO RESINS CHEMICAL CO., LTD.

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

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

(Continued)



# NAN PAO RESINS CHEMICAL CO., LTD.

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

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

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

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

(Concluded)



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

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

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

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

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



# NAN PAO RESINS CHEMICAL CO., LTD.

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

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

(Continued)



# NAN PAO RESINS CHEMICAL CO., LTD.

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

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

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

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

(Concluded)



# NAN PAO RESINS CHEMICAL CO., LTD.

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

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### 1. GENERAL INFORMATION

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

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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



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

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

<b>New, Amended and Revised Standards and Interpretations</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

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

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

- d. Presentation reclassification

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

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



#### 4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

##### a. Statement of compliance

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

##### b. Basis of preparation

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

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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



d. Foreign currencies

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

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

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

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

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

e. Inventories

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

f. Investments in subsidiaries

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

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

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

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

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



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

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

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

g. Investments in associates

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

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

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

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

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



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

h. Property, plant and equipment

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

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

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

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

i. Investment properties

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

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

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

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

j. Intangible assets

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

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



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

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

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

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

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

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



ii. Financial assets at amortized cost

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

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

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

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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



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

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

b) Impairment of financial assets

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

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

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

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

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

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

m. Revenue recognition

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



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

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

n. Leases

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

1) The Company as lessor

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

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

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

2) The Company as lessee

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

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

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

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

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



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

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

o. Borrowing costs

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

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

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

p. Government grants

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

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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



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

r. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes

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



## 5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Management reviews the estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

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

## 6. CASH AND CASH EQUIVALENTS

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

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

	December 31	
	2023	2022
Emerging market shares	\$ 20,296	\$ 13,951
Unlisted shares	<u>1,644,596</u>	<u>4,172,128</u>
	<u>\$ 1,664,892</u>	<u>\$ 4,186,079</u>



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

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

## 9. FINANCIAL ASSETS AT AMORTIZED COST - NON-CURRENT

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

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

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

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

The Company invests only in debt instruments that have low credit risk for the purpose of impairment assessment. In determining the expected credit losses for debt instrument investments, the Company considers the historical default loss rates, the current financial condition of debtors, and the future prospects of the industries. Because counterparties have a low risk of default and a strong capacity to meet contractual cash flows, the Company did not make any provision for expected credit losses with respect to financial assets at amortized cost as of December 31, 2023 and 2022.

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

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



a. Notes receivable

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

b. Accounts receivable (including related parties)

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

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

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

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

December 31, 2023

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

December 31, 2022

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



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

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

## 12. INVENTORIES

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

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

## 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

### a. Investments in subsidiaries

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

(Continued)



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

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



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

b. Investment in associates

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

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

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

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

#### 14. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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



## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

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

### b. Lease liabilities

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



Range of discount rate for lease liabilities was as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Buildings	0.81%-1.78%	0.77%-1.14%
Machinery	-	0.76%

c. Other lease information

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

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

## 16. INVESTMENT PROPERTIES

	<b>Land</b>
Balance at December 31, 2022 and 2023	\$ 17,760

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

These investment properties were not pledged as collateral.

## 17. OTHER INTANGIBLE ASSETS

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

(Continued)



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

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

Computer software	2-5years
Others	10years

## 18. OTHER ASSETS

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



## 19. BORROWINGS

### a. Short-term borrowings

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

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

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

### b. Long-term borrowings

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

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

## 20. NOTES PAYABLE AND ACCOUNTS PAYABLE

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

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



## 21. OTHER LIABILITIES

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

## 22. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

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

### b. Defined benefit plans

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



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

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

Movements in net defined benefit assets were as follows:

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



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

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

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

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

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Discount rates	1.2%	1.25%
Expected rates of salary increase	2.5%	2.5%

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

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



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

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

## 23. EQUITY

### a. Share capital

#### Ordinary shares

	December 31	
	2023	2022
Number of shares authorized (in thousands)	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

	December 31	
	2023	2022
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 2,040,204	\$ 2,040,204
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	10,659	10,854
Employee share options	44,083	44,083
Expired employee share options	135	135
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in subsidiaries (2)	29,810	20,057
	\$ 2,124,891	\$ 2,115,333

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



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

c. Retained earnings and dividends policy

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

Under the dividends policy as set forth in the Articles, when the Company distributed profit, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit (This shall not apply if the accumulated legal reserve has reached the Company's paid-in capital), setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 25-g.

