



Stock Code: 4766

Nan Pao Resins Chemical Co., Ltd.

2017 Annual Report

This annual report can be found on the websites below:

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

Published on April 30, 2018

I. Names, job titles, contact numbers, and email addresses of the Company's spokesperson and deputy spokesperson

	Spokesperson	Acting Spokesperson
Name	Lin, Kun-Chine	Kuo, Sen-Mao
Job Title	Assistant General Manager of Financial Management Division	Deputy General Manager of Adhesives and Specialties Business Division
Telephone No.	(06)795-9696	(06)795-9696
Email	IR@nanpao.com	IR@nanpao.com

II. Addresses and contact no. of the Head Office and plants

Name	Address	Telephone No.
Head Office	No. 12, Nanhai Pu, Nanhai Li, Xigang Dist., Tainan City	(06)795-2801
Plant No. 1	No. 521, Zhongshan Rd., Xigang Dist., Tainan City	(06)795-6634
Plant No. 5	No. 506, Zhongshan Rd., Xigang Dist., Tainan City	(06)795-2719
Bao Li Plant	No. 508 and 510, Zhongshan Rd., Xigang Dist., Tainan City	(06)795-2719

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

Name	Transfer Agency Dept., Chinatrust Commercial Bank
Address	5F., No. 83, Chongqing S. Rd., Taipei City
Website:	http://www.ctbcbank.com/
Telephone No.	(02)6636-5566

IV. Contact information of CPAs for Financial Statements, including the names of CPAs, the accounting firm's name, address, website, and telephone number

Name of the CPA	Liao, Hung-Ju, Kung, Chun-Chi
Name of the Firm	Deloitte & Touche Taiwan
Address	13F., No. 189, Sec. 1, Yongfu Rd., Zhongxi Dist., Tainan City
Website:	http://www.deloitte.com.tw/
Telephone No.	(06)213-9988

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

VI. Company website: <http://www.nanpao.com/>

TABLE OF CONTENTS

I. Letter to Shareholders	1
II. Company Introduction	3
1. Date of Founding.....	3
2. Company History	3
III. Corporate Governance Report.....	5
1. Organization	5
2. Information on Directors, Supervisors, General Managers, Deputy General Managers, Associate Managers, and Heads of Each Department and Branch	7
3. Remuneration Paid to Directors, Supervisors, General Managers, and Deputy General Managers in the Past Fiscal Year.....	16
4. Implementation of Corporate Governance.....	25
5. Information on CPA Professional Fees	41
6. Information on Replacement of Certified Public Accountants	42
7. Company’s Chairperson, General Managers, or Any Managerial Officers in Charge of Finance or Accounting Matters Who Has, During the Past Year, Held a Position at the Accounting Firm of Its CPAs or at an Affiliated Enterprise	42
8. Equity Transfer or Changes to Equity Pledge of Directors, Supervisors, or Managerial Officers Holding More Than Ten Percent (10%) of Company Shares During the Year Prior to the Publication Date of This Report	43
9. Information Regarding the Top 10 Shareholders in Terms of Number of Shares held, Who Are Related Parties or Each Other’s Spouses and Relatives Within the Second Degree of Kinship.....	45
10. Number of Shares Held by the Company, Its Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Undertakings in the Same Invested Companies, and the Consolidated Shareholding Ratio.....	46
IV. Financing Status.....	47
1. Capital and Shares.....	47
2. Issuance of Corporate Bonds	50
3. Issuance of Preferred Shares	50
4. Issuance of Overseas GDR	50
5. Employee Stock Options.....	50
6. Issuance of New Restricted Employee Shares.....	50
7. Issuance of New Shares for Merger or Acquisition	50
8. Capital Utilization Plan and Its Implementation.....	50
V. Operational Highlights	51
1. Business Activities	51
2. Market, Production, and Sales Overview	61
Number of Employees, Average Years of Services, Average Age, and Education in the Two Most Recent Years up to the Date of Publication	

of This Report	66
4. Information Regarding Environmental Protection Expenditure	66
5. Employment Relations	68
6. Important Contracts	69
VI. Financial Standing	72
1. Condensed Balance Sheet and Consolidated Income Statement for the Most Recent 5 Years	72
2. Most Recent 5-Year Financial Analysis	80
3. Audit Committee’s Review Report on the Most Recent Financial Report:	85
4. Most Recent Financial Report	85
5. Most Recent Individual Financial Report Audited and Attested by a CPA	85
6. Impact on the Company’s Financial Status Due to Financial Difficulties Experienced by the Company and Its Affiliated Companies in the Most Recent Year and as of the Printing Date of This Report	85
VII. Review, Analysis, and Risks of Financial Conditions and Performance	86
1. Financial Standing	86
2. Financial Performance	87
3. Cash Flow	88
4. Material Expenditures of the Most Recent Year and Impact on the Company’s Finances and Operations	88
5. Reinvestment Policy for the Most Recent Year, Main Reasons for Profit/Losses, Improvement Plans, and Investment Plans for the Upcoming Fiscal Year	88
6. Risk Analysis and Evaluation	89
7. Other Important Items	91
VIII. Special Items to be Included	92
1. Information on Affiliated Businesses	92
2. Private Placement of Securities	113
3. Holding or Disposal of the Company’s Shares by Subsidiaries	113
4. Supplementary Disclosures	113
IX. Matters of Material Influence over Shareholders’ Rights or Stock Prices According to Clause 3-2 of Article 36 of the Securities Exchange Act	113
Attachment I: 2017 Consolidated Financial Statement	114
Attachment II: 2017 Individual Financial Statement	205

Chapter I Letter to Shareholders

Ladies and Gentlemen,

Looking back to 2017, though Nan Pao's overall profitability did not continue to show outstanding performance due to inflation of raw material pricing and currency exchange; nevertheless, we have actively expanded toward a globalized market. We continue to expand our market share to support stable revenue growth, and the overall revenue had shown slight growth over that of 2016. However, Nao Pao's net profit had declined in 2017. We are of course accountable and have humbly reviewed our performance. In the future, we will maintain an even more prudent attitude so that the Group may quickly return to a solid growth path.

I. 2017 Business Results

(I) Implementations of the Business Plan

Consolidated revenue in 2017 was NT\$14.616 billion, which shows a 0.98% growth over the previous year. Gross margin was NT\$3.922 billion, which shows a 14.88% decline YoY. Net operating profit was NT\$1.193, which shows a 35.73% decline YoY. Profit after tax was NT\$917 million, which shows a 34.08% decline YoY. After-tax earnings per share (EPS) was NT\$8.22.

Expressed in Thousands of New Taiwan Dollars, except EPS.

Year Item		2017		2016		Changes to increase (decrease)	
		Sum	%	Sum	%	Sum	%
Net operating revenue		14,615,008	100	14,473,785	100	141,223	0.98
Gross profit		3,922,991	27	4,608,708	32	(685,717)	(14.88)
Operating profit		1,192,972	8	1,856,204	13	(663,232)	(35.73)
Pre-tax profit		1,160,753	8	1,882,358	13	(721,605)	(38.34)
After-Tax profit		917,003	6	1,391,063	10	(474,060)	(34.08)
Profit attributable to:	Owners	881,874	6	1,325,219	9	(443,345)	(33.45)
	Non-controlling interests	35,129	0	65,844	1	(30,715)	(46.65)
Basic earnings per share (NT\$)		8.22		13.32			

(II) Budget execution: The Company did not publicly disclose financial forecast; hence, there is no analysis data on budget execution.

(III) Analysis of financial income, expenditure, and profitability

Unit: NT\$1,000; %

Items	2017	2016
Net cash flow from operating activities	767,652	1,598,312
Net cash flow from investing activities (out)	(1,137,775)	(760,490)
Net cash inflow from financing activities	285,706	709,914
(%)	6.59	11.11
Return on Equity (%)	12.03	21.55
Net profit before to paid-in capital ratio (%)	106.86	181.89
Net profit ratio (%)	6.27	9.61

(IV) Research and Development

To maintain continuous growth and enhance our innovative competency, the Company actively participates in industry-academia cooperation. We invest 2-3% of R&D expense toward long-term manpower and specialized training each year, and have reaped unique, fruitful results in all industries we operate in. In 2017, R&D expenses have accounted for approximately 2.65% of the consolidated revenues. Striving to provide customers with products, services, and solutions with high added-values, the directions of our R&D have focused on specialized chemical substances and the materials industry. Moreover, we have also expanded product applications and worked toward processing optimization to create higher profitability, as well as toward the development of diversified products to increase market share and the added-value of products.

II. Summary of Annual Business Plan for 2017

Besides continuing to cultivate our existing market, the Company has also integrated various resources to expand production sites and to expand toward new sectors. We estimate that 2018 revenue will increase by more than 10% over that of 2017. Major production and marketing policies are as follows:

- (I) Marketing strategies: Solidifying mature markets, cultivating existing markets in accordance with local needs (e.g. building Ninh Binh Plant in northern Vietnam, Binh Duong Plant in southern Vietnam, and planning to build Nanxiong Plant in China), and cultivating emerging markets (e.g. Myanmar, North America, Latin America, and the Middle East) in collaboration with international companies
- (II) Production strategies: Simplifying production procedures, increasing equipment yield rate and effectiveness to achieve professional production, reducing costs, and accelerating shipment output.

III. The external competition, regulations, and overall economy influence the Company's future strategies.

Looking to 2018, Nan Pao will continue to expand toward the global market with an active yet prudent outlook. We will maintain our "positive and stable" operation management style, implement corporate governance, and hold true to our quality policy of "quality first, technical leadership, and being service-oriented." We will actively increase customer satisfaction and trustworthiness through operational strategies of achieving excellent quality, providing customer service, reinforcing product R&D, and expanding sales channels. At the same time, we will monitor legal influences on the Company's operation at all times.

Nan Pao's vision is to become a world-class enterprise that strives to pay attention to sustainable management and to give back to society. Recently, we have actively planned strategies of virtual-reality integration (online and offline channels) to pursue multiple business collaborative opportunities and to compete for more chances to serve our customers. In the future, these efforts will definitely help us to achieve marketing synergistic effects, leading to positive profits.

The Company's management team and all employees will continue to create even more outstanding operating performance, bringing optimized returns on investments for shareholders under a philosophy of continuous pursuit of innovation and change.

We wish all employees
health and success!

Chairman: Wu, Cheng-Hsien

General Manager: Hsu, Ming-Hsien

Chapter II COMPANY PROFILE

I. Date of Incorporation: October 2, 1963.

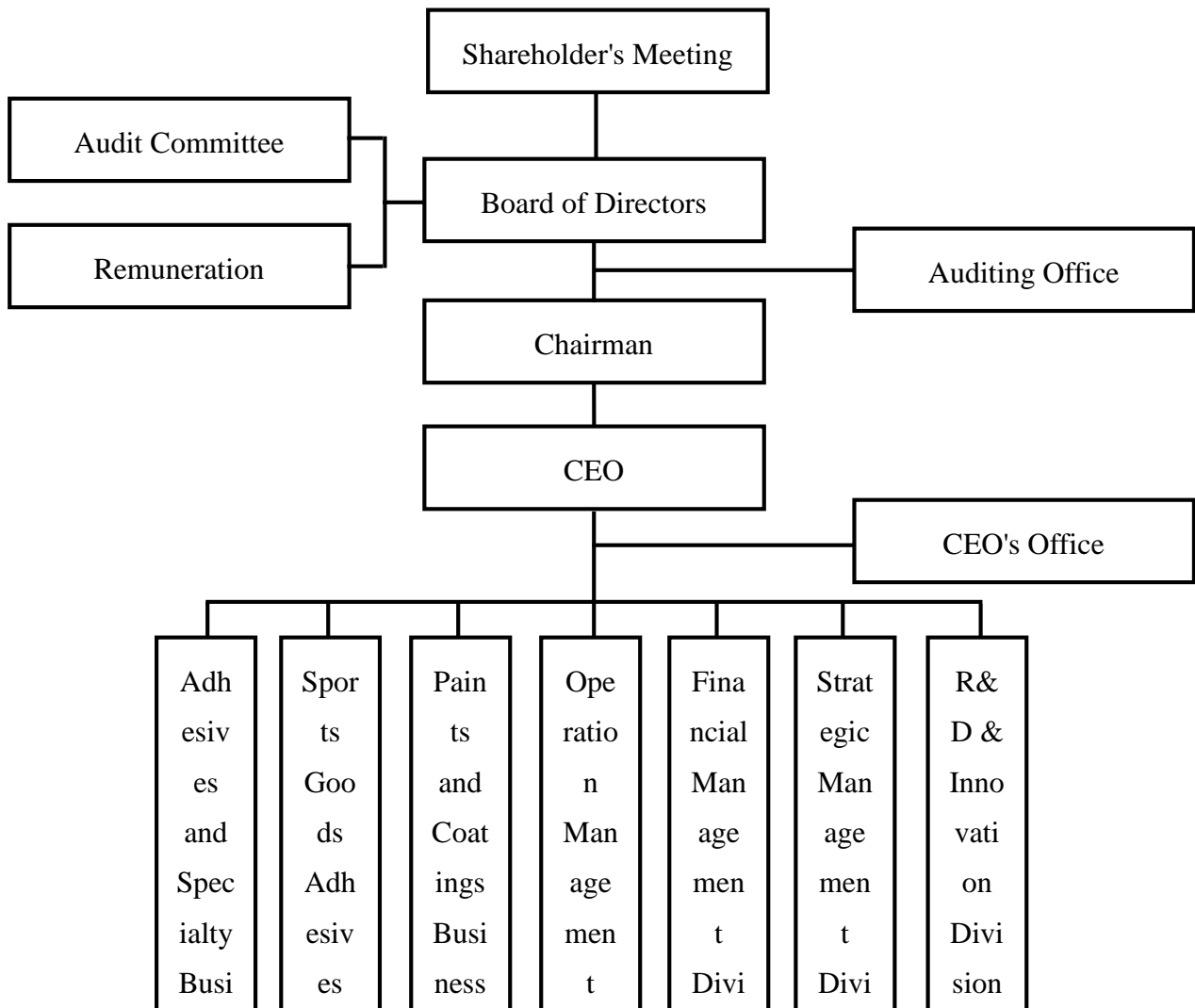
II. Company History

Year	Important Events
1963	The Company was established.
1964	Became the first company to produce 815 cement paint in Taiwan
1965	Produced footwear adhesives
1968	Produced graft chloroprene rubber adhesive
1971	Established the Research Center
1973	Collaborated with Hoechst Company to set up Bao Li Resins Co., Ltd., which produced water-based resins, unsaturated polyester resin, and polyurethane resin for synthetic leather
1981	Merged with Bao Li Resins Co., Ltd. and produced oil coatings and water-based coatings Produced silicone sealant as authorized by Bayer
1982	Participated in the NOVA Paint Club Produced chemical shoe puffs and counters and hot melt films
1983	Produced powder-based coating as authorized by French Ripolin Company
1984	Collaborated with Hayakawa Company in Japan to produce water-proof material and sealants
1987	Established Thai Nan Pao Resins Chemical., Ltd.
1991	Established P.T Indo Nan Pao Resins Chemical Co., Ltd. Produced polyester resin for powder-based coatings
1992	Established Eastlion Industrial Limited (Nan Pao Resins (Dong-Guan) Co., Ltd) Established Fuqing Nan Pao Resins Co., Limited. Produced reinforcing resin for water-based leather
1994	Produced water-based sealants
1995	Received SGS ISO9002 certification Produced water-based polyurethane resin for dyeing and finishing industry
1997	Established Nan Pao Resins (China) Co., Ltd. Produced footwear water-based adhesives
1998	Produced triphenyl-free adhesives Produced fireproof coatings
1999	Established Nan Pao Resins (Vietnam) Co., Ltd. Received SGS Yarsley ISO14001 certification Produced footwear water-based processing adhesives and water-based coatings for plastics
1990	Received OHSAS 18001 Occupational Safety and Health Management System certification
2003	Received SGS Yarsley ISO 9001:2000 certification Received ISO 9001:2000 certification from Bureau of Standards, Metrology and Inspection, MOEA Produced transfer powder coatings and electronic solder-resistant coatings Group spin-off: Nan Pao Technology Co., Ltd., Nan Pao International Biotech Co., Ltd., and Nan Pao Industrial Co., Ltd. were divested in order for the Group to focus on the core business in chemical engineering.
2004	Established Nan Pao Resins (Fo Shan) Co., Ltd.
2005	Nan Pao updated trademark. Business divisions were formed within the Group.

2006	Established Nan Pao Social Welfare Foundation Established Nan Pao Electronic Material Company
2007	Established Nan Pao Chemical Company Ltd. Produced reactive PU hot melt adhesive and non-chrome water-based metal anti-fingerprint surface treatment agent
2008	Received “2008 Outstanding Institution for Professional Training” from Workforce Development Agency, Ministry of Labor 815 Latex Paints received “Green Building Materials Labeling” from the Ministry of Interior Established ITLS International Development Co., Ltd.
2009	Water Based PVAc received “Green Building Materials Labeling” from the Ministry of Interior Established Nan Pao Application Material Co., Ltd.
2000	Established Foshan Nan Pao Great-Will Advanced Materials Limited Established Progroups Technology Co. Ltd. Invested in Biorich Biotechnology Co., Ltd.
2011	Established Nan Pao Resins Chemical Phils., Inc.
2012	Nan Pao 815 Friendly Home Paint received “Green Building Materials Labeling” from the Ministry of Interior Established Nan Pao Resins India Pvt., Ltd.
2013	Nan Pao Water-Based Adhesive received “Carbon Footprint Label” from the Environmental Protection Agency, the Executive Yuan. Established Nan Pao Advanced Materials Limited Established NP Australia Pty Ltd.
2014	M&A of Prince Pharmaceutical Co., Ltd. M&A of RLA Polymers Pty., Ltd.
2015	Established Nan Pao Materials Limited (Binh Duong Plant in southern Vietnam) Established Nan Pao Advanced Materials Vietnam Limited (Ninh Binh Plant in northern Vietnam)
2016	ITLS was renamed ITLS International Development Co., Ltd. Established Nantong Nan Pao Resins Chemical Co., Ltd.
2017	IPO and registration on Emerging Stocks on Taipei Exchange authorized by Taipei Exchange (GreTai Securities Market) Established Nan Pao Kunshan E-commerce Limited

Chapter III Corporate Governance Report

I. Organizational system Organizational structure



Business Activities of Each Main Division

Department	Primary Functions
CEO's Office	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 development; carrying out resolutions from the Board of Directors
R&D & Innovation Division	Developing relevant new products, improving quality of existing products, and lowering costs in accordance with needs of the Company and various business units; exploring technologies, products, and businesses suitable for long-term development to undertake technical collaboration and evaluate the feasibility of new ideas
Strategic Management Division	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 ensure effective organizational operation and continued future growth
Financial Management Division	Establishing the Company's financial and accounting strategies, financial and accounting management; proposing financial and accounting plans; managing the Company's financing, tax, and capital management
Operation Management Division	Coordinating the Company's production, procurement, factory affairs, sales, and administrative tasks; assisting the operation of each business unit to achieve relevant revenue and profitability goals and ensure effective organizational operation and future continued growth
Paints and Coatings Business Division	Establishing development strategies regarding the Coating Business Head Office; coordinating all operation and management tasks for the coating business to achieve relevant revenue and profitability goals and ensure effective organizational operation and future continued growth
Sports Goods Adhesives and Materials Business Division	Establishing development strategies regarding the Footwear Business Head Office; coordinating all operation and management tasks for the footwear business to achieve relevant revenue and profitability goals and ensure effective organizational operation and future continued growth
Adhesives and Specialty Business Division	Establishing development strategies regarding the Adhesive Business Head Office; coordinating all operation and management tasks for the adhesive business to achieve relevant revenue and profitability goals and ensure effective organizational operation and future continued growth
Auditing Office	Establishing and improving the Company's internal control system, planning and performing audits on the Company's system operations, regularly submitting reports and tracking subsequent improvements.

II. Information regarding Directors, Supervisors, President, Vice President, Associate Vice President, and Manager of each division and branch

Directors and Supervisors

1. Information on Directors:

April 16, 2018

Title	Nationality or Place of Registration	Name	Gender	Elected Date	Term	First Date Date of meeting	Shares Held when Elected		Shares Held Currently		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Titles also held at the Company and other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio			Title	Name	Relation
Chairman	Taiwan, R.O.C.	Wu, Cheng-Hsien	Male	106.05.16	3 years	103.06.27	455,456	0.44	448,308	0.41	217,384	0.20	—	—	M.S. in Applied Chemistry, National Tsing Hua University Nan Pao Resins Chemical Co., Ltd. Adhesive Business Executive General Manager and General Manager of Nan Pao Resins Chemical Co., Ltd.	Note 4	None	None	None
Chairman	Taiwan, R.O.C.	Pou Chien Chemical Co., Ltd (Representative: Lu, Chin-Chu)	—	106.05.16	3 years	97.12.12	20,789,459	20.09	21,205,248	19.52	—	—	—	—	—	—	None	None	None
	Taiwan, R.O.C.	Lu, Chin-Chu (Note 1)	Male	106.05.16	3 years	—	—	—	—	—	—	—	—	—	MBA, National Chung Hsing University General Manager, Pou Chen Corporation Chair of the Board of Directors, Yue Yuen Industrial	Note 5	None	None	None

Title	Nationality or Place of Registration	Name	Gender	Elected Date	Term	First Date Date of meeting	Shares Held when Elected		Shares Held Currently		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Titles also held at the Company and other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio			Title	Name	Relation
														(Holdings) Limited					
	Taiwan, R.O.C.	Chang, Chia-Li (Note 1)	Male	106.11.01	3 years	—	—	—	—	—	—	—	—	Footwear Department, South Fields College, UK Deputy General Manager of Global Supply Management Head Office, Pou Chen Group	Note 6	None	None	None	
Chairman	Taiwan, R.O.C.	Guang Rong Investment Ltd. (Representative: Lim Boon Seng)	—	106.05.16	3 years	103.06.27	8,644,248	8.35	8,868,132	8.16	—	—	—	—	—	None	None	None	
	Taiwan, R.O.C.	Hsu, Ming-Hsien	Male	106.05.16	3 years	103.06.27	473,737	0.46	483,211	0.44	121,554	0.11	—	M.S. in Industrial Engineering, National Cheng Kung University Nan Pao Resins Chemical Co., Ltd. Vice President	Note 7	None	None	None	
Chairman	Taiwan, R.O.C.	Guang Rong Investment Ltd. (Representative: Lim Boon Seng)	—	106.05.16	3 years	103.06.27	8,644,248	8.35	8,868,132	8.16	—	—	—	—	—	None	None	None	
	Taiwan, R.O.C.	Liu, Chi-Lin	Male	106.05.16	3 years	103.06.27	181,787	0.18	185,422	0.17	—	—	—	Bachelor of Accounting, Soochow University Nan Pao Resins Chemical Co., Ltd	Note 8	None	None	None	

Title	Nationality or Place of Registration	Name	Gender	Elected Date	Term	First Date Date of meeting	Shares Held when Elected		Shares Held Currently		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Titles also held at the Company and other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio			Title	Name	Relation
														General Manager DingShin S.K.P. International Management Consulting Co., Ltd. Vice President					
Chairman	Taiwan, R.O.C.	Guang Rong Investment Ltd. (Representative: Lim Boon Seng)	—	106.05.16	3 years	103.06.27	8,644,248	8.35	8,868,132	8.16	—	—	—	—	—	—	None	None	None
	Taiwan, R.O.C.	Lee, Juh-Shyong (Note 2)	Male	106.05.16	3 years	103.06.27	173,072	0.17	74,533	0.07	—	—	—	—	Ph.D. in Applied Chemistry, National Chiao Tung University M.S. in Chemistry, National Taiwan University Department of Chemical Engineering, Chinese Culture University Wan Chia Paint Co., Ltd. R&D Assistant Manager Industrial Technology Research Institute (ITRI) Full-time Researcher and Supervisor	Note 9	None	None	None
	Taiwan, R.O.C.	Chang, Kuo-Jung (Note 2)	Male	107.04.12	3 years	107.04.12	436,447	0.40	436,447	0.40	514,515	0.47	—	—	Industrial Management Department, NCKU, Executive General Manager of Sports	Note 10	None	None	None

Title	Nationality or Place of Registration	Name	Gender	Elected Date	Term	First Date Date of meeting	Shares Held when Elected		Shares Held Currently		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Titles also held at the Company and other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio			Title	Name	Relation
	C.				s									Goods Adhesives and Materials Business Division in Nan Pao Resins Chemical Co., Ltd., Chairman of Nan Pao Resins (Dong-Guan) Co., Ltd, and Chairman of Nan Pao Resins (Fo Shan) Co., Ltd. Chairman of Nan Pao Electronic Material Company					
Independent Chairman	Taiwan, R.O.C.	Chen, Yun (Note 3)	Male	106.12.12	3 years	106.12.12	—	—	—	—	—	—	—	Ph.D. in Applied Chemistry, School of Engineering, the University of Tokyo Professor and Dean of Chemical Engineering Department at National Cheng Kung University	—	None	None	None	
Independent Chairman	Taiwan, R.O.C.	Chiang, Yung-Cheng (Note 3)	Male	106.12.12	3 years	106.12.12	—	—	—	—	—	—	—	Department of Law, Soochow University Judge, Taiwan Kaohsiung District Court Judge, Taiwan High Court	Note 11	None	None	None	

Title	Nationality or Place of Registration	Name	Gender	Elected Date	Term	First Date Date of meeting	Shares Held when Elected		Shares Held Currently		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Titles also held at the Company and other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio			Title	Name	Relation
Director														Kaohsiung Branch Court Attorney, Cheng Bang & Cheng Yang Joint Law Firm					
Independent Chairman	Taiwan, R.O.C.	Lee, Yi-Hsi (Note 3)	Male	106.12.12	3 years	106.12.12	—	—	—	—	—	—	—	Ph.D. in Department of Finance, National Sun Yat-sen University Adjunct Assistant Professor and Full-time Assistant Professor at Finance Department, National Kaohsiung University of Science and Technology General Manager, Management Department, Zhifang Financial Consulting Co., Ltd. Adjunct Assistant Professor at Department of Finance, National University of Kaohsiung Adjunct Assistant Professor at Department of Finance, National Sun Yat-sen University Deputy CEO, Block Chain Lab, FinTech Center at College of	—	None	None	None	

Title	Nationality or Place of Registration	Name	Gender	Elected Date	Term	First Date Date of meeting	Shares Held when Elected		Shares Held Currently		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Titles also held at the Company and other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio			Title	Name	Relation
														Commerce, National Cheng Chi University					

Note 1: The corporate director Pou Chien Chemical Co., Ltd. had reassigned the representative on November 1, 2017 (the former representative: Lu, Chin-Chu; the new representative: Chang, Chia-Li).

Note 2: The corporate director Guang Rong Investment Ltd. had reassigned the representative on April 12, 2018 (the former representative: Lee, Juh-Shyong; the new representative: Chang, Kuo-Jung).

Note 3: The Company has elected independent directors and established the Audit Committee on December 12, 2017; the supervisors have been terminated.

Note 4: Chairman of ITLS International Development Co., Ltd.; Director of Nan Pao Overseas Holdings Limited; Director of Nan Pao Group Holdings Limited; Director of Treasure Wealth (HK) Limited; Director of Greatwill Materials (HK) Limited; Director of Ongoing Profits Limited; Director of Rising Sun Associate Limited; Director of Nan Pao Resins Chemical Philippines, Inc.; Director of Goldford Investments Limited; Director of Nan Pao Resins (Holdings) Limited; Director of Eastlion Enterprises Limited; Director of Nan Pao Resins (Dong-Guan) Co. Ltd.; Director of Eastlion Industrial Limited; Director of Nan Pao Resins Development Limited; Director of Dongguan Jia Chin Electronics Co., Ltd.; Director of NP Australia Pty. Ltd.; Director of RLA Polymers Pty. Ltd.; Director of RLA Polymers (M) SDN. BHD.; Director of Nanpao Advanced Investment Co., Ltd.; Director of Nantong Nanpao Resins Materials Co., Ltd.; Director of Nanpao (Kunshan) E-Commerce Co., Ltd.; Director of Profit Land Limited; Director of Nan Pao Resins (Fo Shan) Co., Ltd.; Director of All Saints Enterprises Limited; Director of Nan Pao Resins (China) Co., Ltd.; Director of Fuqing Nan Pao Investment Limited; Director of Fuqing Nan Pao Resins Co., Ltd.; Director of Thai Nan Pao Investments Limited; Director of Thai Nanpao Resins Chemical Co., Limited; Director of Phymed Bio-Tec Co., Ltd.; Director of ITLS Holding Pte. Ltd.; Director of ITLS-TWA Australia Pty. Ltd.; Director of ITLS (Malaysia) SDN. BHD.; Director of ITLS-Rich (S) Pte. Ltd.; Director of ITLS-SB SDN. BHD.; Director of ITLS Vietnam Co., Ltd.; Director of Nan Pao Chemical Company Ltd.; Director of Nan Pao Application Material Co., Ltd.; Supervisor of PT. Indo Nan Pao Resins Chemical; Supervisor of PT. ITLS Indonesia

Note 5: President of Pou Chen Corporation; Chairman of Pou Chien Technology Co., LTD.; Chairman of Pao Chien; Chairman of PCG Bros Sports Management Co., Ltd.; Chairman of Poly Treasure Investment Limited; Director of a subsidiary of Yue Yuen Industrial Holdings; Director of Wealthplus Holdings Limited and its subsidiary; Director of Prime Asia Taiwan; Director of Yue Dean Technology Corporation; Director of San Fang Chemical Industrial Co Ltd.; Director of Prosperous Enterprises Taiwan LTD.; Chairman of the Board and Managing Director of Yue Yuen Industrial Holdings

Note 6: Deputy General Manager of Global Supply Chain Management Headquarters of Pou Chen Group; Director of San Fang Chemical Industry Co., Ltd.

Note 7: Director of Greatwill Materials (HK) Limited; Director of Ongoing Profits Limited; Director of Rising Sun Associate Limited; Director of Nan Pao Resins Chemical Philippines, Inc.; Director of Goldford Investments Limited; Director of Nan Pao Resins (Holdings) Limited; Director of Eastlion Enterprises Limited; Director of Nan Pao Resins (Dong-Guan) Co., Ltd.; Director of Eastlion Industrial Limited; Director of Nan Pao Resins Development Limited; Director of Nanpao Advanced Investment Co., Ltd.; Director of Nantong Nanpao Resins Materials Co., Ltd.; Director of Nanpao (Kunshan) E-Commerce Co., Ltd.; Director of Giant Profit Development Limited.; Director of All Saints Enterprises Limited; Director of Great Mount Enterprises Limited; Director of Nan Pao Resins (China) Co., Ltd.; Director of Fuqing Nan Pao Investment Limited; Director of Wealth Castle Development Limited; Director of Fuqing Nan Pao Resins Co., Limited; Thai Nan Pao Investments Limited; Director of Thai Nanpao Resins Chemical Co., Limited; Director of PHYMED BIO-TEC CO., LTD.; Director of ITLS International Development Co., Ltd.; Director of Nan Pao Application Material Co., Ltd.; Director of Prince Pharmaceutical Co., Ltd.; Supervisor of Foshan Nan Pao Advanced Materials Co., Ltd.; Supervisor of Dongguan Jia Chin Electronics Co., Ltd.; Supervisor of Nan Pao Resins (Fo Shan) Co., Ltd; Supervisor of Nan Pao Electronic Material Company.

Note 8: Director of Nan Pao Resins International Limited; Director of ITLS Holding Pte. Ltd.; Director of ITLS (Malaysia) SDN. BHD.; Director of PT. ITLS Indonesia; Director of ITLS Vietnam Co., Ltd.; Director of ITLS-Rich (S) Pte. Ltd.; Director of ITLS-SB SDN. BHD.; Supervisor of Norro-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.; Supervisor of PHYMED BIO-TEC CO., LTD.; Chairman of Apogee Optocom Co., Ltd.

Note 9: Director of Progroups Technology Co. Ltd.; Director of Nan Pao Resins Chemical Philippines, Inc.; Director of Profit Land Limited; Director of PHYMED BIO-TEC CO., LTD.; Director of Nan Pao Chemical Company Ltd.; Director of Nan Pao Application Material Co., Ltd.; Director of Prince Pharmaceutical Co., Ltd.; Supervisor of ITLS International Development Co., Ltd.

Note 10: Chairman of Nan Pao Electronic Material Company; Director of Greatwill Materials (HK) Limited; Director of Goldford Investments Limited; Director of Nan Pao Resins (Holdings) Limited; Director of Eastlion Enterprises Limited; Director of Eastlion Industrial Limited; Director of Nan Pao Resins Development Limited; Director of Nan Pao Resins International Limited; Director of Profit Land Limited; Director of Giant Profit Development Limited; Director of Great Mount Enterprises Limited; Director of Fuqing Nan Pao Investment Limited; Director of Wealth Castle Development Limited.

Note 11: Corporate Director Representative of Nan-Ho Industrial Co., Ltd.; Independent Director of Long Da Construction & Development Corporation.

Table 1: Major corporate shareholders

April 16, 2018

Name of corporate shareholders	Major corporate shareholders	Shareholding percentage
Pou Chien Chemical Co., Ltd.	Pao Chien Chemical Engineering Holdings	100%
Guang Rong Investment Ltd.	Samoan Guang Rong Investment Ltd.	100%

Table 2: Major shareholders of the major corporate shareholders

April 16, 2018

Name of corporate shareholders	Major corporate shareholders	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. Professional knowledge and status of independence of directors:

April 16, 2018

Name	Condition	Has more than 5 years of work experience and the following professional qualifications			Compliant to the requirements of independence (Note)										Currently serving as an independent director of other public companies
		Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or other fields related to the Company's businesses	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional or technician related to the Company's businesses that must undergo national examinations and obtain a specialized license.	Having work experience in business administration, legal affairs, finance, accounting, or any other businesses related to the Company's businesses	1	2	3	4	5	6	7	8	9	10	
Wu, Cheng-Hsien			✓				✓	✓	✓	✓	✓	✓	✓	✓	0
Chang, Chia-Li, Representative of Pou Chien Chemical Co., Ltd.			✓				✓	✓			✓	✓	✓		0
Hsu, Ming-Hsien, Representative of Guang Rong Investment Ltd.			✓				✓	✓	✓	✓	✓	✓	✓		0
Liu, Chi-Lin, Representative of Guang Rong Investment Ltd.			✓				✓	✓	✓	✓	✓	✓	✓		0
Chang, Kuo-Jung, Representative of Guang Rong Investment Ltd.			✓				✓	✓	✓	✓	✓	✓	✓		0
Chen, Yun	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chiang, Yung-Cheng		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Lee, Yi-Hsi	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: For any director or supervisor who fulfills the relevant condition(s) for two fiscal years before being elected to the office or during the term of office, please provide the sign in the field next to the corresponding conditions. ✓

(1) Not employed by the Company or an affiliated business.

(2) Not a director or supervisor of companies affiliated to the Company (not limited to independent directors appointed by the Company, its mother Company, or its subsidiaries in accordance with

this Act or local regulations).

- (3) Not a natural person shareholder who holds more than 1% of issued shares or ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or others.
- (4) Not a spouse or a second-degree or third-degree blood-relation to the individuals listed in conditions 1 to 3.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds more than 5% of the total number of issued shares of the Company or ranked top 5 in terms of quantity of shares held.
- (6) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional, sole proprietor, partner, or a company that offers business administration, legal, financing, accounting, or consulting services for the Company; not an owner, partner, director, supervisor, managerial officer, or spouse of any of the above-mentioned roles at a company that offers these services for the Company. However, members of the Remuneration Committee which has been established and exercised under Article 7 "the Establishment and Exercising of Rights for the Remuneration Committee in a Company Listed or Traded on the Stock Exchange" is not limited by this clause.
- (8) Not a spouse of, or has second-degree family relationships with the other directors.
- (9) Not have conditions stated in Article 30 of the Company Act.
- (10) Not nominated as a government, corporate entity, or its representative, as stated in Article 27 of the Company Act.

(I) Information on the Management Team

April 16, 2018

Title	Nationality	Name	Gender	Appointed on	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Positions currently held in other companies	Managerial officers who have spousal or second-degree family relationships within the Company		
					Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio			Job Title	Name	Relations
CEO	Taiwan, R.O.C.	Hsu, Ming-Hsien	Male	105.12.15	483,211	0.44	121,554	0.11	—	—	M.S. in Industrial Engineering, National Cheng Kung University; Deputy General Manager of Nan Pao Resins Chemical Co., Ltd.	Note 1	None	None	None
Executive General Manager of Sports Goods Adhesives and Materials Business Division	Taiwan, R.O.C.	Tsai, Chao-Chian	Male	106.01.01	203,293	0.19	—	—	—	—	Department of Chemistry, Soochow University; Executive General Manager of Adhesive Business Division, Nan Pao Chemical Co., Ltd.	Note 2	None	None	None
Executive General Manager of Paints and Coatings Business Division	Taiwan, R.O.C.	Tsai, Yi-Fa	Male	103.04.01	51,464	0.05	—	—	—	—	Department of Chemical Engineering, Kun Shan University; Deputy General Manager of Paints and Coatings Business Division, Nan Pao Resins Chemical Co., Ltd.	Note 3	None	None	None
Executive General Manager of Adhesives and Specialty Business Division	Taiwan, R.O.C.	Hsu, Chi-Yuan	Male	106.01.01	77,930	0.07	—	—	—	—	Bachelor of Chemistry, National Chung Hsing University; Deputy General Manager of Adhesive Business, Nan Pao Resins (Vietnam) Co., Ltd.	None	None	None	None

Title	Nationality	Name	Gender	Appointed on	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Positions currently held in other companies	Managerial officers who have spousal or second-degree family relationships within the Company		
					Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio			Job Title	Name	Relations
General Manager of Operation Management Division	Taiwan, R.O.C.	Hung, Chung-Yuan	Male	106.01.01	536,388	0.49	—	—	—	—	Department of Applied Mathematics, National Chung Hsing University; Associate Manager, HR Department and Executive General Manager of Sports Goods Adhesives and Materials Business Division in Nan Pao Resins Chemical Co., Ltd., Assistant Manager of Nan Pao Vietnam; General Manager of Nan Pao Resins (Dong-Guan); General Manager of Nan Pao Resins (Foshan) Co., Ltd.	Note 4	None	None	None
General Manager of Financial Management Division (Finance Manager)	Taiwan, R.O.C.	Liu, Chi-Lin	Male	104.04.01	185,422	0.17	—	—	—	—	Department of Accounting, Soochow University; General Manager of Nan Pao Resins Chemical Co., Ltd. and Deputy General Manager of DingShin S.K.P. International Management Consulting Co., Ltd.	Note 5	None	None	None
Deputy General Manager of R&D & Innovation Division (R&D Manager)	Taiwan, R.O.C.	Lee, Juh-Shyong	Male	94.10.01	74,533	0.07	—	—	—	—	Ph.D. in Applied Chemistry, National Chiao Tung University; School of Chemistry, National Taiwan University; Department of Chemistry, Chinese Culture University; R&D Assistant Manager of Wan Chia Paint Co., Ltd.; Full-time Researcher and Supervisor of Industrial Technology Research Institute	Note 6	None	None	None

Title	Nationality	Name	Gender	Appointed on	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Positions currently held in other companies	Managerial officers who have spousal or second-degree family relationships within the Company		
					Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio			Job Title	Name	Relations
											(ITRI)				
Deputy General Manager of Adhesives and Specialty Business Division II	Taiwan, R.O.C.	Chang, Chi-Yao	Male	96.10.01	1,220	0.00	—	—	—	—	Department of Economics, Chinese Culture University; Deputy General Manager of Adhesives and Specialty Business Division II	None	None	None	None
R&D Deputy General Manager of R&D & Innovation Division	Taiwan, R.O.C.	Shen, Yong-Ching	Male	105.04.01	25,500	0.02	—	—	—	—	Ph.D. in Applied Chemistry from National Chiao Tung University; Department of Chemistry, National Chung Hsing University; M.S. in Chemistry of National Tsing Hua University; Deputy Researcher, Full-time Researcher, Supervisor, Deputy Head of Industrial Technology Research Institute (ITRI); Visiting Scholar in Sheffield University	None	None	None	None
R&D Deputy General Manager of R&D & Innovation	Taiwan, R.O.C.	Wang, Ping	Male	97.09.15	49,651	0.05	—	—	—	—	Ph.D. in Chemistry from the University of Massachusetts; School of Chemistry, National Tsing Hua University; R&D Chemist, HB Fuller Company.	None	None	None	None

Title	Nationality	Name	Gender	Appointed on	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Positions currently held in other companies	Managerial officers who have spousal or second-degree family relationships within the Company		
					Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio			Job Title	Name	Relations
Division											Tech Services Manager in Greater China Region in 3M Company; Research Specialist, Senior Chemist/Imation Taiwan; Chemist in Taiwan Cement, Ltd.				
Deputy General Manager in Adhesives and Specialty Business Division	Taiwan, R.O.C.	Kuo, Sen-Mao	Male	106.01.01	80,616	0.07	—	—	—	—	Chemical Engineering Dept., National Cheng Kung University; Assistant Manager in Adhesives and Specialty Business Division, Nan Pao Resins Chemical Co., Ltd.	Note 7	None	None	None
Assistant Manager in Sports Goods Adhesives and Materials Business Division	Taiwan, R.O.C.	Fang, Yi-Jen	Male	105.04.01	64,809	0.06	—	—	—	—	Chemical Engineering Dept., Southern Taiwan University of Science and Technology, Technical Service Manager in Sports Goods Adhesives and Materials Business Division, Nan Pao Resins Chemical Co., Ltd.	None	None	None	None
R&D Assistant Manager in Sports Goods Adhesives and Materials Business Division	Taiwan, R.O.C.	Hung, Sen-Pei	Male	99.10.01	61,564	0.06	—	—	—	—	M.S. in Chemical Engineering, Chung Yuan Christian University, R&D Manager in Sports Goods Adhesives and Materials Business Division, Nan Pao Resins Chemical Co., Ltd.	None	None	None	None

Title	Nationality	Name	Gender	Appointed on	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Positions currently held in other companies	Managerial officers who have spousal or second-degree family relationships within the Company		
					Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio			Job Title	Name	Relations
Assistant Manager in Operation Management Division	Taiwan, R.O.C.	Wang, Chung-Ming	Male	104.06.01	29,489	0.03	—	—	—	—	Department of Agricultural Chemistry, National Taiwan University; Assistant Manager in the R&D Center of Nan Pao Resins Chemical Co., Ltd.	None	None	None	None
Assistant Manager in Financial Management Division (Accounting Manager)	Taiwan, R.O.C.	Lin, Kun-Chin	Male	105.05.03	6,120	0.01	—	—	—	—	Dept. of Accounting, Soochow University; Team Leader in Ernst & Young Taiwan; Manager and Spokesperson in Administration Dept., Mildex Optical Inc.; CFO in Tai Shih Fu Enterprise Co., Ltd.; CFO in Meei Hwa Tai Co. 森	Note 8	None	None	None
Assistant Manager in HR Dept. of Strategic Development Division	Taiwan, R.O.C.	Lee, Hui-Fen	Female	105.04.01	66,883	0.06	—	—	—	—	EMBA, Preston University; HR Manager at Flextronics International (Taiwan) Ltd.; Recruitment Manager at Vishay General Semiconductor Taiwan Ltd.	Note 9	None	None	None

Title	Nationality	Name	Gender	Appointed on	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Positions currently held in other companies	Managerial officers who have spousal or second-degree family relationships within the Company		
					Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio			Job Title	Name	Relations
Assistant Manager in Strategic Development Division	Taiwan, R.O.C.	Luo, Yuan-Yang	Male	107.04.12	14,280	0.01	-	-	-	-	Dept. of Mathematics, Chung Yuan Christian University Factory Leader, Picvue Electronics, Ltd. Executive Assistant to the General Manager, Joyin Co., Ltd. General Manager, Wonderful Optronics Co., Ltd. Executive Assistant to the General Manager, Jin Yong Han Technology Co., Ltd.	None	None	None	None
Deputy Manager of the Auditing Office (Audit Manager)	Taiwan, R.O.C.	Tu, Chi-Feng	Male	105.03.21	19,179	0.02	-	-	-	-	Dept. of Accounting, Shih Chien University, Institute of Human Resource Management, NSYSU; Divisional Head, Administrative Dept., Juoku Technology Ltd., Associate Audit Manager, Nan Pao Resins Chemical Co., Ltd.	None	None	None	None

Note 1: Director of Greatwill Materials (HK) Limited; Director of Ongoing Profits Limited; Director of Rising Sun Associate Limited; Director of Nan Pao Resins Chemical Philippines, Inc.; Director of Goldford Investments Limited; Director of Nan Pao Resins (Holdings) Limited; Director of Eastlion Enterprises Limited; Director of Nan Pao Resins (Dong-Guan) Co., Ltd.; Director of Eastlion Industrial Limited; Director of Nan Pao Resins Development Limited; Director of Nanpao Advanced Investment Co., Ltd.; Director of Nantong Nanpao Resins Materials Co., Ltd.; Director of Nanpao (Kunshan) E-Commerce Co., Ltd.; Director of Giant Profit Development Limited.; Director of All Saints Enterprises Limited; Director of Great Mount Enterprises Limited; Director of Nan Pao Resins (China) Co., Ltd.; Director of Fuqing Nan Pao Investment Limited; Director of Wealth Castle Development Limited; Director of Fuqing Nan Pao Resins Co., Limited; Thai Nan Pao Investments Limited; Director of Thai Nanpao Resins Chemical Co., Limited; Director of PHYMED BIO-TEC CO., LTD.; Director of ITLS International Development Co., Ltd; Director of Nan Pao Application Material Co., Ltd.; Director of Prince Pharmaceutical Co., Ltd.; Supervisor of Foshan Nan Pao Advanced Materials Co., Ltd.; Supervisor of Dongguan Jia Chin Electronics Co., Ltd.; Supervisor of Nan Pao Resins (Fo Shan) Co., Ltd.; Supervisor of Nan Pao Electronic Material Company.