The Company is in a period of stable growth. In order to cope with the future operational expansion plan, the total amount of dividends distributed should not be less than 10% of the year's remaining profit. The profit can be distributed as cash dividends or stock dividends, and the issuance of cash dividends takes precedence over the payment of stock dividends. In principle, stock dividends are limited to 80% of the total dividends distributed.

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

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

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

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

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

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

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



d. Special reserve

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

e. Other equity items

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

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

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

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

## 24. REVENUE

a. Disaggregation of revenue

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



b. Contract balances

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

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

## 25. NET PROFIT

a. Interest income

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

b. Other income

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

c. Other gains and losses

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



d. Finance costs

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

e. Depreciation and amortization

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

f. Employee benefits expense

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



g. Compensation of employees

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

Accrual rate

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

Amount

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

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

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

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

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

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.



h. Gains or losses on foreign currency exchange

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

## 26. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

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

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

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



b. Income tax recognized in other comprehensive income

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

c. Current tax liabilities

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

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

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



For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Write-downs of inventories	\$ 29,729	\$ (7,507)	\$ -	\$ 22,222
Refund liabilities	4,662	(560)	-	4,102
Payables for annual leave	4,589	346	-	4,935
Defined benefit obligations	7,641	(286)	(7,355)	-
Unrealized gross profit	23,823	22,667	-	46,490
Exchange differences on translating the financial statements of foreign operations	161,118	-	(76,044)	85,074
Others	<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>

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

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

- f. Income tax assessments

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

## 27. EARNINGS PER SHARE

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

Net Profit for the Year

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



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

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

The Company may settle the compensation of employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 28. ACQUISITION OF SUBSIDIARIES

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

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

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



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

### 30. CAPITAL MANAGEMENT

The Company has to maintain large capital for plants and equipment expansion, therefore the Company manages its capital to ensure that the Company will have sufficient financial resources and operating plans to fund its working capital needs, capital asset purchases, stock dividends and other business requirements associated with its existing operations.

### 31. FINANCIAL INSTRUMENTS

#### a. Fair value of financial instruments not measured at fair value

The Company believes that the carrying amounts of financial instruments not measured at fair value recognized in the consolidated financial statements approximate their fair values.

#### b. Fair value of financial instruments measured at fair value on a recurring basis

##### 1) Fair value hierarchy

##### December 31, 2023

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

##### December 31, 2022

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



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

Financial assets at FVTPL

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

Financial assets at FVTOCI

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

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

- a) The market approach is used to estimate the fair values of some of the unlisted shares, and the determination of fair value takes into consideration the industry type, valuation of comparable companies and the operating situation, or based on the net value of company.
- b) The asset approach is used to estimate the fair values of some of the unlisted shares, and the fair values are determined by assessing the total value of individual assets and liabilities covered by the valuation target, in order to reflect the overall value of the business or equity.
- c) Limited partnership are valued on the basis of their net worth.

c. Categories of financial instruments

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



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

d. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, notes receivable, accounts receivable, notes payable, accounts payable, borrowings and lease liabilities. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Company through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Major financing activities of the Company are reviewed by the board of directors based on relevant regulations and the internal control system. The Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other price (see (c) below).

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

a) Foreign currency risk

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

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

Sensitivity analysis

The Company is mainly exposed to the USD.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan Dollar (NTD, the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items. A positive number below indicates an increase in pre-tax profit and other equity associated with the NTD weakening 1% against the relevant currency. For a 1% strengthening of the NTD against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

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



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

b) Interest rate risk

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

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

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

Sensitivity analysis

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

c) Other price risk

The Company was exposed to equity price risk through its investments in unlisted shares. As there is no open market quotation for such equity pricing, the price risk is immaterial.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation, could be equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

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

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



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

### 3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company's working capital and the credit line which the Company has obtained are sufficient to support future operational needs, so there is no liquidity risk due to the inability to raise funds to fulfill contractual obligations.