Note 2: Director of Thai Nan Pao Investments Limited; Director of ITLS International Development Co., Ltd.; Director of Nan Pao Chemical Company Ltd.; Director of Nan Pao Advanced Materials Co., LTD.; Supervisor of PT. Indo Nan Pao Resins Chemical.

Note 3: Director of Norro-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.; Director of Nan Pao Electronic Material Company; Director of Biorich Biotechnology Co., Ltd.; Supervisor of Nanpao Advanced Investment Co., Ltd.; Supervisor of Nantong Nanpao Resins Materials Co., Ltd.; Supervisor of Nanpao (Kunshan) E-Commerce Co., Ltd.; Supervisor of Nan Pao Resins (China) Co., Ltd.; Supervisor of Fuqing Nan Pao Resins Co., Limited; Supervisor of Nan Pao Chemical Company Ltd.; Supervisor of Nan Pao Application Material Co., Ltd.

Note 4: Supervisor of Nan Pao Resins (Dong-Guan) Co., Ltd.

Note 5: Director of Nan Pao Resins International Limited; Director of ITLS Holding Pte. Ltd.; Director of ITLS (Malaysia) SDN. BHD.; Director of PT. ITLS Indonesia; Director of ITLS Vietnam Co., Ltd.; Director of ITLS-Rich (S) Pte. Ltd.; Director of ITLS-SB SDN. BHD.; Supervisor of Norro-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.; Supervisor of PHYMED BIO-TEC CO., LTD.; Chairman of APOGEE Optocom Co., Ltd.

Note 6: Director of Progroups Technology Co. Ltd.; Director of Nan Pao Resins Chemical Philippines, Inc.; Director of Profit Land Limited; Director of PHYMED BIO-TEC CO., LTD.; Director of Nan Pao Chemical Company Ltd.; Director of Nan Pao Application Material Co., Ltd.; Director of Prince Pharmaceutical Co., Ltd.; Supervisor of ITLS International Development Co., Ltd.

Note 7: Director of Nan Pao Resins Chemical Philippines, Inc.; Director of NP Australia Pty.; Director of RLA Polymers Pty. Ltd.; Director of RLA Polymers (M) SDN. BHD.; Director of ITLS-TWA Australia Pty. Ltd.; Director of Nan Pao Resins India Pvt. Ltd.

Note 8: Supervisor of Prince Pharmaceutical Co., Ltd.; Supervisor of Chun Chuang Industrial Co., Ltd.

Note 9: Director of Nan Pao Chemical Company Ltd.; Supervisor of Prince Pharmaceutical Co., Ltd.; Director of APOGEE Optocom Co., Ltd.

	Representative: Hsu, Ming-Hsien																			
	Representative: Liu, Chi-Lin																			
	Representative: (Note 2) Lee, Juh-Shyong (Relieved of duty) Chang, Kuo-Jung																			
Independent Director	Chen, Yun (Note 3)																			
Independent Director	Chiang, Yung-Cheng (Note 3)																			
Independent Director	Lee, Yi-Hsi (Note 3)																			
*In addition to the information disclosed in the table above, director of the Company (CCSB) who provides services to any of the companies included in the consolidated financial statements receives compensations for such services (e.g. providing consultation services in a non-employee capacity): None																				

Note 1: Corporate director Pou Chien Chemical Co., Ltd. had reassigned the representative on November 1, 2017 (the former representative: Lu, Chin-Chu; the new representative: Chang, Chia-Li).

Note 2: The representative Lee, Juh-Shyong of the corporate director Guang Rong Investment Ltd. was relieved of duty on April 12, 2018, and a new representative, Chang, Kuo-Jung, has been appointed. The table above is directors' remunerations in 2017; therefore, Director Chang, Kuo-Jung is included.

Table of remuneration ranges

Remuneration range for each director in the Company	Name of director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The Company	All companies in the financial report H	The Company	All companies in the financial reports I
Less than NT\$ 2,000,000	Wu, Cheng-Hsien, Chen, Yun, Chiang, Yung-Cheng, Lee, Yi-Hsi,	Wu, Cheng-Hsien, Chen, Yun, Chiang, Yung-Cheng, Lee, Yi-Hsi,	Chen, Yun, Chiang, Yung-Cheng, Lee, Yi-Hsi,	Chen, Yun, Chiang, Yung-Cheng, Lee, Yi-Hsi,
Between 2,000,000 NT\$ (inclusive) to 5,000,000	Paochien Company	Paochien Company	Wu, Cheng-Hsien, Hsu,	Wu, Cheng-Hsien, Hsu,

NT\$ (exclusive)	Limited	Limited	Ming-Hsien, Liu, Chi-Lin, Lee, Juh-Shyong (relieved of duty), Paochien Company Limited	Ming-Hsien, Liu, Chi-Lin, Lee, Juh-Shyong (relieved of duty), Paochien Company Limited
Between 5,000,000 NT\$ (inclusive) to 10,000,000 NT\$ (exclusive)				
Between 10,000,000 NT\$ (inclusive) to 15,000,000 NT\$ (exclusive)	Guang Rong Investment Ltd.	Guang Rong Investment Ltd.	Guang Rong Investment Ltd.	Guang Rong Investment Ltd.
Between 15,000,000 NT\$ (inclusive) to 30,000,000 NT\$ (exclusive)	-	-	-	-
Between 30,000,000 NT\$ (inclusive) to 50,000,000 NT\$ (exclusive)	-	-	-	-
Between 50,000,000 NT\$ (inclusive) to 100,000,000 NT\$ (exclusive)	-	-	-	-
More than NT\$ 100,000,000	-	-	-	-
Total	6 persons	6 persons	9 persons	9 persons

2. Remuneration of Supervisors

The Company had established an Audit Committee to replace the role of supervisors on December 12, 2017, and currently has no supervisors in place.

Title	Name	Salary (A)		Retirement pension (B)		Bonuses and Allowances (C)		Employee's remuneration (D)				Proportion of NIAT after summing up the four items of A, B, C, and D		Whether or not the person
& Innovation Division														
Deputy General Manager in Adhesives and Specialty Business Division	Kuo, Sen-Ma o													

Table of remuneration ranges

Levels of compensation paid to each individual general manager and deputy general manager of the Company	Name of the General Manager and Deputy General Manager	
	The Company	All companies listed in the financial report
Less than NT\$ 2,000,000	None	None
Between 2,000,000 NT\$ (inclusive) to 5,000,000 NT\$ (excl.)	Hsu, Ming-Hsien, Tsai, Chao-Chian, Tsai, Yi-Fa, Hsu, Chi-Yuan, Hung, Chung-Yuan, Liu, Chi-Lin, Lee, Juh-Shyong, Chang, Chi-Yao, Shen, Yong-Ching, Wang, Pin, Kuo, Sen-Mao	Hsu, Ming-Hsien, Tsai, Chao-Chian, Tsai, Yi-Fa, Hsu, Chi-Yuan, Hung, Chung-Yuan, Liu, Chi-Lin, Lee, Juh-Shyong, Chang, Chi-Yao, Shen, Yong-Ching, Wang, Pin, Kuo, Sen-Mao
Between 5,000,000 NT\$ (inclusive) to 10,000,000 NT\$ (excl.)	None	None
Between 10,000,000 NT\$ (inclusive) to 15,000,000 NT\$ (excl.)	None	None
Between 15,000,000 NT\$ (inclusive) to 30,000,000 NT\$ (excl.)	None	None
Between 30,000,000 NT\$ (inclusive) to 50,000,000 NT\$ (excl.)	None	None
Between 50,000,000 NT\$ (inclusive) to 100,000,000 NT\$ (excl.)	None	None
More than NT\$ 100,000,000	None	None
Total	11 persons	11 persons

(3) Names of managerial officers who distribute employee remuneration and the distribution condition in the most recent year (2017)

December 31, 2017

	Title	Name	Shares	Cash amount	Total	Percentage of total compensations to net income (%)
Managerial officers	CEO	Hsu, Ming-Hsien	-	8,497	8,497	0.93%
	Executive General Manager of Sports Goods Adhesives and Materials Business Division	Tsai, Chao-Chian				
	Executive General Manager of Paints and Coatings Business Division	Tsai, Yi-Fa				
	Executive General Manager of Adhesives and Specialty Business Division	Hsu, Chi-Yuan				
	General Manager of Operation Management Division	Hung, Chung-Yuan				
	General Manager of Financial Management Division	Liu, Chi-Lin				
	R&D Manager of R&D & Innovation Division	Lee, Juh-Shyong				
	Deputy General Manager of Adhesives and Specialty Business Division II	Chang, Chi-Yao				
	R&D Deputy General Manager of Innovative Development Dept. of R&D & Innovation Division	Shen, Yong-Ching				
	R&D Deputy General Manager	Wang, Ping				

	of R&D & Innovation Division					
	Deputy General Manager of Adhesives and Specialty Business Division	Kuo, Sen-Mao				
	Assistant Manager of Sports Goods Adhesives and Materials Business Division	Fang, Yi-Jen				
	R&D Technical Assistant Manager of Sports Goods Adhesives and Materials Business Division	Hung, Sen-Pei				
	Assistant Manager of R&D & Innovation Division	Wang, Chung-Ming				
	Assistant Manager of Financial Management Division	Lin, Kun-Chin				
	Assistant Manager of HR Dept. of Strategic Development Division	Lee, Hui-Fen				

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

- (4) Analysis of the total compensation as a percentage of net income after taxes stated in the parent company only or individual financial statements, paid by the Company and by all companies listed in the consolidated financial statement in the most recent two years to the Company's directors, supervisors, general managers, and deputy general managers, and statement of the policies, standards, and packages for payment of compensation, the procedures for determining compensation, and its linkage to business performance and future risk exposure:

1. Analysis of total compensation as a percentage of net income after taxes:

Title	2016		2017	
	Percentage of net income after taxes (%)		Percentage of net income after taxes (%)	
	The Company	All companies listed in the consolidated financial report	The Company	All companies listed in the consolidated financial report
Director	3.00	3.16	3.63	3.63
Supervisor	0.06	0.06	-	-
General and Deputy General Managers	2.60	3.45	4.09	4.09

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

2. Policies, standards, and packages for payment of remuneration, as well as the procedures for determining remuneration, and its linkage to business performance and future risk exposure:

(1) Directors and Supervisors

Remunerations for directors and supervisors are paid in accordance with the Company's Articles of Association.

(2) General Managers and Deputy General Managers

Remunerations for CEO, general and deputy general managers include salaries, bonuses, and employee bonuses. Salary standards are established upon positions in the Company, respective responsibilities, levels of contribution to the Company, and in reference to industry standards. The distribution standard of employee bonuses is in compliance with the Company's Articles of Association, and distribution is only made after submission to the Board of Directors and upon resolution by the Shareholders' Meeting.

In summary, the Company's policies of remunerations for directors, supervisors, CEO, general and deputy general managers, as well as the procedures for determining remuneration, are positively correlated with business performance. In addition, we will undertake timely reviews of the remuneration system based on the actual operating condition and relevant laws to seek a balance between the Company's sustainable management and risk control.

IV. Implementation of Corporate Governance

(I) Operation of the Board of Directors

The Board of Directors convened 9 meetings (2 times before re-elections, and 6 times before election of independent directors after re-election, and 1 time after the election of independent directors) in last year (2017). Attendance of directors and supervisors is as follows:

Title	Name	Actual presence (attendance)	Attendance by proxy	Rate of actual presence (attendance) (%) (Note 1)	Remarks (Note 2)
Chairman	Wu, Cheng-Hsien	9	0	100	Re-elected on May 16, 2017
Director	Pou Chien Chemical Co., Ltd.				Re-elected on May 16, 2017
	Representative: Lu, Chin-Chu	7	0	100	Released from duty on November 1, 2017
	Representative: Chang, Chia-Li	2	0	100	Newly appointed on November 1, 2017
Director	Guang Rong Investment Ltd. Representative: Hsu, Ming-Hsien	9	0	100	Re-elected on May 16, 2017
Director	Guang Rong Investment Ltd. Representative: Liu, Chi-Lin	8	1	88.89	Re-elected on May 16, 2017
Director	Guang Rong Investment Ltd.				Re-elected on May 16, 2017
	Representative: Lee, Juh-Shyong	7	2	77.78	Released from duty on April 12, 2018
	Representative: Chang, Kuo-Jung	-	-	-	Newly appointed on April 12, 2018
Supervisor	Ho, Jung-Hsien	2	0	100	Released from duty on May 16, 2017
Supervisor	Lu, Chi-Yi	1	0	50	Released from duty on May 16, 2017
Supervisor	Nan-Fa Investment Co., Ltd. Representative: Ho, Jung-Hsien	6	0	100	Newly appointed on May 16, 2017 Released from duty on December 12, 2017
Supervisor	Chen, Cheng-Nan	5	0	83.33	Newly appointed on May 16, 2017 Released from duty on December 12, 2017
Independent Director	Chen, Yun	1	0	100	Newly appointed on December 12, 2017
Independent Director	Chiang, Yung-Cheng	1	0	100	Newly appointed on December 12, 2017

Title	Name	Actual presence (attendance)	Attendance by proxy	Rate of actual presence (attendance) (%) (Note 1)	Remarks (Note 2)
Independent Director	Lee, Yi-Hsi	1	0	100	Newly appointed on December 12, 2017

Other items that shall be recorded:

1. When one of the following situations occurs to the operation of the Board, the date and term of the board meeting, the content of proposals, opinions of all independent directors, and the Company's actions in response to the opinions of the independent directors shall be stated:

(1) All conditions listed in Article 14-3 of the Securities and Exchange Act

Date of meeting	Agenda
106.12.21	1. The Company's proposal of the finance manager's appointment 2. The motion for the Company's direct capital increase by cash for Nan Pao Advanced Materials (Vietnam) Ltd. 3. The Company's proposal to establish a new company, Nan Pao Resins Material (Shaoguan) Co., Ltd. at Nanxiong Fine Chemical Industrial Park in Guangdong Province, China, and indirect capital increase by cash for the new company 4. The Company's proposal to increase capital by cash for Nan Pao Kunshan E-Commerce Co., Ltd. 5. The proposal to amend the Company's "Resolution Rights Chart." 6. The proposal for the Company to establish and amend the "Internal Control System" and "Management Procedures." 7. The proposal for the Company's provision or termination of endorsement credit limit for subsidiaries.

All independent directors stated no objection; the above proposals have been passed, and the Company also carried out the resolutions according to the results.

(2) In addition to the aforementioned matters, any other resolutions from the Board meetings where an independent director expresses a dissenting or qualified opinion that has been recorded or stated in written form: None.

2. When directors abstain themselves for being a stakeholder in certain proposals, the names of the directors, the content of the proposal, reasons for abstention, and the results of voting counts shall be stated.

Date of meeting	Agenda	Name of director	Reason for Recusal
106.8.9	The Company's 2016 Employee Bonus and Director and Supervisor Remuneration Distribution.	Wu, Cheng-Hsien, Hsu, Ming-Hsien, Liu, Chi-Li, and Lee, Juh-Shyong	Abstained from voting as the above directors also serve as managers concurrently
106.12.21	Manager annual performance-based bonus for the first half of 2017.	Wu, Cheng-Hsien, Hsu, Ming-Hsien, Liu, Chi-Li, and Lee, Juh-Shyong	Abstained from voting as the above directors also serve as managers concurrently.
	The Company's appointment of the finance manager.	Liu, Chi-Lin	Abstained from voting as the director also serves as a finance manager concurrently

Title	Name	Actual presence (attendance)	Attendance by proxy	Rate of actual presence (attendance) (%) (Note 1)	Remarks (Note 2)
<p>3. Goals (e.g. establishing the audit committee, enhancing information transparency) primed to enhance the Board of Directors' professionalism and the assessment on their effectiveness for the year and the most recent fiscal year:</p> <p>(1) The Company believes that the basis for successful corporate governance is a sound and effective Board of Directors. In line with this principle, the Company has established two committees, the Audit Committee, and Remuneration Committee, to help the Board carry out its obligations, and disclosed material decisions from the Board on the Company website.</p> <p>(2) The Company has established "Rules of Procedure for Board of Directors Meetings" for compliance purpose in accordance with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies."</p> <p>(3) To protect directors and managerial officers from risks when performing their duties, the Company has already purchased liability insurance for directors and managerial officers.</p>					

Note 1: Actual presence (attendance) rate (%) shall be calculated using the number of Board meetings convened and actual presence (attendance) during the term of service.

Note 2: The Company held the re-election of 5 directors and 2 supervisors on May 16, 2017. In addition, 3 independent directors were elected on December 12, 2017; the independent directors formed the Audit Committee, and the supervisors were terminated on the day of the election.

Operations of the Audit Committee or supervisors' participation in the Board meeting

1、Operations of the Audit Committee

The Audit Committee had convened 1 meeting in the most recent year (2017) with the following attendance from the independent directors:

Title	Name	Actual presence (attendance)	Attendance by proxy	Rate of actual presence (attendance) (%)	Remarks
Independent Director	Chen, Yun	1	0	100	Newly appointed on December 12, 2017
Independent Director	Chiang, Yung-Cheng	1	0	100	Newly appointed on December 12, 2017
Independent Director	Lee, Yi-Hsi	1	0	100	Newly appointed on December 12, 2017

Other items that shall be recorded:

1. When one of the following situations occurs to the operation of the Audit Committee, the date and term of the Board meeting, the content of proposals, opinions of all members of the Audit Committee, and the Company's actions in response to the opinions of the Audit Committee shall be stated:

(1) Items listed in Article 14-5 of the Securities and Exchange Act:

Date of meeting	Term	Agenda

106.12.21	First Board The first time	<ol style="list-style-type: none"> 1. The Company's proposal of the finance manager's appointment. 2. The motion for the Company's direct capital increase by cash for Nan Pao Advanced Materials (Vietnam) Ltd. 3. The Company's proposal to establish a new company, Nan Pao Resins Material (Shaoguan) Co., Ltd. at Nanxiong Fine Chemical Industrial Park in Guangdong Province, China, and indirect capital increase by cash for the new company. 4. The Company's proposal to increase capital by cash for Nan Pao Kunshan E-Commerce Co., Ltd. 5. The proposal to amend the Company's "Resolution Rights Chart." 6. The proposal for the Company to establish and amend the "Internal Control System" and "Management Procedures." 7. The proposal for the Company's provision or termination of endorsement credit limit for subsidiaries. 8. The Company's issuance of Letter of Support for subsidiaries.
<p>The Audit Committee stated no objection; the above proposals have been passed submitted to the Board of Directors for resolution.</p>		
<p>(2) Except for the items in the preceding issues, other resolutions approved by two-thirds of all the directors but yet to be approved by the Audit Committee: None.</p>		
<p>2. Ways in which an independent director has abstained from motions that pose a conflict of interests, the independent director's name, the content of the motion, cause of the conflict of interests, and the circumstance of the vote shall be elaborated: none.</p>		
<p>3. Communication between directors and the head of internal audit and CPAs (including material issues, audit methods, and results relating to the Company's finances and business): The Company's internal audit manager always communicates face-to-face to the independent directors during each Audit Committee meeting and reports the audit plan and implementation result. The CPAs will attend the Audit Committee meeting on a need-basis according to the day's agenda. In addition, the audit manager and CPAs also directly contact the independent directors as needed, which shows fluent communication.</p>		

2、Supervisors' participation in the Board meeting

The Board of Directors convened 8 meetings (2 times before re-elections, and 6 times before election of independent directors after re-elections) in the most recent year (2017), with the following attendance of the supervisors:

Title	Name	Number of actual attendance	Rate of actual presence (%)	Remarks
Supervisor	Ho, Jung-Hsien	2	100	Released from duty on May 16, 2017
Supervisor	Lu, Chi-Yi	1	50	Released from duty on May 16, 2017
Supervisor	Nan-Fa Investment Co., Ltd. Representative: Ho, Jung-Hsien	6	100	Newly appointed on May 16, 2017 Released from duty on December 12, 2017
Supervisor	Chen, Cheng-Nan	5	83.33	Newly appointed on May 16, 2017 Released from duty on December 12, 2017
Other items that shall be recorded:				

1. Composition and responsibilities of the supervisors:

- (1) Communications between the supervisors, company employees, and shareholders (for example, channels of communication and methods etc.): The supervisors regularly participate in Shareholders' Meetings and Board meetings. Supervisors can also directly contact and communicate with Company employees and shareholders on a need-basis, which shows fluent communications.
- (2) Communication between supervisors and the head of internal audit and CPAs (including material issues, audit methods, and results relating to the Company's finances and business): The Company's internal audit manager always communicates face-to-face to the directors during each Board meeting and reports the audit plan and implementation result. Supervisors will further contact the CPAs when necessary. In addition, the audit manager and CPAs also directly contact the supervisors as needed, which shows fluent communications.

2. If the supervisors state any opinions while attending a Board meeting, the date, session, contents of the case discussed, and resolution of the Board Meeting, as well as the Company's disposition of opinions stated by the supervisors, shall be described: None.

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

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
1. Did the company stipulate and disclose best practice principles for corporate governance according to the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies?	✓		The Company has established a set of Corporate Governance Code of Practice, which has been disclosed on the Company website and is available for any shareholder inquiry.	No material gap was found.
2. Equity structure and shareholders' rights of the Company				
(1) Has the Company established internal procedures to handle shareholder's suggestions, questions, problems, and litigations, and implemented these measures accordingly?	✓		(1) The Company has established a spokesperson and the deputy spokesperson system to handle problems such as shareholders' suggestions or questions. We handle shareholders' suggestions, questions, problems, and litigations in accordance with relevant procedures.	No material gap was found.
(2) Is the Company aware of substantial shareholders who maintain material control over the Company and their identities?	✓		(2) The Company is aware of substantial shareholders who maintain material control over the Company and their identities and discloses such information in accordance with the law.	No material gap was found.
(3) Has the Company established and carried out risk control and firewall measures for affiliated companies?	✓		(3) The Company has established “Subsidiary Monitoring Work Procedures” and facilitates and supervises subsidiaries to establish a written internal control system. In addition, the Company has also established relevant management procedures including “Handling Procedures for Loaning of Funds and Making of Endorsements/Guarantees” and “Handling Procedures for Acquisition and Disposal of Assets” in accordance with the actual operation to implement the risk control mechanism over subsidiaries. Any transaction between affiliated entities is treated as independent third-party	No material gap was found.

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
(4) Has the Company established internal regulations to prohibit internal staff from selling and buying securities with undisclosed information to the market?			procedures to prevent abnormal transactions. (4) The Company has followed the “Procedures for the Prevention of Insider Trading” to prevent the Company’s insiders from using information that has not been disclosed on the market to purchase and sell securities.	No material gap was found.
3. Composition and responsibilities of the Board of Directors: Has the Board established and implemented diversification measures in its member setup?	√		(1) The Company’s “Corporate Governance Code of Practice” has clearly established that diversification of member setup shall be a factor in forming the membership of the Board of Directors. To implement diversification and to solidify the Company’s Board structure, the Company’s Board members are equipped with work experiences and expertise necessary to carry out the Company’s businesses including chemical engineering, finance, legal, and management background.	No material gap was found.
(2) In addition to setting up a Remuneration Committee and Audit Committee in accordance with the law, has the Company voluntarily established other functional committees?		√	(2) The Company has established a Remuneration Committee and Audit Committee, and other functional committees may be established on a need-basis upon authorization from the Board.	The Company will handle relevant matters based on actual needs.
(3) Has the Company established a performance evaluation method for the Board of Directors, and conducts performance evaluation accordingly on an	√		(3) The Company has established “Director and Manager Performance Evaluation Method,” and such evaluations are carried out with the directors’ self-evaluations and the overall evaluation of the Board	No material gap was found.

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
<p>annual basis?</p> <p>(4) Has the Company assessed the independence of its certified public accountants (CPAs) routinely?</p>		<p>✓</p>	<p>of Directors. The performance of the Board is evaluated at least once each year, and the evaluation result will be submitted to the Board.</p> <p>(4) The Company has not regularly assessed the independence of CPAs. Nevertheless, the CPAs are not an affiliate of the Company, and there is no uncertainty regarding their independence. The Company's CPAs are a member of the "Big Four," whose professional competency and independence are positively acknowledged.</p>	<p>The Company will begin to assess the independence of the CPAs and report any findings to the Board starting in 2018.</p>
<p>4. Does the TWSE/GTSM listed company have a dedicated unit/staff member in charge of the Company's corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, convening board/shareholder meetings in compliance with the law, apply for/change company registry and producing meeting minutes of board/shareholder meetings)?</p>	<p>✓</p>		<p>The Company's Financial Management Division is in charge of the Company's corporate governance affairs and is responsible for governance-related matters and relevant management methods, promotions, and implementation.</p>	<p>No material gap was found.</p>
<p>5. Has the Company set up channels of communication for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), dedicated a section on the Company's website for stakeholder affairs, and responded adequately to stakeholders' inquiries on significant corporate social responsibility issues?</p>	<p>✓</p>		<p>The Company has appointed a spokesperson and a deputy spokesperson as the channel to respond to inquiries. A CSR section has also been established on the Company's website to appropriately address material topics of concern for our stakeholders.</p>	<p>No material gap was found.</p>

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
6. Does the Company commission any professional shareholder services agency to hold Shareholders' Meeting and other relevant affairs?	√		The Company has commissioned the Transfer Agency of CTBC Bank to handle affairs relevant to the Shareholders' Meeting.	No material gap was found.
7. Information disclosure				
(1) Has the Company set up a website to disclose information pertaining to financial services and corporate governance?	√		(1) The Investor Relations section which discloses finance, business, and corporate governance information has been established on the Company's website as a reference for investors.	No material gap was found.
(2) Has the Company utilized other methods of information disclosure (such as setting up a website in English, assigning someone to be responsible for the collection and disclosure of company information, implementing the spokesperson system, and/or recording the investors' conference and uploading it to the Company website)?	√		(2) The Company has established a website in both Chinese and English and has delegated personnel to regularly update the Company's information. A spokesperson system has been set up and is implemented in accordance with relevant law and regulations. Investor conference contents and announcements are announced on the MOPS and the Company's website.	No material gap was found.
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance (Including but not limited to employee's rights, employee care, investor relations, supplier relations, stakeholders' rights, further studies of directors and supervisors, implementation of risk management policies and measurement standards, implementation of customer policies and purchase of liability insurance for the directors and supervisors of the	√		(1) Employee rights: The Company has always treated its employees with honesty. An Employee Welfare Committee and employee retirement plan have been established in accordance with legal regulations, and the Company also protects various legal rights of employees pursuant to the Labor Standards Act. (2) Employee caring: The Company focuses on employee safety and physical and mental health and arranges regular health checkups and plans employee insurance. In addition, the Company also values employment (employer-employee) relationship and provides equal employment opportunity. We organize	No material gap was found.

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
Company)?			<p>employee educational training from time to time to facilitate continuous growth in employees' individual and work-related competencies.</p> <p>(3) Investor relations and rights of stakeholders: The Company announces the Company's information in accordance with the law to protect the rights of investors and stakeholders.</p> <p>(4) Supplier relations: The Company has always maintained good relations with suppliers.</p> <p>(5) Continued studies from directors and supervisors: The Company's directors, supervisors, and managerial officers all have industry and professional backgrounds and management experiences. They also participate in continued studies from time to time.</p> <p>(6) Risk management policy and implementation of risk evaluation standards: In terms of risk control, the Company has established various internal standards to lower risks and to prevent probable risks.</p> <p>(7) Implementation of customer policy: The Company maintains a sound and positive relationship with customers to create Company profits.</p> <p>(8) Purchase of liability insurance for the directors and supervisors by the Company: The Company purchases liability insurance for directors and supervisors.</p>	
<p>9. Please explain the improvement of the Company's corporate governance evaluation results released by the Corporate Governance Center of the Taiwan Stock Exchange Corporation in the past year, and propose priorities and measures for criteria that have not been improved: The Company is listed on the Taipei Exchange (GreTai Securities Company) and is not yet included in the evaluation; therefore, this is not applicable.</p>				

Composition, duties, and operations of the Remuneration Committee

The Company formally established the Remuneration Committee on June 19, 2017, with the following composition, duties, and operations:

1. Information on the members of the Remuneration Committee

Identify (Note 1)	Name	Has more than 5 years of work experience and the following professional qualifications		Stature of independence (Note 2)								Number of the Remuneration Committee memberships concurrently held in other public companies	Remarks	
		Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or any other filed related to the Company's businesses	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional or technician related to the Company's businesses that must undergo national examinations and obtain a specialized license	1	2	3	4	5	6	7	8			
Others	Lee, Chai-Chang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Newly appointed on June 19, 2017 Released of duty on December 21, 2017
Others	Cheng, Yun-Yao	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Others	Liu, Chang-Hsin		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Chen, Yun	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Newly appointed on December 12, 2017

Independent Director	Chiang, Yung-Cheng		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Lee, Yi-Hsi	✓			✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: For identity, please annotate whether the person is a director, independent director, or others.

Note 2: For any committee member who fulfills the relevant condition(s) 2 years before being elected or during the term of office, please provide the [] sign in the field next to the corresponding condition(s). ✓

- (1) Not employed by the Company or an affiliated business.
- (2) Not a director or supervisor at the Company or its affiliated companies. This does not apply in cases where the person is an independent director of the Company, its parent company, or subsidiaries where the Company holds, directly and indirectly, more than 50% of the voting shares.
- (3) Not a shareholder that holds more than 1% of the Company's total shares or ranks among top-ten shareholders; this applies for the director him/herself, spouse, minor children, or shares held under others' names.
- (4) Not a spouse, second-degree relative, or direct, blood-related five-degree relative of the personnel listed in the first three criteria.
- (5) Not a director, supervisor, or employee of a corporate shareholder that holds more than 5% of the Company's total shares, nor a director, supervisor, or employee of a top-five ranked corporate shareholder.
- (6) Not a director, supervisor, managerial officer, or a shareholder that holds more than 5% of shares at a company or institution that has financial or business exchanges with the Company.
- (7) Not a professional, business owner, partner, director, supervisor, managerial officer, or their spouse at a sole proprietor, partnership, company, or institution that offers business, finance, accounting, or consulting services for the Company or its affiliated companies.
- (8) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

2、The duties of the Remuneration Committee are as follows:

- (1) Regularly review Compensation Committee Charter and provide amendment suggestions.
- (2) Establish and routinely review the annual and long-term performance objectives and policies, systems, standards, and structures on compensations of the Company's directors, supervisors, and managerial officers.
- (3) Routinely evaluate the effectiveness of directors and managerial officers in achieving their objectives, and develop individual compensation packages.

3、2. Operation of the Remuneration Committee

- (1) There are three members in the Remuneration Committee of the Company.
- (2) The term of current committee members: The first term of the Remuneration Committee assumed office on June 19, 2017. However, the first term of the Remuneration Committee members has been released from duty after the election of independent directors on December 12, 2017, and the three independent directors had assumed the membership of the second term of the Remuneration Committee upon resolution by the Board on December 21, 2017, with the term of office from December 21, 2017, to May 15, 2020. The Remuneration Committee convened 2 meetings in the most recent year (2017) with the following qualifications and attendance from members:

Title	Name	Actual Number of attendance	Attendance by proxy Number of attendance	Actual Attendance Rate (%)	Remarks
Committee Chair	Lee, Chai-Chang	2	0	100%	Newly appointed on June 19, 2017 Released of duty on December 21, 2017
Member	Cheng, Yun-Yao	2	0	100%	
Member	Liu, Chang-Hsin	2	0	100%	
Committee Chair	Chen, Yun	Newly appointed on December 21, 2017, and did not participate in the function of the Remuneration Committee in 2017.			
Member	Chiang, Yung-Cheng				
Member	Lee, Yi-Hsi				
Other items that shall be recorded:					
1. If the Board of Directors does not adopt or amend the suggestions made by the Remuneration Committee, the date and session of the Board of Directors' meeting, resolutions, the voting result, and handling of opinions of the Remuneration Committee by the Company shall be disclosed (if the remuneration approved by the Board of Directors is better than the suggestion of the Remuneration Committee, the discrepancies and related reasons shall be stated): None.					
2. If the members of the Remuneration Committee have any dissenting or qualified opinions on the resolutions of the Remuneration Committee, where such opinions are documented or issued through written statements, the date, and session of the meeting of the Remuneration Committee, resolutions, all the members' opinions, and handling of these opinions shall be stated: None.					

Corporate Social Responsibility

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Root Causes
	Yes	No	Summary	
<p>1. Implementation of corporate governance</p> <p>(1) Has the Company established a corporate social responsibility (CSR) policy or system, and assessed the effectiveness of implementations?</p> <p>(2) Does the Company routinely promote and hold CSR training?</p> <p>(3) Has the Company established a designated unit to promote CSR, and has the Board authorized senior management to deal with and then to report to the Board pertaining to relevant executions?</p> <p>(4) Has the Company established a fair compensation policy and linked employee performance evaluation with CSR policy, as well as established a precise and effective incentive and disincentive system?</p>	<p>√</p> <p>√</p> <p></p> <p>√</p>	<p></p> <p></p> <p>√</p> <p></p>	<p>The Company has established the CSR Code of Practice for compliance, and timely reviews its implementation effects.</p> <p>(2) The Company regularly utilizes public settings such as internal meetings or employee activities to advocate for corporate social responsibility. We actively maintain a social culture and fulfill CSR through participating in community welfare activities, donations, and sponsorships.</p> <p>(3) The Company has set up a CSR work team that is chaired by the CEO. The team members are employees from each department, and the team is in charge of proposing CSR policy, systems, relevant management methods, and promotional plans and executions.</p> <p>(4) The Company has established a compensation system that includes performance-based bonuses and employee bonuses, allowing the Company to share its operating profits to employees based on employee performance, while also guiding employee conduct to remain in line with the CSR policy for mutual employee compensation and Company operational growth.</p>	<p>No material gap was found.</p> <p>No material gap was found.</p> <p>The CSR implementation status will be reported to the Board of Directors starting in 2018.</p> <p>No material gap was found.</p>
2. Developing a sustainable environment				

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Root Causes
	Yes	No	Summary	
(1) Does the Company strive to enhance the utility rate of every resource and use renewable materials that pose fewer impacts on the environment?	√		(1) To increase the use of green energy and reduce greenhouse gas emissions and environmental impacts, the Company has initiated the “Renewable energy and solar power stations” project. We evaluate the feasibility and benefits of installing solar panels on the rooftops of our production sites, and the photovoltaic power generation system has been installed on the rooftop of the hot melt adhesive plant at Bao Li Plant.	No material gap was found.
(2) Has the Company established a suitable environmental management system by referencing its industry’s characteristics?	√		(2) The Company has promoted an occupational health and environmental system in accordance with international trends, and currently has already received certifications from ISO14001 Environmental Management System, ISO50001 Energy Management System, and OHSAS Occupational Safety and Health Management System.	No material gap was found.
(3) Has the Company paid attention to the impacts of weather changes on its operational activities, carried out inspections on greenhouse gases, and implemented strategies to conserve energy and to lower CO2 emissions and greenhouse gases?	√		(3) The Company has assigned energy management personnel at each of its production sites to monitor the energy consumption from each facility and equipment. Power consumption status is recorded every month to assess the consumption status of high energy-consuming equipment. We establish annual energy baselines and undertake timely reviews, in which energy efficiency improvement programs	No material gap was found.

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Root Causes
	Yes	No	Summary	
			are proposed for high energy-consuming equipment. Moreover, we calculate greenhouse gas emissions over the years and continue to monitor the data. If significant changes are found in the emission volumes, we will immediately plan various energy-saving and carbon reduction plans and establish reduction standards. We achieve energy-saving and carbon reduction as well as GHG reduction through carrying out the above-mentioned policies.	
<p>3. Sustaining community services</p> <p>Has the Company set up management policy and procedures according to related laws and regulation and the International Human Rights Treaty?</p> <p>(2) Has the Company established an employee grievance mechanism and channels, and handled these grievances appropriately?</p> <p>(3) Has the Company offered a safe and healthy work environment for its employees, and routinely implemented safety and health education for the employees?</p> <p>(4) Has the Company installed a communications system for routine communication with employees, and alerts operational changes that</p>	<p>~</p> <p>~</p> <p>~</p> <p>~</p>		<p>(1) The Company comply with relevant labor laws at the site of its employees and operations and has established relevant procedures to implement and ensure employee rights.</p> <p>(2) The Company has established a grievance mechanism and channels, and a designated unit will immediately handle employee feedback.</p> <p>(3) The Company regularly implements labor safety and health promotional training course during orientation; moreover, the Company also arranges labor safety promotion, fire prevention seminars, and practice drills, and arranges for health checkups for current employees.</p> <p>(4) To strengthen efficiency and effectiveness of communication with employees, we provide diverse communication methods to interact with</p>	<p>No material gap was found.</p> <p>No material gap was found.</p> <p>No material gap was found.</p> <p>No material gap was found.</p>

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Root Causes
	Yes	No	Summary	
<p>may pose significant impacts on its employees in a fair manner?</p> <p>(5) Has the Company established an effective career developmental plan for its employees?</p> <p>(6) Has the Company established consumer rights protection policy and grievance-filing procedures in terms of R&D, Procurement, Production, Operations, and Customer Support?</p> <p>(7) Does the Company comply with related laws, regulations, and international standards pertaining to marketing activities and labels on its products and services?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>employees. The Company regularly organizes staff meetings and weekly meetings to disseminate the Company's policies and messages, and such meetings also serve as a regular communication method between the Company and employees.</p> <p>(5) The Company holds internal training programs and expatriate professional training programs from time to time to cultivate employees' competency and strengths.</p> <p>(6) The Company regularly reviews R&D, procurement, production, operations, and selling procedures to ensure compliance with relevant laws. Focusing on communication with customers, the Company has also established customer grievance handling procedures to effectively handle any grievances.</p> <p>(7) In terms of product development, the Company seeks compliance with special directives such as RoHS, SVHC, and the eight heavy metals. Company products have also been certified with the ISO9001 Quality Certification.</p>	<p>No material gap was found.</p> <p>No material gap was found.</p> <p>No material gap was found.</p>
<p>(8) Prior to conducting business with suppliers, has the Company evaluated the suppliers in terms of past records of impacts on the environment and the society?</p>	<p>✓</p>		<p>(8) The Company has established Supplier Management Methods and created a list of certified supplier evaluation in accordance with Nike (RSL), Adidas/Reebok (A-01), EU WEEE (RoHS), Sony (SS-00259), REACH, and 8 heavy metals, as well as Green Building Material certification.</p>	<p>No material gap was found.</p>

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Root Causes
	Yes	No	Summary	
(9) Does the Company's contract with its primary supplier contain any immediate termination clause for when the supplier violates corporate social responsibility and poses significant impacts to the environment and the society?	√		(9) The Company has established the Supplier Management Method and promotes green supply chain management. Only those who are in line with the Company's CSR requirements can be listed as qualified suppliers.	No material gap was found.
4. Improvement of information disclosure Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	√		For reference to interested parties, the Company has established relevant CSR information on the Company website.	No material gap was found.
5. Where the Company has stipulated its own Best Practices on CSR according to the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, please describe any gaps between the prescribed best practices and actual activities taken by the Company:				
6. Other important information helpful in understanding CSR operation: Nan Pao Resins Chemical Co., Ltd established "Nan Pao Social Welfare Foundation" in 2007, and strives to foster the next generation to become pillars of the society and to take care of senior citizens through three major aspects, including "talent cultivation," "caring for senior citizens," and "caring for disadvantaged groups." These demonstrate the Company's active efforts in sustaining the social culture and to fulfill its CSR.				
7. The Company should specify if the Company's CSR Report has passed the relevant accreditation awarded by any validation agency: None				

Ethical corporate management at the Company and related implementation

Items assessed	State of operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
1. Stipulating policies and plans for ethical corporate management				
(1) Has the Company clearly shown its ethical operational policy and methods in its regulations and external documents, in addition, and has the Board of Directors and management proactively implemented the commitment to ethical business operations in practice?	✓		(1) The Company has established Ethical Operational Policy and Methods and Code of Conduct to clearly demonstrate the policy and methods of ethical management. In addition, the Board of Directors and the management also actively fulfill the promise to ethical management policy.	No material gap was found.
(2) Has the Company established preventative programs for unethical behavior, and clearly stated operational procedures, behavioral code, and disincentive measures and grievance systems in each proposal and implemented them in practice?	✓		(2) The Company has established Ethical Operational Policy and Methods and Code of Conduct, which clearly define regulations on prevention of conflicts of interests from directors, managerial officers, employees, commissioned personnel, and any person with substantial control, as well as behavioral principles such as prohibition of illegal political contributions, provision or acceptance of inappropriate benefits, charitable donation, or sponsorships. Besides requiring senior management to comply with ethical management, the Company also implements such principles to the employees through the Employee Handbook, internal promotion, communication platforms, and regular educational training.	No material gap was found.
(3) Does the Company undertake preventative measures for the items included in Section 2,	✓		(3) The Company has established a sound and effective accounting and internal control	No material gap was found.