#### a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the year.

#### December 31, 2023

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

Additional information about the maturity analysis for lease liabilities:

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



December 31, 2022

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

Additional information about the maturity analysis for lease liabilities:

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

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

b) Financing facilities

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

## 32. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

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

(Continued)



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

(Concluded)

b. Sales of goods

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

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

c. Purchases of goods

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



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

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

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

The outstanding accounts receivable from related parties are unsecured.

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

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

The outstanding accounts payable to related parties are unsecured.

f. Refund liabilities

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



- g. Loans from related parties

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

- h. Endorsements and guarantees

Endorsements and guarantees provided by the Company

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

- i. Remuneration of key management personnel

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

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

### 33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

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

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



### 34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2023

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

Financial liabilities

Monetary items			
USD	25,763	30.72	791,370

December 31, 2022

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

Financial liabilities

Monetary items			
USD	973	30.71	29,751

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



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

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

### 35. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
- 9) Trading in derivative instruments (None)

b. Information on investees (Table 6)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 7)



- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 8):
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
  - c) The amount of property transactions and the amount of the resultant gains or losses
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes
  - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
  - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- d. Information of major shareholders : List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)



TABLE 1

NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

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

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

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

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

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

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



**TABLE 2**

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

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

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 2 & 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes 2 & 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 1)										
0	Nan Pao Resins Chemical Co., Ltd.	Nan Pao Group Holdings Ltd.	2	\$ 2,635,443	\$ 64,850	\$ 30,705	\$ -	\$ -	0.23	\$ 6,588,607	Y	N	N
		Nan Pao Resins Chemical Philippines, Inc.	2	2,635,443	32,425	30,705	-	-	0.23	6,588,607	Y	N	N
		Nan Pao Philippines Export Inc.	2	2,635,443	16,213	15,353	7,062	-	0.12	6,588,607	Y	N	N
		RLA Polymers (M) SDN BHD	2	2,635,443	64,850	61,410	-	-	0.47	6,588,607	Y	N	N
		RLA Polymers (M) SDN BHD	2	2,635,443	129,700	122,820	54,427	-	0.93	6,588,607	Y	N	N
		RLA Polymers Pty Ltd.	2	2,635,443	211,300	-	-	-	-	6,588,607	Y	N	N
		Nan Pao Advanced Investment Co., Ltd.	2	2,635,443	176,880	173,080	-	-	1.31	6,588,607	Y	N	Y
		Nan Pao New Materials (Huaian) Co., Ltd.	2	2,635,443	222,250	216,350	1,038	-	1.64	6,588,607	Y	N	Y
		Nan Pao New Materials (Huaian) Co., Ltd.	2	2,635,443	88,900	86,540	32,922	-	0.66	6,588,607	Y	N	Y
		Nan Pao New Materials (Huaian) Co., Ltd.	2	2,635,443	133,350	108,175	16,481	-	0.82	6,588,607	Y	N	Y
		Nan Pao New Materials (Huaian) Co., Ltd.	2	2,635,443	88,900	86,540	8,345	-	0.66	6,588,607	Y	N	Y
		Changshu Yu Bo Polymer Materials Co., Ltd.	2	2,635,443	92,862	90,867	4,695	-	0.69	6,588,607	Y	N	Y
		Changshu Yu Bo Polymer Materials Co., Ltd.	2	2,635,443	92,862	90,867	28,454	-	0.69	6,588,607	Y	N	Y
		Changshu Yu Bo Polymer Materials Co., Ltd.	2	2,635,443	92,862	90,867	2,730	-	0.69	6,588,607	Y	N	Y
		Nan Pao Fine Materials Co., Ltd.	2	2,635,443	20,000	20,000	-	-	0.15	6,588,607	Y	N	N
		Nan Pao Fine Materials Co., Ltd.	2	2,635,443	20,000	20,000	-	-	0.15	6,588,607	Y	N	N