Items assessed	State of operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
Article 7 in the “Policies of ethical management for Listed and Traded Companies in the Stock Exchange” in addition to other operational activities which pose higher risks of unethical behavior?			system. To ensure implementation of internal control and management in practice, internal auditors will include operating activities with risks of unethical conduct and status of compliance with the aforementioned system in the scope of verification of each operating activity. The Company has established “Management Procedures to Prevent Insider Trading” for compliance from directors and managerial officers. An audit manager will report auditing affairs in a Board of Directors meeting quarterly so that the senior management can be aware of the implementation status of the internal control system.	
2. Implementing ethical corporate management (1) Has the Company assessed the integrity records of its business partners, and specified ethical business policy in contracts with its trading partners?	√		(1) Prior to undertaking business transactions, the Company will take the counterparty’s legal stature and reputation into account to prevent transacting with those with records of unethical conduct. Contracts signed with counterparties shall include compliance with the ethical management policy, and clauses to ensure that the Company may terminate or dismiss the contract at any time when the counterparty may be involved with unethical conduct.	No material gap was found.
(2) Has the Company established a unit directly under the supervision of the Board, which is devoted (or partly devoted) to promoting corporate ethical		√	(2) Integrity is one of the Company’s management philosophies, and we promote and advocate our core values through internal slogans. Presently,	Ethical management implementation results will be reported to the Board of

Items assessed	State of operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
business, and routinely reports its implementations to the Board?			the Auditing Office is in charge of implementing, amending, and reviewing management procedures relevant to ethical management, as well as reporting implementation results to the Board of Directors.	Directors starting in 2018.
(3) Has the Company set up policies to prevent conflict of interest, and provide an appropriate reporting channel in practice?	√		(3) The Company's "Ethical Operational Policy and Methods and Code of Conduct" and "Code of Ethical Conduct" have clearly defined policies to prevent conflict of interests. In addition, the Company has also established "Internal and External Reporting Methods," which provide grievance channels, including the Email address: audit@nanpao.com.	No material gap was found.
(4) To implement ethical business policy, has the Company established an effective accounting system and internal control system and routinely asks the internal auditing unit to verify or entrusts accountant to review the systems?	√		(4) To fulfill ethical management in practice, the Company has already established an effective accounting system and internal control system, and internal auditors will regularly inspect the condition of compliance, compile audit reports, and report to the Board of Directors. Furthermore, to ensure accuracy and transparency of financial information, financial statements are all reviewed or audited by CPAs in accordance with regulations and are announced and uploaded accordingly.	No material gap was found.
(5) Does the Company host routine internal and external ethical business operations training?	√		(5) The Company has established "Employee Handbook" to require ethical conduct from employees; in addition, new employee educational training also includes relevant	No material gap was found.

Items assessed	State of operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
			training, and the Company's ethical management philosophy is also promoted during management meetings and weekly meetings from time to time, so that all employees could be aware of information including business operations, the Company's strategies, the management vision, etc.	
3. Status for enforcing the whistle-blowing system in the Company				
(1) Has the Company established a material whistle-blowing and incentive system, set up a convenient reporting channel, and designated appropriate personnel to handle the investigation, depending on the identity of the person being reported?	√		(1) The Company has clearly defined a whistleblowing and incentive system in the "Ethical Operational Policy and Methods and Code of Conduct" and on the "Employee Handbook," and grievance and whistleblowing mailbox audit@nanpao.com has also been established, in which designated personnel will be in charge of subsequent processing.	No material gap was found.
(2) Has the Company set up SOP for accepting and investigating reporting cases and relevant confidentiality structure?	√		(2) The Company delegates a dedicated unit to accept and investigate inappropriate conduct, and keeps the personal information of the whistle-blower and reporting content confidential.	No material gap was found.
(3) Has the Company set up protection for the whistle-blower to prevent the person from being subjected to inappropriate measures from reporting the incident?	√		(3) The Company always keeps the identity of the whistle-blower confidential and adopts appropriate measures to protect the whistle-blower from being subjected to inappropriate measures from the reporting incident.	No material gap was found.
4. Improvement of information disclosure				

Items assessed	State of operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
Does the company disclose its ethical corporate management policy and the result of its implementation on the Company's website and MOPS?	✓		A Company website has been established to disclose information such as the Company's corporate culture and relevant management policies, in addition to disclosing contents from the ethical management policy.	No material gap was found.
5. Where the Company has stipulated its own best practices on ethical corporate management according to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any gaps between the prescribed best practices and actual activities taken by the Company: None				
6. Other important information that facilitates the understanding of the implementation of ethical corporate management: (such as review and amendment of the Company's Ethical Corporate Management Best Practice Principles):				
<ol style="list-style-type: none"> 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. 2. The Company's "Rules of Procedure for Board of Directors Meetings" has clearly stated conflict of interest preventions for directors: 'If any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the Company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter.' 3. The Company's "Management Method to Prevent Insider Trading" clearly defines that: the Company's directors, managerial officers, and employees shall exercise the due care and fiduciary duty of a good administrator and act in good faith when performing their duties, and shall not divulge their knowledge of material inside information to others. 				

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

The Company has established “Corporate Governance Code of Practice” and relevant regulations, and such regulations have been disclosed on the Company website for investors.

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

- 1、The Company implements corporate governance pursuant to the Company Act and relevant regulations from the Securities and Futures Bureau, and the scope of which has already included major governance principles as the basis of fulfilling ethical management in practice.
- 2、The Company’s website has established a CSR Section, in which the Company prepares and updates the annual CSR Report each year to disclose the Company’s implementation effectiveness for corporate governance.
- 3、The Company’s directors and supervisors all exercise the due care and fiduciary duty of a good administrator and act in good faith when performing their duties.
- 4、 “Directors and supervisors’ continued studies” and “directors and supervisors’ attendance at Board meetings” have both been disclosed on the MOPS.

Implementation of Internal Control System

1、Statement of Internal Controls

Nan Pao Resins Chemical Co., Ltd.

Statement of the Internal Control System

Date: March 20, 2018

This Statement of Internal Control System is issued based on the self-assessment of the Company for the year 2017:

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.
- V. 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, 2017 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 20, 2018, with none of the eight attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Nan Pao Resins Chemical Co., Ltd.

Chairperson:

General Manager:

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

From the most recent fiscal year up to the publication of the Annual Report, explaining the circumstances in which the Company and its personnel have been punished by law, the disincentives measures put in place for breaching the internal control system, and any material deficiencies and revisions: None.

Critical resolutions made during shareholders' and Board of Directors' meetings in recent years and up to the publication of this annual report:

1、Shareholder's Meeting

Date of meeting	Major resolutions	Implementations
106.5.16 Annual	(1) Proposals : 1、Adoption of the 2016 final statement. 2. Distribution of 2016 Profits.	Resolution: Passed. Resolution: Passed; a cash dividend of NT\$532,454,805 has been distributed on August 31, 2017.
	(2) Discussion items: 1、Amendment of the Company's Articles of Association. 2、The Company's motion for capital surplus transfer to capital and issuance of new shares. 3、Amendment of the Company's "Procedures for Loaning of Funds and Making of Endorsements/Guarantees." 4、Amendment of the Company's "Procedures for Acquisition or Disposal of Assets."	Resolution: Passed and announced on the Company website. Resolution: Passed; 2,129,819 new shares have been issued on August 31, 2017. Resolution: Passed and announced on the Company website. Resolution: Passed and announced on the Company website.
	(3) Election matters: The Company's general re-elections of directors and supervisors.	Election of five seats of directors and 2 seats of supervisors with a term of 3 years, commencing on May 16, 2017, and ending on May 15, 2020.
	(4) Discussion items: Removing the "Non-compete Clause" on the Company's directors.	Each director and corporate director will proceed in accordance with legal regulations.
	106.12.12 Interim	(1) Election matters: Election of five seats of independent directors
(2) Discussion items: 1. Removing the "Non-compete Clause" on the Company's newly appointed directors.		Each director and corporate director will proceed in accordance with legal regulations.

Date of meeting	Major resolutions	Implementations
	2. Amendment of the Company's Articles of Association. 3. Amendment to the Company's Rules for Election of Directors and Supervisors. 1. Amendment to the Company's "Procedures for Loaning of Funds and Making of Endorsements/Guarantees" and "Procedures for Acquisition or Disposal of Assets." 5. To issue new shares for capital increase prior to IPO, for the consignment-in for the new shares, the Company proposes to ask existing shareholders to forfeit their privileged subscription right.	Resolution: Passed and announced on the Company website. Resolution: Passed and announced on the Company website. Resolution: Passed and announced on the Company website. Resolution: passed and will be carried out in accordance with the resolution during public consignment-in of issuance of new shares for a capital increase.

2、Board of Directors

Date of meeting	Material Resolutions from the Board of Directors
106.3.2	1. Passed the motion to increase capital to increase working capital. 2. Passed the motion for the Company to purchase land and building in Malaysia as the operating grounds for Malaysian subsidiary. 3. Composed the Statement on Internal Control System of 2016 for the Company. 4. Passed the amendment of 2017 internal audit plan. 5. Passed the Company's bank notes limit renewal or increase. 6. Passed the Company's application for guaranteed commercial paper credit renewal to the financial institution.
106.4.5	1. Passed the motion to amend the Company's Articles of Association. 2. Passed the review of the Company's 2016 final statement. 3. Passed the proposal for the distribution of 2016 profit. 4. Passed the Company's motion to process capital surplus transfer to capital increase. 5. Passed the Company's distribution of employee bonus and directors and supervisors' remuneration in 2016. 6. Passed the Company's general re-elections of directors and supervisors. 7. Passed the removal of the "Non-compete Clause" on the Company's managerial officers. 8. Passed the removal of the "Non-compete Clause" on the Company's directors and representatives. 9. Passed the date and relevant affairs to the Company's 2017 Annual Shareholders' Meeting. 10. Passed the Company's capital increase to ITLS International Development Co., Ltd. 11. Passed the Company's capital increase to Thai Nan Pao Investment Ltd. 12. Passed the Company's bank notes limit renewal or increase. 13. Passed the Company's endorsement or guarantee credit limit for subsidiaries. 14. Passed the Company's cancellation of provision of borrowing to subsidiaries. 15. Passed the Company's amendment to Procedures for Loaning of Funds and Making of Endorsements/Guarantees. 15. Passed the Company's amendment to Procedures for Acquisition or Disposal of Asset.

	17. Passed the Company's amendment to the Internal Control System and Relevant Management Procedures.
106.5.16	Motion to nominate and elect the Company's Chairman.
106.5.19	1、Passed the Company's investment in Nanxiong Fine Chemical Industrial Park in Guangdong Province, China. 2、Passed the motion to acquire land and building. 3、Passed the Company's provision or dismissal of endorsement guarantee limit for subsidiaries.
106.6.19	1. Approved the establishment of cash dividend ex-dividend date. 2. Passed the establishment of base date of capital surplus transfer to issuance of new shares. 3. Passed the Company's "Remuneration Committee Charter." 4. Passed the Company's motion to elect Remuneration Committee members. 5. Passed the Company's application of listing on the Taipei Exchange. 6. Passed the Company's motion to exchange all shares to non-physical shares. 7. Passed the Company's renewal or new credit limit for bank notes. 8. Passed the Company's application for guaranteed commercial paper credit renewal to the financial institution. 9. Passed the Company's endorsement or guarantee credit limit for subsidiaries.
106.8.9	1. Passed the Company's distribution of employee bonus and directors and supervisor's remuneration for 2016. 2. Passed the Company's establishment of "Enhancement of Autonomous Financial Report Compilation Competency Proposal." 3. Approved the Company's direct capital increase to Nan Pao Advanced Materials Vietnam Ltd. 4. Approved the Company's indirect capital increase to RLA Polymers (M) SDN BHD. 5. Passed the Company's motion to indirectly invest and establish a new company in Kunshan, China. 6. Passed the Company's motion to purchase liability insurance for directors, supervisors, and managerial officers. 7. Approved the Company's renewal or new credit limit for bank notes. 8. Approved the Company's endorsement or guarantee credit limit for subsidiaries.
106.10.17	1. Passed the Company's motion to establish new production site in Guanmiao District, Tainan City. 2. Approved the Company's direct capital increase to Nan Pao Advanced Materials Vietnam Ltd. 3. Approved the Company's indirect capital increase to NP Australia Pty. Ltd. 4. Passed the Company's motion to elect three seats of independent directors. 5. Approved the Company's acceptance period for nomination of independent directors. 6. Approved the Company's list of Independent Director candidates. 7. Passed the removal of the "Non-compete Clause" on the Company's directors. 8. Approve the establishment of the Audit Committee Charter by the Company. 9. Approved the amendment to the Company's Remuneration Committee Charter. 10. Approved the amendment to the Company's Articles of Association. 11. Approved the amendment of the Company's Board of Director Meeting Procedure. 12. Passed the amendment to the Company's Ethical Management Procedures and Code of Conduct. 13. Passed the amendment to the Company's Procedures for Election of Directors and Supervisors.

	<p>14. Passed the amendment to the Company's "Procedure of Funds and Making of Endorsements/Guarantees" and "Procedure of Acquisition and Disposal of Assets."</p> <p>15. Passed the amendment to the Company's "Management Procedures for the Operations of the Audit Committee Meetings."</p> <p>16. Passed the amendment to the Company's "Rules Governing the Scope of Power of Independent Directors."</p> <p>17. Passed the amendment to the Company's investment cycle.</p> <p>18. Passed the amendment to the Company's accounting system.</p> <p>19. Passed the Company's motion for initial public listing.</p> <p>20. Passed the motion for issuance of new shares for capital increase prior to IPO, for the consignment-in for the new shares, all existing shareholders have forfeited their privileged subscription right.</p> <p>21. Passed the motion to convene 2017 Interim Shareholders' Meeting.</p> <p>22. Approved the Company's endorsement or guarantee credit limit for subsidiaries.</p>
106.11.16	<p>1. Approved the Company's list of independent director candidates submitted for the Board of Directors to review.</p> <p>2. Passed the motion to designate a custodian for the Company's seal for signing warranty/endorsement.</p>
106.12.21	<p>1. Approved the managerial officer's annual performance-based bonuses for the first half of 2017.</p> <p>2. Approved the appointment of the second term of the Remuneration Committee.</p> <p>3. Approved the remuneration for the Company's independent directors.</p> <p>4. Approved the appointment of the Company's finance manager.</p> <p>5. Approved the Company's direct capital increase to Nan Pao Advanced Materials Vietnam Ltd.</p> <p>3. Passed the Company's proposal to establish a new company, Nan Pao Resins Material (Shaoguan) Co., Ltd. at Nanxiong Fine Chemical Industrial Park in Guangdong Province, China, and indirect capital increase by cash for the new company.</p> <p>7. Approved the Company's indirect capital increase for Nan Pao Kunshan E-commerce Limited.</p> <p>8. Passed the motion to amend the Company's "Resolution Rights Chart."</p> <p>9. Passed the motion to establish and amend "Internal Control System" and "Management Procedures."</p> <p>10. Passed the proposal for the Company's provision or termination of endorsement credit limit for subsidiaries.</p> <p>11. Passed the Company's application for guaranteed commercial paper credit renewal to the financial institution.</p> <p>12. Approved the Company's endorsement or guarantee credit limit for subsidiaries.</p> <p>13. Approved the Company to issue Letter of Support for subsidiary.</p> <p>14. Approved the Company and the Group's 2018 Business Plan.</p> <p>15. Passed the Company's 2018 Internal Audit Plan.</p>
107.02.02	<p>1. Approved the amendment to the Company's "Performance Evaluation Method of Directors, Supervisors, and Managerial Officers."</p> <p>1. Approved the managerial officers' annual performance-based bonuses for 2017.</p> <p>3. Passed the Company's donation to the affiliate "Nan Pao Social Welfare Foundation."</p>
107.03.20	<p>1. Passed the Company's capital increase for Nan Pao Materials Vietnam Co., Ltd.</p> <p>2. Approved the Company's cancellation of setting up a new company, Nan Pao Resins Material (Shaoguan) Co., Ltd. at Nanxiong Fine Chemical Industrial Park in Guangdong Province, China, and indirect capital increase by cash for the new</p>

	<p>company.</p> <p>3. Approved the investment structure of the Company's subsidiary, Progroups Technology Co., Ltd.</p> <p>4. Approved the Company's 2017 Statement of the Internal Control System.</p> <p>5. Approved the amendment for the Company's internal control system on the procurement, property, and production cycles.</p> <p>6. Approved the amendment for the Company's Code of Ethical Conduct.</p> <p>7. Approve the amendment of the Rules of Procedure for Shareholders' Meetings of the Company.</p> <p>8. Passed the Company's application for guaranteed commercial paper credit renewal to the financial institution.</p> <p>9. Passed the proposal for the Company's provision or termination of endorsement credit limit for subsidiaries.</p> <p>10. Approved the Company's endorsement or guarantee credit limit for subsidiaries.</p> <p>11. Passed the motion to convene 2018 Annual Shareholders' Meeting.</p>
107.04.12	<p>1. Approved 2017 Business Report and Financial Statements of the Company.</p> <p>2. Approved the proposal for the distribution of the 2017 profit.</p> <p>3. Passed the 2017 employee bonus and director remuneration distribution.</p> <p>4. Passed the establishment of the Company's "Corporate Governance Code of Practice."</p> <p>5. Passed the Company's issuance of letter of support for subsidiary's borrowing.</p> <p>6. Passed the Company's issuance of Letter of Comfort for subsidiary Thai Nanpao Resins Chemical Co., Ltd.</p> <p>7. Passed the Company's over-allotment and proposes to ask specific shareholders to guarantee shareholding depository and clearing within a fixed time period.</p>

Dissenting opinions or qualified opinions on resolutions passed by the Board of Directors that are made by Directors or Supervisors, and are documented or issued through written statements, in the most recent year up to the publication date of this Annual Report: None.

A summary of the resignation and dismissal of the Company personnel in the past fiscal year and as of the date of publication of the Annual Report: None.

(II) Information on CPA Professional Fees and Replacement of Certified

Accounting firms Title	Name of the CPA		Audit period	Notes
Deloitte & Touche Taiwan Accounting firms	Liao, Hung-Ju	Kung, Jun	2017	

Unit price: thousand NT\$

Professional charge		Accounting charge	Non-accounting charge	Total
Fee range				
1	Less than NT\$ 2,000,000			
2	NT\$ 2,000,000 (inclusive) to NT\$ 4,000,000			
3	NT\$ 4,000,000 (inclusive) to NT\$ 6,000,000	✓	✓	
4	NT\$ 6,000,000 (inclusive) to NT\$ 8,000,000			
5	NT\$ 8,000,000 (inclusive) to NT\$ 10,000,000			

6	More than NT\$ 10,000,000 (inclusive)			✓
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(XIV)The non-audit fee paid to certified CPAs, the firm of the certified CPAs, and affiliated companies accounts for over 1/4 to audit fee: None

Unit price: thousand NT\$

Name of the accounting firm	Name of the CPA	Accounting charge	Non-accounting charge					CPA Audit period
			System Design	Business Registration	Human Resources Capital Resources	Others (Note)	Total	
Deloitte & Touche Taiwan Accounting firms	Liao, Hung-Ju	5,300	0	116	0	5,168	5,284	2017
	Kung, Jun							

Note: Other services include transfer pricing NT\$3,000 thousand, tax consultation NT\$1,258 thousand, and IPO coaching NT\$910 thousand.

(XV)Having altered the CPA firm and the audit fee in the altering year is less than that in the previous year: None.

(XVI)The audit fee is reduced by over 15% compared with the previous year: None.

(III) Replacement of the CPA

Regarding the Former CPA

Date of Replacement	November 15, 2016		
Replacement reasons and explanations	Based upon needs from the operational management		
Describe whether the Company terminated or the CPA did not accept the appointment	Condition	Party	The authorizing party
	Termination of appointment		✓
	No longer accepted (continued) appointment		
Other issues (except for unqualified issues) in the audit reports within the last two years	Not applicable.		
Different opinions from the issuer	Reports	Accounting principles or practices	
		Disclosure of the financial reports	
		Scope or procedure of auditing	
		Others	
	None	✓	
Details			

Other Revealed Matters (Disclosure of Paragraph 6-1-4 to 6-1-7 of Article 10 of these principles.)	None.
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Regarding the Successor CPA

N a m e o f t h e f i r m	Deloitte & Touche Taiwan
N a m e o f t h e C P A	Liao, Hung-Ju , Kung, Chun-Chi
D a t e o f a p p o i n t m e n t	November 22, 2016
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the Company's financial reports that the CPA might issue prior to the engagement	Not applicable.
Succeeding CPA's written opinion of disagreement toward the former CPA	Not applicable.

The former CPA did not have a different opinion from the Company regarding Article 10-6-1 and 10-6-2-3 in the Regulations Governing Information to be Published in the Annual Report. After written inquiry from the succeeding CPA to the former CPA on ethical conduct of the Company's management level, and whether difference of opinion pertaining to accounting principle, auditing procedures, and other relevant material affairs, and whether the alteration of CPA was due to in compliance with the law, the former CPA had responded that no abnormal conditions had occurred for all of the inquired affairs.

Any of the Company's Chairman, general managers, or managers responsible for finance or accounting duties served in a CPA accounting firm or its affiliated company within the last fiscal year: None.

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

Equity transfer or changes to equity pledge of directors, supervisors, managerial officers, or shareholders holding more than 10% of Company shares.

Unit: shares

Job Title	Name	2017		From this year to up to April 36, 2017	
		Shares held Increase (decrease)	Increase (decrease) in equity pledges Increase (decrease)	Shares held Increase (decrease)	Increase (decrease) in equity pledges Increase (decrease)
Chairman	Wu, Cheng-Hsien	(90,891)	0	(16,257)	0
Director and major shareholders holding 10% of Company shares	Paochien Company Limited	415,789	0	0	0
	Representative: Lu, Chin-Chu (Note 2)	0	0	0	0
	Representative: Chang, Chia-Li (Note 2)	0	0	0	0
Director	Guang Rong Investment Ltd.	223,884	0	0	0
	Representative: Hsu, Ming-Hsien (Concurrently serves as CEO)	9,474	0	0	0
	Representative: Liu, Chi-Lin (Concurrently serves as Finance Manager)	3,635	0	0	0
	Representative: Lee, Juh-Shyong (Concurrently serves as R&D Manager) (Note 3)	(148,539)	0	0	0
	Representative: Chang, Kuo-Jung (Note 3)	0	0	0	0
Supervisor (Note 1)	Nan-Fa Investment Co., Ltd.	0	0	0	0
	Representative: Ho, Jung-Hsien	0	0	0	0
Supervisor (Note 1)	Chen, Cheng-Nan	0	0	0	0
Independent Director (Note 1)	Chen, Yun	0	0	0	0
Independent Director (Note 1)	Chiang, Yung-Cheng	0	0	0	0
Independent Director (Note 1)	Lee, Yi-Hsi	0	0	0	0

Job Title	Name	2017		From this year to up to April 36, 2017	
		Shares held Increase (decrease)	Increase (decrease) in equity pledges Increase (decrease)	Shares held Increase (decrease)	Increase (decrease) in equity pledges Increase (decrease)
Sports Goods Adhesives and Materials Business Division Executive General Manager	Tsai, Chao-Chian	(65,779)	0	(12,000)	0
Paints and Coatings Business Division Executive General Manager	Tsai, Yi-Fa	(24,874)	0	0	0
Adhesives and Specialty Business Division Executive General Manager	Hsu, Chi-Yuan	(153,472)	0	0	0
Operation Management Division General Manager	Hung, Chung-Yuan	(120,925)	0	(27,000)	0
Adhesives and Specialty Business Division Deputy General Manager in Adhesives Division II	Chang, Chi-Yao	(51,133)	0	0	0
R&D & Innovation Division Innovation and Development Department R&D Deputy General Manager	Shen, Yong-Ching	500	0	0	0
R&D & Innovation Division Hot Melt Adhesive R&D Department R&D Deputy General Manager	Wang, Ping	973	0	0	0
Adhesives and Specialty Business Division Deputy General Manager	Kuo, Sen-Mao	1,580	0	0	0

Job Title	Name	2017		From this year to up to April 36, 2017	
		Shares held Increase (decrease)	Increase (decrease) in equity pledges Increase (decrease)	Shares held Increase (decrease)	Increase (decrease) in equity pledges Increase (decrease)
Sports Goods Adhesives and Materials Business Division Assistant Manager	Fang, Yi-Jen	(19,402)	0	(7,700)	0
Sports Goods Adhesives and Materials Business Division R&D Technical Assistant Manager	Hung, Sen-Pei	1,207	0	0	0
Operation Management Division Assistant Manager of Factory Affairs Department	Wang, Chung-Ming	(27,226)	0	(2,000)	0
Financial Management Division Assistant Manager (Accounting Manager)	Lin, Kun-Chin	(28,880)	0	0	0
Strategic Development Division Assistant Manager in HR Department	Lee, Hui-Fen	(13,689)	0	0	0
Strategic Development Division Assistant Manager in Business Development Department	Li, Chi-Yun (Note 4)	600	0	0	0
Strategic Development Division Assistant Manager in Business Development Department	Luo, Yuan-Yang (Note 5)	0	0	0	0

Note 1: The Company elected independent directors and established an Audit Committee during a Provisional Shareholders' Meeting on December 12, 2017. Supervisors were terminated, and

only information during their terms of office will be disclosed.

Note 2: Corporate director Pou Chien Chemical Co., Ltd. appointed a new representative director on November 1, 2017 (the former representative: Lu, Chin-Chu; the new representative: Chang, Chia-Li), and only information during their terms of office will be disclosed.

Note 3: Corporate director Guang Rong Investment Ltd. appointed a new representative director on April 13, 2018 (the former representative: Lee, Juh-Shyong; the new representative: Chang, Kuo-Jung), and only information during their terms of office will be disclosed.

Note 4: Released of duty on August 31, 2017; only information during the term of office will be disclosed.

Note 5: Newly appointed on April 16, 2018, only information during the term of office will be disclosed.

Where the counterparty of equity transfer is a related party:

Name	Reason for transfer	Transaction date	Transaction counterparty	Relationship between the counterparty and the Company, its directors, supervisors, and shareholders with shareholding percentage exceeding ten (10) percent	Number of shares	Transaction price
Lee, Juh-Shyong	Gift	106.05.25	Lee, Yin-Hsin	Father and son	12,000	64.75
Lee, Juh-Shyong	Gift	106.05.25	Lee, Mao-Ying	Father and son	12,000	64.75
Lee, Juh-Shyong	Gift	106.05.25	Hung, Yu-Hsun	Spouse	76,000	64.75
Wu, Cheng-Hsien	Gift	107.01.24	Wu, Yi-Lin	Father and son	16,257	135.32

Where the counterparty of equity pledge is a related party: None.

(V) Relationship information of anyone among the ten largest shareholders who is a related party, or is the spouse or a relative within the second degree of kinship of another:

As of April 16, 2018: Unit: Shares

NAME	SHARES HELD BY THE SHAREHOLDER SHARES HELD		SHARES HELD BY SPOUSE OR MINOR CHILDREN		SHARES HELD IN THE NAME OF OTHER PERSONS		LIST OF THE COMPANY'S 10 LARGEST SHAREHOLDERS WHO ARE RELATED PARTIES, SPOUSES, OR RELATIVES WITHIN THE SECOND DEGREE OF KINSHIP OF ANOTHER		REMARKS
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title (or Name)	Relations	
Paochien Company Limited	21,205,248	19.52	-	-	-	-	None	None	
Representative: Lu, Chin-Chu	0	0	-	-	-	-	None	None	
Chuan-De Investment Co., Ltd.	9,771,298	9.00					None	None	
Representative: Tu, Wan-Hsin	38,796	0.04					None	None	
Ding-Feng Investment Co., Ltd.	9,668,947	8.90	-	-	-	-	None	None	
Representative: Frank Lord	0	0	-	-	-	-	None	None	
Guang Rong Investment Ltd.	8,868,132	8.16	-	-	-	-	None	None	
Representative: Lim Boon Seng	0	0	-	-	-	-	None	None	
Growth Machine Development Co., Ltd.	7,626,523	7.02	-	-	-	-	None	None	

NAME	SHARES HELD BY THE SHAREHOLDER SHARES HELD		SHARES HELD BY SPOUSE OR MINOR CHILDREN		SHARES HELD IN THE NAME OF OTHER PERSONS		LIST OF THE COMPANY'S 10 LARGEST SHAREHOLDERS WHO ARE RELATED PARTIES, SPOUSES, OR RELATIVES WITHIN THE SECOND DEGREE OF KINSHIP OF ANOTHER		REMARKS
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title (or Name)	Relations	
Representative: Wei, Chi-Chuan	0	0	-	-	-	-	None	None	
Pao-Wang Investment Co., Ltd.	7,025,068	6.47	-	-	-	-	None	None	
Representative: Wang, Yan-Chin	0	0	-	-	-	-	None	None	
Huang, Ying-Lin	3,916,936	3.61	-	-	-	-	None	None	
Han-hsin Investment Co., Ltd.	1,930,813	1.78	-	-	-	-	None	None	
Representative: Luo, Shang-Yi	0	0	-	-	-	-	None	None	
Lan-shi-ta Investment Co., Ltd.	1,928,773	1.78	-	-	-	-	None	None	
Representative: Hsiao, Yu-Ting	0	0	-	-	-	-	None	None	
Fubon Securities Co., Ltd.	1,864,166	1.72	-	-	-	-	None	None	
Representative: Shi, Kang	0	0	-	-	-	-	None	None	

(VI) Number of shares held and percentage of the stake of investment in other companies by the Company, the Company's directors, supervisors, managerial officers, or a company directly or indirectly controlled by the Company, and calculations for the consolidated shareholding percentage of the above categories

December 31, 2017; Units: thousand share; %

Reinvestment (Note 1)	Investment by the Company		Investments by the directors, supervisors, managerial officers, and companies directly or indirectly controlled by this Company		Composite Investment	
	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)
Nan Pao Chemical Company 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
Nan Pao Electronic Material Company	4,000,000	100.00	-	-	4,000,000	100.00
ITLS International Development Co., Ltd.	30,500,000	100.00	-	-	30,500,000	100.00
Prince Pharmaceutical Co., Ltd.	14,500,000	49.90	-	-	14,500,000	49.90
PHYMED BIO-TEC CO., LTD.	1,600,000	100.00	-	-	1,600,000	100.00
Biorich Biotechnology Co., Ltd.	6,412,054	57.06	-	-	6,412,054	57.06
Nan Pao Advanced Materials Co., LTD.	350,000	70.00	-	-	350,000	70.00
Hsin Chung Industrial Co., Ltd.	1,500,000	30.00	-	-	1,500,000	30.00
Fuqing Nan Pao Investment Limited	4,990,000	100.00	-	-	4,990,000	100.00
Thai Nan Pao Investments Limited	5,282,000	100.00	-	-	5,282,000	100.00
Nan Pao Resins India Pvt. Ltd.	3,000,000	100.00	-	-	3,000,000	100.00
Nan Pao Materials Vietnam Co., Limited	Note 2	100.00	Note 2	-	Note 2	100.00
Nanpao Advanced Materials Vietnam Co., Ltd.	Note 2	100.00	Note 2	-	Note 2	100.00
Nan Pao Overseas Holdings Limited	59,584,333	100.00	-	-	59,584,333	100.00

Profit Land Limited	983,333	73.75	350,000	26.25	1,333,333	100.00
All Saints Enterprises Limited	5,452,549	54.53	4,547,451	45.47	10,000,000	100.00
Onging Profits Limited	1,560,000	32.18	3,287,546	67.82	4,847,546	100.00
PT. Indo Nan Pao Resins Chemical	2,756,250	49.00	1,040,625	18.50	3,796,875	67.50

Note 1: Long-term investment calculated by equity method

Note 2: Number of shares is not applicable for limited companies.

Chapter IV Capital Overview

一、Source of Capital Stock

Source of capital shares

1、Types of shares

April 16, 2018; unit: shares

Types of shares	Authorized capital stock			Remarks
	Shares outstanding	Unissued shares	Total	
Common shares	108,620,780	91,379,220	200,000,000	

2、Formation of capital (changes in the last five years until the date of publication of this Report)

April 16, 2018

Year and month	listed Price	Authorized stock		Paid-in capital		Remarks		
		Number of shares	Sum	Number of shares	Sum	Source of capital shares	Equity contributions made in the form of assets other than cash	Others
November 2013	45.6	80,000,000	800,000,000	76,893,196	768,931,960	Capital cash increase NT\$ 28,747,520	-	December 11, 2013, authorized by Letter No. 10201247200
October 2014	10	200,000,000	2,000,000,000	88,427,175	884,271,750	Capital Surplus Transferred to Capital NT\$115,339,790	-	December 3, 2014 authorized by Letter No. 10301240220
August 2015	10	200,000,000	2,000,000,000	92,848,500	928,485,000	Capital Surplus Transferred to Capital NT\$ 44,213,590	-	September 21, 2015 authorized by Letter No. 10401197620
August 2016	10	200,000,000	2,000,000,000	97,490,961	974,909,610	Capital Surplus Transferred to Capital NT\$ 46,424,270	-	September 22, 2016 authorized by Letter No. 10501228350
December 2016	70	200,000,000	2,000,000,000	103,490,961	1,034,909,610	Stock option conversion NT\$ 60,000,000	-	January 20, 2017 authorized by Letter No. 10601007990
June 2017	180	200,000,000	2,000,000,000	106,490,961	1,064,909,610	Capital cash increase NT\$ 30,000,000	-	June 27, 2017 authorized by Letter No. 10601083750
August 2017	10	200,000,000	2,000,000,000	108,620,780	1,086,207,800	Capital Surplus Transferred to Capital NT\$ 21,298,190	-	August 18, 2017 authorized by Letter No. 10601115930

3、Reporting system: not applicable

Shareholder structure

April 16, 2018

Shareholder structure Quantity	Government institutions	Financial institutions	Other corporations	Foreign institutions and foreigners	Natural persons	Total
Number of people	0	4	46	9	1,208	1,267

Shareholder structure Quantity	Government institutions	Financial institutions	Other corporations	Foreign institutions and foreigners	Natural persons	Total
(individual)						
Shares held (# of shares)	0	2,989,969	69,523,511	11,737,089	24,370,211	108,620,780
Shareholding percentage	0	2.75%	64.00%	10.81%	22.44%	100.00%

Note: shareholding ratio from Chinese investor is 0%.

Diffusion of Ownership (Common Shares)

1、Ordinary shares:

April 16, 2018

Shareholder Ownership (Unit: Share)	Number of shareholders	Shares held	Shareholding Percentage
1-999	204	29,830	0.03%
1,000-5,000	593	1,221,982	1.12%
5,001-10,000	146	1,034,261	0.95%
10,001-15,000	65	780,919	0.72%
15,001-20,000	35	614,066	0.57%
20,001-30,000	45	1,088,274	1.00%
30,001-40,000	37	1,287,737	1.19%
40,001-50,000	15	682,073	0.63%
50,001-100,000	46	3,115,855	2.87%
100,001-200,000	33	4,952,812	4.56%
200,001-400,000	19	5,586,366	5.14%
400,001-600,000	8	3,909,952	3.60%
600,001-800,000	2	1,295,870	1.19%
800,001-1,000,000	6	5,517,647	5.08%
1,000,001 shares and more	13	77,503,136	71.35%
Total	1,267	108,620,780	100.00%

2、2. Preferred shares: The Company has not distributed preferred shares.

List of Principal Shareholders

Names, numbers of shares held, and shareholding percentage of shareholders who hold more than 5% of the shares or the 10 largest shareholders:

April 16, 2018

Name of substantial shareholders	Shares	Shares held	Shareholding Percentage
Pou Chien Chemical Co., Ltd.		21,205,248	19.52%
Chuan-De Investment Co., Ltd.		9,771,298	9.00%
Ding-Feng Investment Co., Ltd.		9,668,947	8.90%
Guang Rong Investment Ltd.		8,868,132	8.16%
Growth Machine Development Co., Ltd.		7,626,523	7.02%
Pao-Wang Investmetn Co., Ltd.		7,025,068	6.47%
Huang, Ying-Lin		3,916,936	3.61%
Han-hsin Investment Co., Ltd.		1,930,813	1.78%
Lan-shi-ta Investment Co., Ltd.		1,928,773	1.78%
Fubon Securities Co., Ltd.		1,864,166	1.72%

Disclosure of the Share Prices and Related Information for the Past Two Fiscal Years

Unit: NT\$1,000; 1,000 shares

Item		Year	2016	2017
Dividend per share	Max		Not on the market (unlisted)	Not on the market (unlisted)
	Min			
	Average			
Net value per share	Before issuance		65.64	68.65
	After issuance		60.49	63.65 (Note)
Earnings per share	Weighted average		99,474	107,225
	Earnings per share	Before retroactive adjustment	13.59	8.22
		After retroactive adjustment	13.32	-
Dividend per share	Cash dividend		5	5 (Note)
	Stock grants	Stock dividends from retained earnings	-	-
		Dividend for paid-in capital	0.2	-
	Cumulative unpaid dividends		-	-
Return on Investments Analysis	Price/Earnings Ratio		Not on the market (unlisted)	Not on the market (unlisted)
	Price/Dividend Ratio			
	Cash Dividend Yield Rate			

Note: The motion for distribution of net income was passed by the Board of Directors on April 12, 2018, and is pending for resolution from the Shareholders' Meeting.

Dividend Policy and Earnings Distribution Implementation Status

1. Dividend Policy

If undistributed revenue is present after the closing of the fiscal year, the Company shall distribute the earnings in the following order:

- (1) Pay taxes.
- (2) Offsetting losses in previous years
- (3) Appropriating 10% to be the statutory surplus reserve.
- (4) Other special surplus reserve recognized or reversed in accordance with laws and regulations or competent authorities.
- (5) A proposal for the distribution of the remaining earnings, plus the accumulated undistributed earnings will be drawn up by the Board of Directors for the approval by the shareholders' meeting.

As the Company is in a stage of robust growth, after taking into account of the Company's current and future development plan, the dividend policy of the Company is to set aside no less than 10% of distributable earnings as shareholders' dividends and bonuses. Dividends may be distributed by way of the combination of cash dividend and stock dividend, in which cash dividend may be 20% to 100%, with stock dividend ranging from 0% to 80% of the total dividends.

However, to maintain the profitability of Company shares, in consideration of the effects of dividends on the Company's business performance, if EPS has declined by more than 20% YoY in the year of dividend distribution, the Board of Directors shall draw up an earnings distribution plan and appropriately adjust the amount and ratio of

dividend payout, and dividend payout will be processed upon approval from the shareholders' meeting.

- 2、The status of shareholders' meeting on approving the proposal for the distribution of 2017 earnings:

On April 12, 2018, the Board of Directors had passed the resolution for the distribution of net income for 2017 and proposes to distribute the cash dividend of NT\$5 for each share based on the outstanding 108,620,780 shares at the time of resolution. Ex-dividend date will be established upon resolution from the General Shareholders' Meeting.

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

Compensation for employees, directors, and supervisors

- 1、Quantity or scope of compensation for employees, directors, and supervisors as prescribed under the Articles of Association:

Pursuant to Article 25 of the Company's Articles of Association, the Company will allocate 2% to 6% as employee compensations and no higher than 3% as directors' and supervisors' compensations from the pretax income after deducting compensations for employees, directors, and supervisors.

- 2、The basis for estimation of the compensations to employees, directors, and supervisors in the current period, the basis for calculation of the number of shares for employee compensations distributed by stock, and the accounting treatment used when there are differentials between the actual distributed amount and the estimated amount:

The basis for estimation of the compensations to employees and directors in the current period is the most appropriate estimation of the possible distributable amounts in the past, and the compensations have been recognized as the current expense. When discrepancies are found in the actual distributions and the estimates, the differences will be treated as changes in estimate and recognized as profit and loss during the year of actual distribution. The actual appropriated remuneration for employees and for Directors and Supervisors in 2016 was consistent with the assessed amount in the Individual Financial Report of 2016.

- 3、Status of compensation distribution as approved by the Board of Directors

- (1) For the appropriation of net income in 2017, the Board of Directors meeting had already resolved to distribute NT\$35,000 thousand as compensations for employees, and NT\$18,000 thousand as compensations for directors on April 12, 2018. No discrepancies were found in the actual sums and the recognized estimated expenses.

- (2) The Company did not allocate shares as employee compensations in 2017.

- 4、Actual distribution of compensation to employees, directors, and supervisors (including the number, sum, and price of shares distributed), and where there were discrepancies with the approved compensation for employees, directors, and supervisors, describe the sum, the cause, and treatment of the discrepancy:

No discrepancy was found between the actual distribution of compensation to employees, directors, and supervisors and the approved compensations for employees, directors, and supervisors in 2016.

Status of Shares Buyback: None.

Status of Corporate Bonds: None.

Status of Preferred Stocks: None.

Status of GDR/ADR: None.

Status of Employee Stock Option Plan:

Employee stock option plans processed in 2016 were matured on December 31, 2016, and have been fully carried out.

New Employee reserved share rights handing: None.

Mergers or transferee to other companies and issuance of new shares: None.

Implementation of Budget Decisions:

The Company does not have private offering of marketable securities. The funds raised in the cash capital fundraising in 2017 have been used to replenish working capital in Q3 2017 and have been fully implemented. Therefore, as of one quarter before the publication date of this Annual Report, there have been no previous issuance or private placement of marketable securities that have not been completed, or that have been completed but are yet to record any benefit within the past three fiscal years.