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

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

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

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



**TABLE 3**

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

**MARKETABLE SECURITIES HELD**  
**DECEMEBR 31, 2023**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Nan Pao Resins Chemical Co., Ltd.	CDIB - Innolux Limited Partnership	None	Financial assets at fair value through profit or loss - non-current	-	\$ 121,929	9	\$ 121,929	
Nan Pao Resins Chemical Co., Ltd.	Dairen Chemical Corp. - publicly owned company	None	Financial assets at fair value through other comprehensive income - non-current	10,424,970	\$ 1,639,075	2	\$ 1,639,075	
	Hua Chi Venture Capital Co., Ltd. - privately-issued equity	"	"	7,895	1,987	1	1,987	
	Opulence Optronics Co., Ltd. - privately-issued equity	"	"	877,208	3,534	8	3,534	
	Revivegen Co., Ltd. - emerging stock	"	"	570,107	20,296	1	20,296	
	Contact Organics Pty Ltd - privately-issued equity	"	"	2,902	-	17	-	
					\$ 1,664,892		\$ 1,664,892	
Nan Pao Chemical Co., Ltd.	Ace Chemical Corp. -privately-issued equity	None	Financial assets at fair value through other comprehensive income - non-current	1,249,915	\$ 17,220	10	\$ 17,220	

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

Note 2: Please refer to Tables 6 and 7 for information on investments in subsidiaries and associates.



TABLE 4

# **NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES**

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

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

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



**TABLE 5**

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

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

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

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



TABLE 6

## NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

## INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMEBR 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				Ending Balance	Beginning Balance	Number of Shares	%	Carrying Amount			
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Chemical Co., Ltd.	No.519, Zhongshan Rd., Xigang Dist, Tainan City	Trading of chemical substances	\$ 300,000	\$ 300,000	15,000,000	100	\$ 186,742	\$ 7,776	\$ 7,776	
	Nan Pao Application Material Co., Ltd.	No.519, Zhongshan Rd., Xigang Dist, Tainan City	Trading of chemical substances	60,000	60,000	200,000	100	8,640	21	21	
	ITLS International Development Co., Ltd.	3F, No.356, Sec.1, NeiHu Rd., Taipei	Trading of construction materials and chemical substances	696,000	696,000	24,600,000	100	261,409	16,159	20,564	
	Prince Pharmaceutical Co., Ltd.	No. 168, Keyun S. Rd., Kendi Vil., Huwei Township, Yunlin County	Manufacturing, packaging, and processing of raw materials for various pharmaceutical and health food	365,600	324,683	18,131,198	49.53	416,610	15,309	7,631	
	Phymed Bio-Tec Co., Ltd.	No.519, Zhongshan Rd., Xigang Dist, Tainan City	R&D and trading of health food	34,000	34,000	2,400,000	100	13,896	(2,882)	(2,882)	
	Biorich Biotechnology Co., Ltd.	3F, No.356, Sec.1, NeiHu Rd., Taipei	R&D, production, and trading of new high protein business and health food	64,121	64,121	391,462	57.1	15,030	8,644	4,936	
	Nan Pao Advanced Materials Co., Ltd.	No. 521, Zhongshan Rd., Xigang Dist, Tainan City	Trading of adhesives and chemicals	3,500	3,500	350,000	70	11,108	8,195	5,737	
	Nan Pao Fine Materials Co., Ltd.	No.217, Xinxing St., Qingan Vil., Xigang Dist., Tainan City	Production and trading of adhesives and chemicals	13,750	13,750	1,375,000	55	30,565	49,152	17,155	
	FlexUP Technologies Corp.	No. 10, Ln. 99, Nanhai St., Nanhai Vil., Xigang Dist., Tainan City	Trading of chemical substances	39,863	19,546	18,880,000	100	31,908	16,118	7,502	
	Perfect & Outstanding Technology Inc.	No.320-17 and 18, Xiaoxinying, Xiaoxin Vil., Shanhua Dist., Tainan City	Production and trading of renewable energy	40,000	40,000	2,500,000	22.9	30,312	(27,192)	(8,974)	
	Fuqing Nan Pao Investment Ltd.	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	229,243	27,326	27,326	
	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	183,783	1,879	1,879	
	Nan Pao Resins India Pvt Ltd.	204, Abhishek, off New Link Road, Andheri(W), Mumbai 400053, India	Trading of adhesives	42,299	16,499	6,200,000	100	49,307	(835)	(835)	
	Nan Pao Materials Resins India Private Limited	ROOM No.6, FLAT NO.3-D, FRONT BLOCK, 188 P H ROAD, Kilpauk, Perambur Purasawalkam, Chennai-600010, Tamil Nadu, India	Trading of adhesives	30,750	-	8,076,000	100	28,018	(1,839)	(1,839)	
	Nan Pao Materials Vietnam Co., Ltd.	LotA4, A5, A10, A11 Daden Industrial Park, Thu Dau Mot City, Binh Duong Province, Vietnam	Production and trading of adhesives and chemicals	685,094	685,094	-	100	1,446,069	296,435	287,087	
	Nan Pao Advanced Materials Vietnam Co., Ltd.	Phue Son Industrial Area, Ninh Phuc Commune, Ninh Binh City, Ninh Binh province	Production and trading of adhesives and chemicals	465,970	465,970	-	100	676,151	161,136	161,136	
	Nan Pao Overseas Holdings Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	2,386,015	2,386,015	78,056,502	100	4,661,123	551,180	565,250	
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General investment	186,588	186,588	983,333	73.75	866,792	271,209	199,643	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	All Saints Enterprises Ltd.	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	206,339	(8,463)	(4,615)	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	272,038	397,875	128,763	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Jl. Pajajaran Raya No.44, Jatiuwung Tangerang 15137, Indonesia	Production and trading of adhesives	44,754	39,276	5,390,000	49	234,814	200,511	98,250	Nan Pao Resins Chemical Co., Ltd. and related companies hold 67.5% of voting shares
	Nan Pao Philippines Export Inc.	Lot IL-2 Subic Bay Gateway Park Phase II, Subic Bay Freeport Zone	Trading of adhesives	14,993	14,993	25,750,000	100	16,680	1,237	1,237	
	Nan Pao Resins Chemical (Bangladesh) Co., Ltd.	House No, 42 5 <sup>th</sup> floors, Lake drive Road, Sector 7, Ulttara, Dhaka	Trading of adhesives	13,571	4,193	284,425	100	4,615	(5,309)	(5,309)	
	Earnest Wealth Co., Ltd.	Level 2, Lotenau Centre Building, Vaea Street, Apia, Samoa	General investment	42,958	42,958	920,000	51.11	45,461	2,000	1,023	
	Nan Pao Resins International Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Trading of chemical substances and related products	6,804	-	1,000	100	9,340	1,367	2,479	
	Nan Pao Resins (HK) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Production and trading of adhesives	363,753	-	13,400,000	100	307,518	(32,399)	(60,110)	