Chapter V Business Operations Overview

一、Service Content:

Business Scope

1、Main Businesses

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

2、Proportion of Revenue from Major Products:

Unit: NT\$1,000

Item	2016		2017	
	Operating revenue	Proportion of Revenue (%)	Operating revenue	Proportion of Revenue (%)
Adhesives	10,615,265	73.34	10,414,902	71.26
Coatings	1,217,814	8.41	1,485,410	10.16
Others	2,640,706	18.25	2,714,696	18.58
Total	14,473,785	100.00	14,615,008	100.00

3、Current Company Products (Services):

Item	Use	Application industry
Adhesives	Various shoe material adhesives, upper lining fitting adhesive, hem adhesive, board lasted constructions adhesive, edge banding glue, plywood lining glue, curved packaging glue, membrane press adhesive, particle board glue, medium density fiberboard glue, yellow latex adhesive, polyurethane adhesive, finger joint adhesive, plywood glue, veneer plywood glue, furniture foam fitting adhesive, etc.	Industries including footwear, woodwork, construction and interior decoration, textile, and flexible packaging
Coatings	Metal/Wood decorative coating and functional coating, interior/exterior wall decoration and waterproof coating, interior decoration board material coating, metal component protection, and energy savings and thermal insulation	Industries including construction and waterproofing, furniture, car components, sports equipment, general hardware, woodcrafts, corrosion protection, bathroom appliances, and equipment

4、Projected new product development:

Item number	Items	New R&D technology or improvement project
1	Environmentally-friendly water-based leather resin glue	Solvent-less water-based PU coating applications
2	Water-based woodwork resin	Solvent-less water-based resin base coat

Item number	Items	New R&D technology or improvement project
	coating	and top coat
3	3D printed shoes material	Innovative material for automated 3D printed shoes
4	Water-based thermal insulating green coating	Low VOC, high-reflective thermal blocking, thermal transfer blocking
5	Woodwork lamination PUR (reactive PU)	Low processing temperature, formaldehyde-free, VOC-free, used with WPC (wood-plastic composite material made with recycled plastic)
6	Carbon fiber composite material	High Tg (glass transition temperature), high-strength, high flame-retardancy, low processing period
7	Optically clear adhesive	High transmittance, interstitial filling, age-resistant
8	Polarizer glue	age-resistant, low light-leakage
9	Water-based hydrolysis resistant PU glue for shoes	High-adhesion, heat-resistant, and hydrolysis resistant
10	Solvent-less fast thick PU coating	Solvent-less PU top coating applications
11	Computer, communication, and consumer electronics component coating	Environmentally-friendly water-based/powder coating
12	Automotive interior binding heat-resistant hot melt adhesive	Secondary activation processing, enhance heat-resistance and adhesion
13	Biomass can coating development	Biomass bisphenol A free epoxy coating

Industry Overview

Based on the classification of chemical substances, chemicals can be divided into two categories, bulk chemicals, and specialized chemicals. As shown in the table below, bulk chemicals have the characteristics of a simple composition, large output, and low profit, such as general-purpose plastics. Because of its simple composition, users of bulk chemicals can easily change suppliers without affecting the use of the products. Alternatively, specialized chemicals are high value-added chemicals with unique properties, which are often compounds or have mixed formulas, and the function of the product is affected by the composition. As users often have limited consumption of special chemicals, they are often produced in batches during production. Of all products used by users, specialized chemicals often account for a relatively smaller ratio. Therefore, users are often unwilling to risk changing suppliers. And users of specialized chemicals also have greater loyalty to suppliers than users of bulk chemicals.

Categories and Features of Chemicals

Product Category	Product Features
Commodity Chemicals	<ul style="list-style-type: none"> •Sales is only based on the chemical composition. •Pure chemical substance •Easy to replace suppliers •Mass produced with less added value
Specialized Chemicals	<ul style="list-style-type: none"> •Rarely pure chemical substances, but composite substances or formula

	<ul style="list-style-type: none"> •Usually industrial products produced in batches •Only a small part of customer’s cost •Sales is based on the functionality. •Has the highest added value
--	--

Source of Information: Industrial Technology Research Institute IEK(2016/05)

Synthetic resin is one of the important specialized chemical products of our country and is widely used in products of the coatings, paints, inks, adhesives, plastics, textile, aerospace, medical, electronics, and information technology industries. The synthetic resin industry and the plastic manufacturing industry are downstream industries of the petrochemical industry. The 5 most widely adopted products are polyester (PE), polypropylene (PP), polystyrene (PS), polyvinyl chloride (PVC), and acrylonitrile butadiene styrene (ABS) epoxy resin.

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

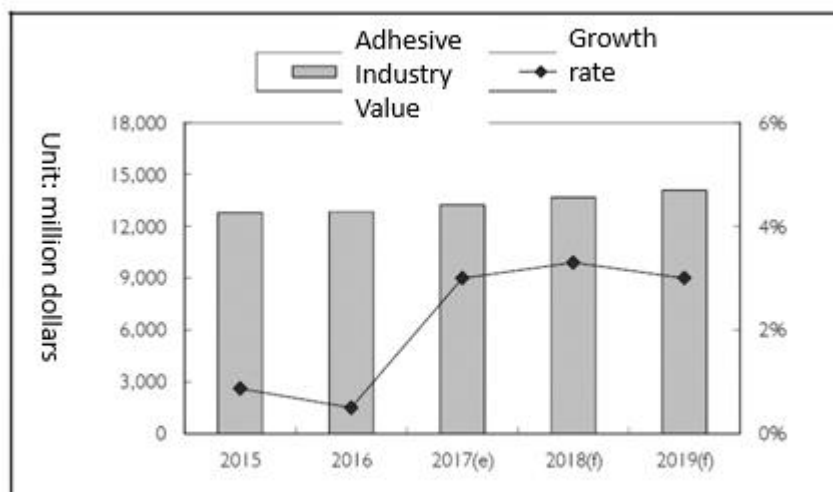
1、Current state and development of the industry

(1) Overview of the Adhesive Industry

Adhesives have qualities such as extensive applications, easy to use, high economic benefits, and rapid development. Adhesives have garnered increased attention over the years with economic development and technological advancement; moreover, as applications encompass both industrial and commercial use, the adhesive industry is a critical support industry for many industries as they develop. Therefore, though it is a traditional industry, its development should not be easily overlooked.

In 2016, the scale of the global adhesive industry had increased to US\$12,854 million. As the oil prices had continued to remain at low levels, the prices of certain products had been sluggish. Hence, the market size had only grown by 0.5% compared with 2015. Looking to the future, as global crude oil supply begins to even out and the negative effects of declining oil prices have slowly recovered, we anticipate that the market scale of the global adhesive industry will show stable growth at a compound annual growth rate of 3% in 2017.

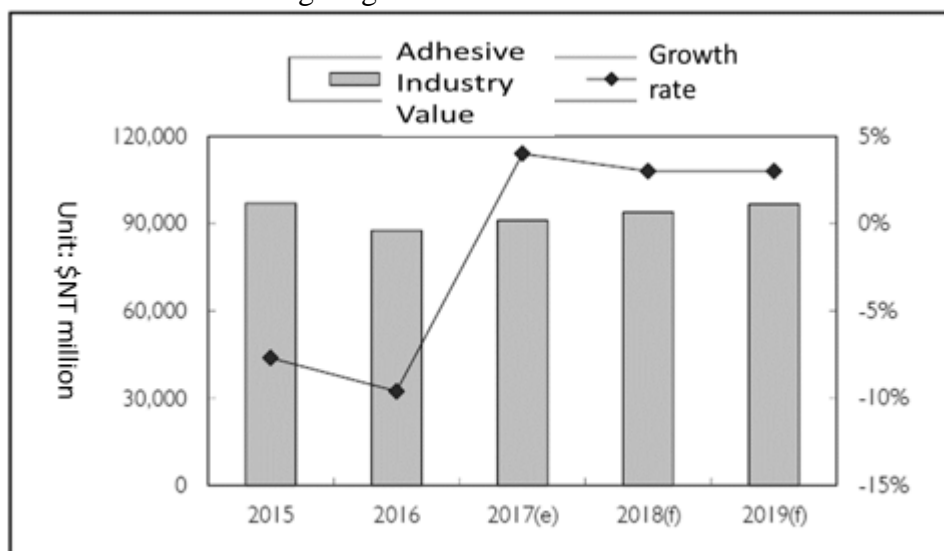
The trend analysis of global adhesive industry output value from 2015 to 2019 is shown in the following table:



Source: Industrial Technology Research Institute

In 2016, as global oil prices remained low, the price of adhesive raw materials and products plummeted. The output value of Taiwan's adhesives showed a 9.6% decline compared with 2015, and the output value was NT\$87,615 million. In 2017, as global crude oil supply and demand had gradually reached a balance, oil prices had slowly increased, which was conducive to the increase in the price of adhesive raw materials and products. It is expected that the output value of Taiwan's adhesives will be raised to NT\$91,120 million. As the global economy is projected to show steady growth from 2017 to 2019, Taiwan's adhesive industry value will also show sound growth.

The trend analysis of Taiwan's adhesive industry output value from 2015 to 2019 is shown in the following diagram:



Source: Industrial Technology Research Institute (2017/04)

Nan Pao is the leading manufacturer of PVAc adhesives in Taiwan and is renowned for the 815 water-based emulsion paint in the industry. In the past, Nan Pao primarily relied on itself for research and development and mainly focused on PU resin, water-based PVAc, EVA, and acrylic epoxy, powder coating, liquid coating, yellow glue, chloroprene graft copolymer, epoxy, phenol formaldehyde resin, and other shoe materials and agents. In the recent years, Nan Pao has been cooperating with third parties, the government, and the academia,

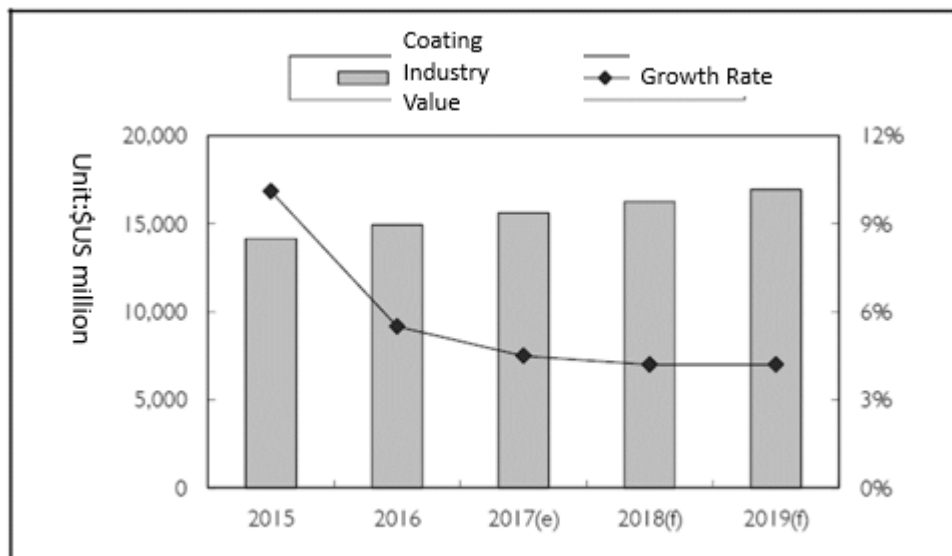
as well as hiring external consultants to enhance the exchange and improvement of technical expertise, and to expand our research field into water-based PU, PU hot melt adhesives, specialized nanocoatings, specialized hardening type adhesives, and water-based plywood glues.

Furthermore, Nan Pao is also transitioning to grouping management and globalization. Apart from continuing the development in China, the subsidiary Nan Pao Resins Vietnam Co., Limited began to manufacture PVAc adhesives and coatings for mobile devices in 2005 and started to manufacture products like insulating varnish for electronics, PVDF powder coating, energy saving insulating coating, and anti-static powder in 2006. In 2008, the Nan Pao Resins Vietnam Co., Limited powder coating factory was established, which completed the strategic layout of Nan Pao Group in Southeast Asia. In 2009, Nan Pao began to develop its biotech business and diversify its business scope.

(2) Coating Industry Overview

In the coating product and coating application market, the main terminal applications can be classified into three types, construction, industrial, and special application coatings. Construction coatings account for the largest market, which is followed by industrial coatings (such as automotive OEM coatings, steel coatings, etc.), and other special application coatings, such as automotive paint, industrial maintenance coatings, and vessel coatings. The global demand for coatings is projected to reach 54.7 million tons by 2020 with an average annual growth of 3.7% and will reach US\$19,300 million in value.

The trend analysis of the global coatings market scale from 2015 to 2019 is shown in the following table:

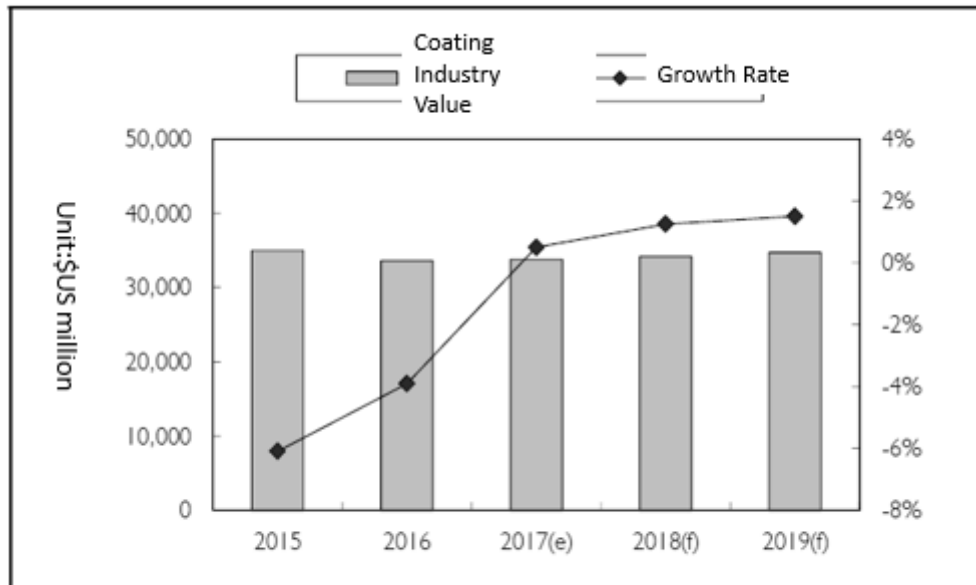


Source: Coating world/Industrial Technology Research Institute (2017/04)

In 2015, the global economic growth was not as positive as the international estimates. Not only were estimates revised with a downward trend, but the economic growth had also been sluggish compared with 2014. The domestic market for coatings in Taiwan also showed a downward trend. In the export market, the largest exporter for Taiwan's coatings is China. With the improvement of production technology and quality of Chinese paint factories in recent years, Taiwanese manufacturers have also improved their own quality and technology. Even so, the global economic growth had still remained sluggish in 2016, and the domestic market for coatings in Taiwan had also shown a downward trend accordingly. In the export market, the largest exporter for

Taiwan's coatings is China. With the improvement of production technology and quality of Chinese paint factories in recent years, Taiwanese manufacturers have also improved their own quality and technology. Even so, in 2016, the total output of Taiwan's coatings had still decreased by 432,111 metric tons compared to 2015, with a growth rate of 0.8%. The output value was NT\$33,606 million, which showed a YoY decline of 3.9%. The total revenue of Taiwan's coatings decreased by NT\$1,307 million compared to 2015. Price per unit had also dropped from NT\$81.3 per kilogram in 2015 to NT\$77.4 per kg in 2016.

The analysis of Taiwan's coating production trends from 2015 to 2019 is shown in the following table:



Source: Department of Statistics, MOEA / Industrial Technology Research Institute (2017/04)

Nan Pao has continued to invest in biotechnology and material technology industries in recent years and established Yuansheng Biotechnology, Foshan Nan Pao Advanced Materials Co., Ltd., Nan Pao Applied Materials in 2009, and Biorich Biotechnology Co., Ltd. in 2010. Strategically, Nan Pao focuses on producing environmentally-friendly coating products, developing specialized chemicals and materials, and providing high value-added products and services. The directions of product development include water-based PU resin, high solid content PU resin, water-based PVAc, high-value powder coatings, electronics coatings, flame retardant coatings, water-based coatings, high-performance yellow glue, and eco-friendly and water-based shoe processing agents and sprays.

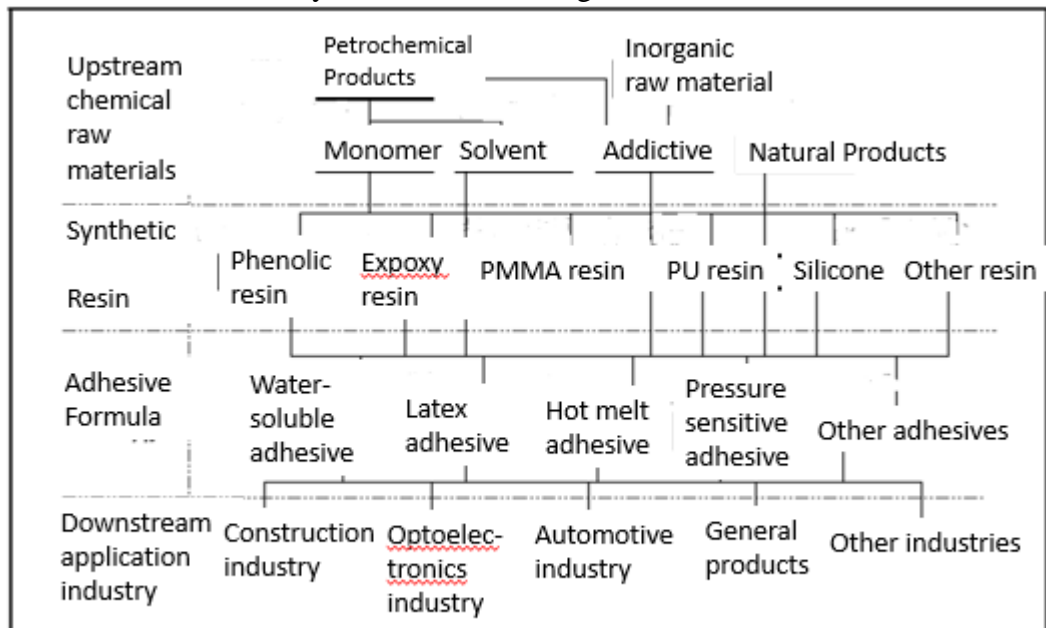
In the future, under the restrictions of environmental protection policies of each country, the increase in the applications of eco-friendly water-based coatings and solvent-less coatings on constructions, as well as the increase in demand for functional coatings like energy saving, fire retardant, and self-cleaning coatings for various industrial products, including vehicles and steel, are the driving force for the expansion of the coatings market.

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

(1) Adhesive industry:

Adhesives are synthesized from the compounds, additives, solvents, and

natural compounds extracted from the upstream petrochemical materials, and are widely used in shoemaking, plywood, electronics, automobile, construction, fiber processing, tape, furniture, paper, and aerospace industries. Please see the vertical adhesive industry structure as the diagram below:

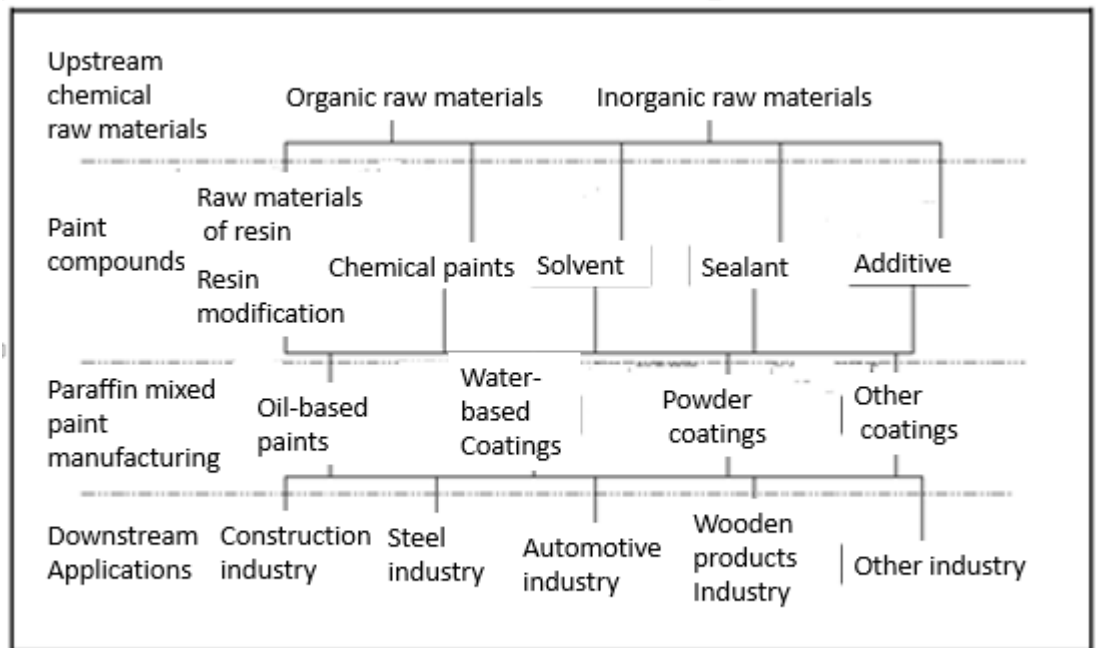


Source: Taiwan Synthetic Resin & Adhesives Industrial Association; ITRI

(2) Coatings industry:

Coating products are formulated products that combine many raw materials. Common primary components include resin, pigments, solvents, fillers, and additives. Common resins include polyester resin, acrylic, and polyurethane resin; pigments include white TiO₂ and CaCO₃ powder. The third component, solvents, include toluene, xylene, isopropanol, water, etc.; fillers are mainly used to increase the coating thickness and reduce cost, with different physical and chemical properties depending on the various types, including calcium carbonate, talcum powder, mica powder, and silicates, and additives are used to give coatings properties like being easier to apply or stability. Common additives are anti-foaming agents, film-forming aid, dispersing agent, and thickener. Although the 5 aforementioned substances are parts of the ingredients of coatings, they belong to the upstream industries of the coating industry and are not classified as products of the coating industry.