(Continued)



Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				Ending Balance	Beginning Balance	Number of Shares	%	Carrying Amount			
ITLS International Development Co., Ltd.	ITLS Holding Pte. Ltd.	8 Boon Lay Way, #09-14, 8 @ Tradehub 21, Singapore 609964	General investment	\$ 502,822	\$ 502,822	22,064,549	100	\$ 85,312	\$ (2,481)		
	Atek Materials Vietnam Co., Ltd.	No. 16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and trading of construction materials	-	49,172	-	-	-	(576)		
Fuqing Nan Pao Investment Ltd.	Wealth Castle Development Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	140,015 (USD 4,560,000)	140,015 (USD 4,560,000)	10,000	100	228,494	27,508		
Thai Nan Pao Investment Ltd.	Thai Nanpao Resins Chemical Co., Ltd.	412 Kor Soi, 1cBangpoo Industrial Tumbon Preaksa Ampur Muang Samutprakarn 10280, Thailand	Production and trading of adhesives	171,298 (USD 5,578,821)	171,298 (USD 5,578,821)	21,197,000	100	133,676	(37)		
Earnest Wealth Co., Ltd.	Apex Polytech Co., Ltd.	Lot T29-15A Street 7, Protrade International Industrial Park, An Tay Commune, Ben Cat Town, Binh Duong, Vietnam.	Production and trading of adhesives	66,016 (USD 2,150,000)	66,016 (USD 2,150,000)	-	100	64,999	2,029		
Nan Pao Overseas Holdings Ltd.	Nan Pao Group Holdings Ltd.	Vistra (Cayman) Limited P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KYI-1205 Cayman Islands	General investment	2,396,725 (USD 78,056,502)	2,396,725 (USD 78,056,502)	78,056,502	100	4,768,248	551,158		
ITLS Holding Pte. Ltd.	PT. ITLS Indonesia	Jl. Pajajaran Raya No. 44, Kel. Gandasari, Kec. Jatiuwung, Tangerang-15137 Indonesia	Production and trading of construction materials	77,733 (USD 2,531,620)	77,733 (USD 2,531,620)	2,437,109	100	13,620	(468)		
	ITLS Vietnam Co., Ltd.	No.16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and trading of construction materials	133,674 (USD 4,353,487)	133,674 (USD 4,353,487)	-	100	68,587	(1,702)		
Nan Pao Group Holdings Ltd.	Greatwill Materials (HK) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	38,688 (USD 1,260,000)	38,688 (USD 1,260,000)	7,172	100	544,665	64,358		
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General investment	57,690 (USD 1,887,627)	57,690 (USD 1,887,627)	350,000	26.25	313,713	271,209		Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	Nan Pao Resins (Holdings) Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	646,465 (USD 21,054,073)	646,465 (USD 21,054,073)	10,000	100	401,382	44,310		
	All Saints Enterprises Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	163,752 (USD 5,333,075)	163,752 (USD 5,333,075)	4,547,451	45.47	172,056	(8,463)		Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	NP Australia Pty Ltd.	Collins Square Tower Five Level 22, 727 Collins Street, Docklands VIC 3008	General investment	633,897 (AUD 30,214,354)	633,897 (AUD 30,214,354)	30,214,354	100	941,163	97,405		
	Ongoing Profits Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	117,809 (USD 3,836,817)	117,809 (USD 3,836,817)	3,287,546	67.82	673,497	397,875		Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	Treasure Wealth (HK) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	141,550 (USD 4,610,000)	141,550 (USD 4,610,000)	4,610	100	167,885	801		
	Goldford Investments Ltd.	Creque Building, P.O. Box 116, Road Town, Tortola, British Virgin Islands	General investment	17,958 (USD 584,844)	17,958 (USD 584,844)	486,000	100	127,026	32,351		
	Nan Pao Resins Chemical Philippines, Inc.	Road 22 Phase 11, Cogeo Village, Antipolo City, Philippines	Trading of adhesives	6,448 (USD 210,000)	6,448 (USD 210,000)	9,000	100	90,438	10,894		
	Nan Pao Resins International Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Trading of chemical substances and related products	-	786 (HKD 200,000)	-	-	-	1,367		Shares were fully resold during the period to Nan Pao Resins Chemical Co., Ltd.
	Nan Pao Resins (HK) Limited	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Production and trading of adhesives	-	534,267 (USD 17,400,000)	-	-	-	(32,399)		Shares were fully resold during the period to Nan Pao Resins Chemical Co., Ltd.
Profit Land Ltd.	Giant Profit Development Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	245,640 (USD 8,000,000)	245,640 (USD 8,000,000)	10,000	100	1,185,363	270,978		
Nan Pao Resins (Holdings) Ltd.	Eastlion Enterprises Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	170,109 (USD 5,540,100)	170,109 (USD 5,540,100)	20,240	100	225,571	25,617		
	Nan Pao Resins Development Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	92,115 (USD 3,000,000)	92,115 (USD 3,000,000)	3,000	100	168,427	18,618		
All Saints Enterprises Ltd.	Great Mount Enterprises Ltd.	Unit 2102, 21/F The Broadway, No., 54-62 Lockhart, Road, Wanchai, Hong Kong	General investment	307,050 (USD 10,000,000)	307,050 (USD 10,000,000)	10,000	100	374,237	(8,430)		
NP Australia Pty Ltd.	RLA Polymers Pty Ltd.	Collins Square Tower Five Level 22, 727 Collins Street, Docklands VIC 3008	Production and trading of construction materials and chemical substances	447,595 (AUD 21,334,344)	447,595 (AUD 21,334,344)	16,552,080	100	822,548	100,526		
Ongoing Profits Ltd.	Rising Sun Associates Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	148,844 (USD 4,847,546)	148,844 (USD 4,847,546)	3,000,000	100	991,624	397,946		

(Continued)



Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				Ending Balance	Beginning Balance	Number of Shares	%	Carrying Amount			
Treasure Wealth (HK) Ltd.	Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Ken Nhon Trach II, Xa Hiep Phuoc, Huyen Nhon Trach, Tinh Dong Nai, Vietnam	Production and trading of coatings	\$ 140,936 (USD 4,590,000)	\$ 140,936 (USD 4,590,000)	-	50	\$ 159,187	\$ 1,607		Nan Pao Resins Chemical Co., Ltd. and related companies hold 67.5% of voting shares
Goldford Investments Ltd.	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Jl. Pajajaran Raya No. 44, Jatiuwung Tangerang 15137, Indonesia	Production and trading of adhesives	4,029 (IDR 2,035,000,000)	2,060 (IDR 1,040,625,000)	2,035,000	18.5	115,082	200,512		
Rising Sun Associates Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	10 Thong Nhat Boulevard, Song Than 2 Industrial Park Di An Town, Binh Duong Province, S.R Vietnam	Production and trading of adhesives	104,649 (USD 3,408,217)	104,649 (USD 3,408,217)	-	100	988,921	397,919		
RLA Polymers Pty Ltd.	RLA Polymers (M) SDN BHD	No.5, Lebuhraya Petai, Pandamaran, 42000 Port Klang, Selangor Darul Ehsan, Malaysia	Production and trading of construction materials and chemical substances	125,288 (AUD 5,971,801)	125,288 (AUD 5,971,801)	18,415,500	100	192,667	8,559		

(Concluded)

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

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



TABLE 7

NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

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

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

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023 (Note 4)	Investment Amount Authorized by the Investment Commission, MOEA (Note 4)	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 3)
\$ 1,813,870 (USD 59,074,102)	\$ 2,886,469 (USD 94,006,490)	\$ 7,906,328

Note 1: The methods of investment in mainland China are divided into the following three categories (indicate the category number):  
(1) Direct investment in mainland China.  
(2) Investment in mainland China through companies in a third region (please specify investee company in third region).  
(3) Other methods.

Note 2: Recognized in the investment gain (loss) column in the current period:  
(1) If the Company is still in the preparation stage, and there is still no investment gain or loss, it should be disclosed.  
(2) The basis for recognition of investment gain (loss) which falls under the following 3 categories should be disclosed:  
A. The financial statements were audited by an international accounting firm that has a business relationship with an accounting firm in the ROC.  
B. The financial statements were audited by the CPA of the parent company in the ROC.  
C. Others.

Note 3: The Company's investment limit in mainland China is calculated as follows:  
\$13,177,213×60%=\$7,906,328

Note 4: Relevant amounts are calculated based on the exchange rate of US\$1 = NT\$30.705 at the end of the period.  
Relevant amounts are calculated based on the exchange rate of CNY 1 = NT\$4.327 at the end of the period.

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

Note 6: Nantong Nan Pao Resins Materials Co., Ltd. had been liquidated in December 2022. but its share proceeds have not been remitted to Taiwan; hence, it has not been deducted from the investment amount authorized by the Investment Commission, MOEA.

Note 7: Nan Pao Resins (Yunan) Co., Ltd. had been liquidated in June 2022. but its share proceeds have not been remitted to Taiwan; hence, it has not been deducted from the investment amount authorized by the Investment Commission, MOEA.



**TABLE 8**

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

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES  
FOR THE YEAR ENDED DECEMEBR 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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

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



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

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

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

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.



TABLE 10

## NAN PAO RESINS CHEMICAL CO., LTD.

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

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



## THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

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

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

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



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

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

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

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

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



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

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

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



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

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

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



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

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



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

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

Note: Market price is meant net realizable value.



## NAN PAO RESINS CHEMICAL CO., LTD.

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

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

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

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

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

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



NAN PAO RESINS CHEMICAL CO., LTD.

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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



**STATEMENT 10**

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

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

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



**STATEMENT 11**

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

**STATEMENT OF ACCOUNTS PAYABLE**

**DECEMBER 31, 2023**

**(In Thousands of New Taiwan Dollars)**

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

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



NAN PAO RESINS CHEMICAL CO., LTD.

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

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



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

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



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

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

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



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

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



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

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



## STATEMENT 17

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

**STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(In Thousands of New Taiwan Dollars)**

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

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

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

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

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

Note 4: Remuneration policy was as follows:

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