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



Source: Industrial Technology Research Institute (2017/04)

3、Trends in the development of various products

(1) Adhesive products

In terms of adhesives, they have very wide applications and are often used in the commercial and construction industry, and in particular in compound panels, furniture, and footwear products. In recent years, many manufacturers in Taiwan have been producing adhesives for packaging in the electronics and optoelectronic industries and are actively developing products with higher added value. Currently, the major trends for development are products with low formaldehyde emissions and specialized hot melt adhesive products. The primary reasons for low formaldehyde emission products are that they are part of the environmental requirements for wood-based panel building materials and government regulations. Therefore, water-based polyurethane and water-based neoprene-type adhesives are some of the most popular developmental objectives. Moreover, as hot melt adhesives do not contain organic volatiles, and spilled adhesives can be reused if not contaminated, they are widely accepted by the market. Certain specialized hot melt adhesive products have also garnered better market demand due to swift construction and high adhesive qualities. Therefore, in addition to the traditional EVA hot melt adhesives, the Company is also attempting to develop other specialized compound hot melt adhesives.

In terms of the footwear industry, footwear adhesives have the widest applications in terms of footwear materials, and such adhesives are also valuable products. Once defects start to form, shoes may no longer be of good use. However, currently, footwear adhesives are mostly solvent-based polyurethane adhesive, which may pose harm to the human body when it vaporizes. Therefore, Taiwanese manufacturers have already begun developing triphenyl-free adhesives that do not contain solvents such as toluene, benzene, xylene, etc., to reduce the impact of chemical substances on the environment and the human body. In addition, as solvents may harm the human body and the environment, countries have also established relevant regulations to restrict the use of certain solvents that pose greater impacts on the human body and the environment. Therefore, the Company has begun to develop low-solvent and water-based adhesives to comply with environmental trends and to maintain our competitive

advantage. In recent years, due to rapid changes in human rights and compensation structure, footwear companies have begun demanding for automation, and the Company also strives to keep up with such trend in terms of developing footwear adhesives and 3D printing of footwear materials.

(2) Coating Products

In terms of coating, the coating industry chain in Taiwan is mostly divided into upstream chemical raw materials, mid-stream coating compounds, coating production, and the downstream application industry. Coating products mostly include construction, vessel, and metal shield applications, and the special coating materials for computer, communication, and commercial electronic products are still mostly imported from the United States and Japan. In recent years, as consumers pay increasingly more attention on air quality at home and for their health, and domestic and international environmental regulations on coating product specifications have become even more rigorous, domestic and international coating products have become more environmentally-friendly, energy-saving, and with higher added-value. The so-called environmentally-friendly and energy-saving coatings are friendly to the environment and the human body, as well as heat insulation coatings through the combination of infrared reflection and low thermal conductivity. Currently, environmentally-friendly coating products such as nano-photocatalyst coatings, water-based coatings, UV curable coatings and powder-based coatings that do not use solvents all possess qualities such as low pollution and low toxicity. Other high value-added products are coating products such as anti-fouling coatings, high-durability coatings, and nanocoatings. Among them, anti-fouling coatings have the advantages of reducing the number of cleaning needed and help to conserve cleaning costs. High durability coatings such as fluororesin coatings that have a longer life cycle can last up to 20 or even 30 years or more. In addition, the use of nanotechnology to develop nanocoatings, such as antibacterial, scratch-resistant, anti-fouling, high coverage rate, and other characteristics, is also a developmental objective of the coatings market. Currently, the development of nanocoatings is relatively more mature in Japan and the United States, while the nanocoatings in Taiwan are also used in the metal, machinery and electronics industries. ITRI is also actively investing in research and development of nanocoating technologies to achieve properties such as anti-fouling, self-cleaning, and waterproofing.

(3) Forward-Looking Production Project

A、Fiber Reinforced Polymers

Carbon fiber is seen as one of the high tech materials with the most potential in the 21st Century, while epoxy resin is a key raw material for carbon fiber reinforced polymers (CFRP). Initial products are primarily halogen-free flame-resistant carbon fiber prepreg materials and composites and are used as the base material for carbon fiber molding and processing. Normally the resin used by CFRP materials are flammable and adding flame-resistant agents not only lowers the physical and chemical properties of CFRP but is also an uncertainty in the process and can result in lower yield and quality. Nan Pao expands the applications of carbon fiber reinforced composite materials by improving and shortening the processing of carbon fiber composite materials, using enhance halogen-free flame-resistant materials, increasing the strength of the carbon fiber composites, simplifying post-processing procedures, and increasing yield and process ability of the final product. At the same time, Nan Pao breaks the constraints placed on CFRP by the lower halogen and flame resistant requirements of RoHS and UL94-V0 regulations in the 3C

electronics, construction materials, automobile, and aerospace industries. Furthermore, Nan Pao reduces the costs of CFRP products by having higher yields and finally makes CFRP meet the requirement of energy efficiency.

B 、 3D Printed Material Products

3D printing and laminate manufacturing technologies continue to improve, and a wide range of materials such as nickel alloys, carbon fibers, glass, conductive inks, electronics, pharmaceuticals, and biomaterials are already available. These innovative technologies continue to drive user demand. In addition, applications have also been expanded to even more industries, including aeronautical, medical, automobile, energy, and military. As materials suitable for 3D printing continue to expand, it is anticipated that output produced using 3D printing will achieve an annual compound growth rate of 64% before 2019. Under such advancement, we need to rethink the assembly and supply chain processing to make 3D printing technology even more effective. 3D printing can digitally disseminate production data to each production facility. Such digital manufacturing is one of the core concepts of “smart production” and “Industry 4.0” that the industry has been discussing over the past few years.

The manufacturing method of 3D printing products has been changed from the traditional “subtractive manufacturing” to the “additive manufacturing”. This technology can quickly produce prototypes for design appraisal and simulation, and can even directly serve as functional components. Nevertheless, 3D printing still faces the difficult technical challenge of mass production. Compared to the traditional subtractive manufacturing procedures, laminated manufacturing is slower, and the precision and completeness of materials are also inconsistent. However, as the technology gradually expands to the mass market, 3D printing could potentially send the manufacturing industry into a revolution.

The Company has used our material research and development team to develop environmentally-friendly, biodegradable materials PLA and elastomer TPU, and developed and tested 3D printing machines and technologies through industry-academia cooperation. As we have established a long-term partnership with footwear companies, our initial R&D can be applied to the customized smart production of the mid and bottom sole, enabling the Company to continuously advance along with the major footwear companies.

C 、 Biomass products

Currently, the chemical engineering industry is still highly reliant upon petroleum raw materials, but relevant research has indicated that in the not too distant future, we will have fully exploited the scarce petroleum materials, and their waste will be difficult to degrade and process. On the other hand, natural, biomass materials are abundant and more friendly to the environment. Therefore, chemical engineering technologies have also actively turned toward the applications and developments of biomass materials. In addition, greenhouse gases produced from using petroleum materials have led to greenhouse effect and global warming, which are all pressing environmental issues. Because of these issues, the consumption and development of biomass materials and products have garnered more and more attention. Biodegradable, high biomass has become the focus due to its eco-friendly property. By using lignin to synthesize epoxy resin in place of bisphenol A (BPA), not only can we reduce the problem of environmental hormones, but we can also make food coating safer, as well as reduce the

carbon emissions during production processes. Therefore, biomass raw material and product applications will be the R&D objective and key points in our future.

D、Fluorine-free water repellent material products

In recent years, there has been increased awareness of environmental protection, and Greenpeace also released the results of 40 outdoor functional products for inspection in a German laboratory. It was found that up to 90% of products contained PFCs, which may affect the reproductive and immune systems. Animal experiments have also shown that some perfluorinated compounds may cause cancer. Currently, the EU and Norway have imposed various degrees of restrictions on the use of Long-Chain Perfluorinated Chemicals (PFCs) to varying degrees. The ZDHC Alliance even expects to achieve the goal of non-fluorination by 2020. Therefore, major textile producers, garment factories, and footwear factories have begun to look for fluorine-free, environmentally-friendly products to produce non-toxic, environmentally-friendly functional clothing and fabrics. Though PFC-free water-repellent treatment agents are already in trend, most of the fluorine-free products available in the market exist problems such as poor reaction effects, overly high production costs, or poor pH rate stability. Based on these factors, in response to international environmental requirements, Nan Pao has invested in the development of environmentally-friendly fluorine-free water-repellent agent. Besides excluding APEO, the agent also does not contain any PFCs, which helps achieve positive water-repellent effect without containing fluorine carbons. Since the fluorine carbons prohibited by the ZDHC are eliminated from the agent; the new agent also reduces human contact hazards and environmental impacts.

4、Competition

(1) Adhesive Business

The applications of adhesives are wide and varied, and average commercial use, construction engineering, and electronic materials all contain applications. Since the business has numerous downstream vendors, the demand of each downstream business will all influence the revenue from adhesives. The source of competition for this business comes from the threat of alternative products, which overlap with this industry for certain functions, in particular, the industrial processing materials, which could replace the functionality of adhesive products, leading to external competition. Therefore, creating differentiated services and products with higher yield are the keys to maintaining a competitive edge. Moreover, for the footwear adhesive products, competition can be categorized as domestic and overseas. Domestic competitors include Great Eastern Resins Industrial Co., Ltd., while the largest overseas manufacturer is Henkel. In recent years, to save labor and operating costs, footwear OEM companies have gradually moved from coastal regions in China to inner China, or to other regions such as Indonesia, Cambodia, Myanmar, Bangladesh, or India. This causes the market for footwear adhesives to continue to change. Therefore, the critical competitive factor for footwear adhesive makers would be to cultivate existing markets and to actively expand new overseas markets such as the Middle East, North Africa, India, and other emerging markets.

(2) Coating Business

The largest domestic competitor for this business is Yung Chi Paint &

Varnish Mfg. Co., Ltd. Since common coating production procedures and its technical know-how and equipment are not complex, the barrier to entry is not high. Therefore, there is intense market competition, leading to price wars between competitors and inferior quality. In addition, after Taiwan has joined the WTO, the import duties for products in this industry have also been lowered, which leads to negative influences over the intensely competitive domestic market. Furthermore, due to intense market competition, vendors with greater economies of scale not only enjoy competitive advantage associated with their brand image, but they can also expand their operating sites, seize retail channels, and actively expand to export market. Furthermore, products with saturated colors, stable colors without fading or changing, and durability, can also enjoy more competitive advantages.

(一) Overview of Technologies and R&D

1、R&D investment in the most recent year, up to the publication of this Annual Report:

Unit: NT\$1,000

Items	2016	2017
Research and development expenses	328,653	386,662
Net operating revenue	14,473,785	14,615,008
Proportion of R&D expense on net revenue:	2.27%	2.65%

2、Successfully Developed Technologies and Products in the Most Recent Five Years:

Year	Technology or product
102	Epoxy resin green building material coating
	Reactive PU hot melt glue for shoes
103	Water-based PU glue for automated manufacturing (certified by NIKE)
104	Acrylic pressure sensitive adhesive for protective films
	Flame retardant carbon fiber reinforced resin and super lower pressure plate moulding technology
	Reactive PU Hot Melt Glue for Woodwork
105	Acrylic pressure sensitive adhesive for optics
106	Water-based UV processing agent for automated applications, high-performance water-based PU shoe glue NP500 (brushed, automated spraying)
	One-component water-based paint resin for shoes
	WPC floor laminating PUR
	Moisture hardening zinc powder primer
	Eco-friendly water-based metal paint
	Magnesium alloy laptop case powder coating
	Car interior binding-less heat-resistant hot melt adhesive
	Halogen-free flame-resistant epoxy thermosetting epoxy resin and fiber reinforced composite material

(二) Long-term and Short-term Development

1、Short-Term Development

(1) Marketing Strategy

A 、 Adhesives

- a 、 The year 2019 is the basis of our short-term goal. We plan to work with various machinery companies to innovate and develop products with wide applications to accelerate the promotions of automated production in order to lower labor cost and to double our productivity.
- b 、 The Company plans to collaborate with international chemical companies to co-develop new products and to provide innovative products to brands.
- c 、 We will assist brands to implement a policy of VOC reduction. For instance, in setting BPFC procedures, we will opt for environmentally-friendly water-based products in place of oil-based products.
- d 、 The Company will solidify mature markets and expand in line with the Chinese domestic market (set up offices in Huabei, Huazhong, and western China regions). In addition, we will also cultivate the Vietnamese market and build Ninh Binh Plant in northern Vietnam and Binh Duong Plant in southern Vietnam.
- e 、 The Company will also cultivate emerging markets and businesses in new locations, for instance, Myanmar, North America, and Latin America.

B 、 Coatings

- a 、 Liquid coating: Develop channels and actively promote products with high quality and competitiveness; expand and maintain public infrastructure construction in Taiwan, and cultivate the water-based industrial coating market in China.
- b 、 Powder-based coating: Work with demand from local markets and provide services to existing markets, as well as cultivate new export orders from new locations such as Latin America and Southeast Asia.
- c 、 Cultivate emerging markets and businesses in new locations, for instance, the Middle East and North Africa.

(2) Production Policy

- A 、 Simplify production processing, enhance equipment yield rate and productivity to achieve professional production and to lower costs.
- B 、 Confirm production methods and establish effective and reasonable production operational standards to increase yield and to achieve swift output scheduling.
- C 、 Reduce inventory and reinforce inventory management.

(3) Product Development Objectives

- A 、 Holding true to legal compliance and pollution prevention policy, and strive to develop environmentally-friendly products such as green, eco-friendly, and innovative products including water-based resin, solvent-free resin, and biomass materials.
- B 、 Facilitate customers to achieve their requirements for streamlined manpower and cost reduction; collaborate with customers to achieve simplified footwear production procedures and to achieve innovative automated production.
- C 、 Invest and explore new fields of application and to enhance the production efficiency and excellence of existing production procedures; implement the Company's sustainable management vision in practice, and increase the industry's added values.

2 、 Long-term Business Development Plan

(1) Marketing Strategy

- A、 Establish a professional project team to work with objectives and policies from global brands. Promote the craftsmanship and arts of automated footwear production and provide products needed by this innovation. Mutually expand the automated production sites in Europe and America, and provide a localized professional person of contact, onsite technical service personnel to timely problem-solving solutions.
 - B、 Promote water-based biomass products to lower carbon emissions from the upstream source, and to mutually achieve the goals of Global Climate Change Summit and international brands. Implement innovative materials, green, and environmentally-friendly materials that can be repaired, renewed, and reused to achieve social economic prosperity and sustainable development in the ecological environment.
 - C、 Move toward diversification, cultivate core technology, and cultivate emerging markets in terms of management direction for adhesive and coating products.
- (2) Production Policy
- A、 Continue to improve and review existing processes; automate the production control to enhance product quality and productivity.
 - B、 Control from the source to conserve energy and reduce waste, thereby enhancing the Company's competitiveness and image.
- (3) Product Development Objectives
- A、 Develop sustainable green products (e.g. high biomass PUD), conserve manpower through automated production, and reduce waste of water and carbon emissions.
 - B、 Enter industries with correlations to existing business, technology, and processes of our three major businesses.

二、 Market and Marketing Overview:

Market Analysis

1、 Main product sales area

Unit: NT\$1,000

Region \ Year	2016		2017	
	Sum	%	Sum	%
Taiwan	2,326,055	16.07	2,773,375	18.98
Asia	10,060,514	69.51	9,765,845	66.82
Oceania	1,732,567	11.97	1,762,867	12.06
Others	354,649	2.45	312,921	2.14
Total	14,473,785	100.00	14,615,008	100.00

2、 Market Share

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

According to the IEK 2017 Specialized Chemistry Industry Annual Overview from the ITRI, the global adhesive and coating product estimates in 2017 were

US\$13,239 million and US\$17,306 million respectively. The Company's global adhesive and coating market shares are 2.63% and 0.29% respectively.

3、Future Market Conditions and Growth

"Clothing, food, housing, and accessibility" are fundamental human needs. As a part of "clothing, housing, and accessibility," footwear, adhesives, and coating production will never go out of the market.

As the human standard of living continues to rise, people have also gradually consumed more footwear and required for more quality and functionality in their footwear. At the same time, footwear production is a "migrant industry," in which the major footwear production sites have migrated from Europe and the United States to Korea and Taiwan, and then China, over several decades. In recent years, they have also swiftly moved to Southeast Asian countries including Vietnam, Indonesia, and India.

As a professional footwear adhesive supplier, Nan Pao continues to keep a close eye on the footwear market and changes and trends in footwear adhesives and continues to be very involved in the industry. We continuously develop new products, add and adjust production service blueprints, and develop new regions and new markets. Over the years, we have accumulated many top-notch customers and production service experiences, forming our robust team that continues to improve. No matter what changes the global footwear industry, our business division will always have the competency to respond to future market changes, to continuously grow, and to achieve sustainable operations.

Currently, the annual market demand for coating around the world is 3%, and demand is estimated to reach 54.7 million tons around the world by 2020, with an annual production value of US\$193 billion. Asia and the Pacific region will be the largest, fastest growing coatings market. In 2020, the demand in these regions will rise to account for half of the world's demand, leading to high profitability. China will continue to be the world's dominant coatings market, while Southeast Asian countries and India will experience strong demand. Faced with such trends, the coatings industry will have great opportunities whether in construction coating needs due to urbanization or in industrial coating development due to industrialization. The coatings industry in Taiwan has mature technology and supply chain and will have high growth potential under such favorable market conditions.

4、Competitive Niches

Nan Pao's target markets are mostly various adhesives and construction, industrial, and furniture coatings. After years of development and faced with intense domestic and overseas competition, the Company has come to have the following competitive niches:

(1) Having operated for more than 50 years, we have built a positive Company reputation and stable customers.

Nan Pao has been founded for more than 50 years, and we have built a positive reputation and are positively acknowledged by our customers. Our customer groups are stable and most of whom are globally-recognized major companies with a stable customer base. We can also attract new customers and partners through word-of-the-mouth marketing to increase our revenues and profitability. In addition, since our customers all come from diverse industries and regions, we can diversify and lower the risk of market influence from a single industry or area. These are the Company's primary competitive niches.

(2) We have a complete product line to satisfy one-time needs and needs from different customer groups

Nan Pao's product line is complete, and we continuously improve product quality, while responding to and lead the trend of the product upgrade, gaining market opportunities and providing competitive prices. At the same time, we strengthen customer service and business through our strong sales and technical teams. Besides satisfying the one-time purchasing needs from customers, we can also enhance customer satisfaction level and receive steady orders.

(3) Strong R&D team

Nan Pao's solid research and development team continues to recruit and foster professional R&D and project management personnel. We actively and continuously innovate and develop key technologies and new products based on existing technologies and materials. For instance, we have successfully developed the world's first single-liquid (1K) water-based footwear adhesive and received the certification from various major sports goods brands. In addition, we have also successfully developed the first polyurethane optical protection polymer gel in Taiwan. In terms of coatings, we have also pioneered the industry in launching an insulation heat-proof paint to pursue green building materials; thereby achieving energy conservation and carbon reduction. The relevant technology has also received a patent in China. These efforts have helped the Company to achieve market-leading advantages.

5、The Favorable Factors and Unfavorable Factors of the Development Prospect and Countermeasures

(1) Advantageous factors

A. The global footwear industry has a mature development model and favorable

outlook

The global footwear industry has gradually formed a sophisticated and regular pattern whether in the technical development in footwear production, footwear supply chain formation, production migration, and cost control. As a professional footwear adhesive supply and service provider, Nan Pao has adapted to the development of the market and is able to respond quickly and effectively to various changes. Along with the development of the world economy and the improvement of people's living standards, the demand for footwear is on the rise, and the outlook for the footwear industry continues to be optimistic.

B. Outstanding R&D technical team with pioneering technical advantage

Relying on our excellent R&D technical team, Nan Pao can develop and launch new products according to the trend of the footwear adhesive industry to ensure our competitive edge. In addition, as the world's leading supplier of adhesives, the Group has been conducting various product application testing and innovation projects with some of the best footwear brands around the world and large-scale footwear groups. We actively research and develop, design, and create new products that are marketable, pioneering, and futuristic according to customer needs and quickly launch them to the market.

C. Extensive production and service, and ownership of proprietary key material production know-how and skills

Nan Pao's production and service sites are located throughout Taiwan, China, Southeast Asia, Australia, and India. We can provide various

products and timely and complete services for customers at their locations. During the migration movement of the global footwear industry, Nan Pao has always maintained a synergistic advantage of our extensive strategic layout to carry out “seamless transition” of customer service, leading to high customer loyalty.

D. Establishment of management information system to increase operational performance

Enterprise Resource Planning (ERP) has been established according to our plan, and the Company’s internal management continues to move toward systemization and computerization. We utilize the management information system (MIS) to enhance decision-making quality and increase operating performance, which benefits the Company’s future development.

E. Industry suppliers have a complete structure and good system

Adhesive and coating industries are mature industries throughout the world. The structure of our suppliers are complete and can meet the industry’s localized production needs. Since the supply system is complete, suppliers can work with Nan Pao to produce products with higher quality and functionality. Because we have ample suppliers, we are in a better position to provide customers with products with higher value for money.

F. Industry strategic layout is comprehensive, can seize markets with rapidly growing needs

(a) Nan Pao is actively planning strategies for Chinese and Southeast Asian export and domestic markets. Besides providing services to existing customers to achieve mutual growth, we also anticipate cultivating new business in new markets, creating a comprehensive domestic retail network.

(b) Nan Pao’s coating business has cultivated the Chinese market for many years, and Nan Pao coatings continue to receive awards such as China Top Brands and China Well-known Trademark, making us one of the very few Taiwanese companies to win such distinctions. Not only does this represent that we have begun to achieve positive effects from the Chinese market, but also that our products have received positive recognition from the consumers.

G. Being consumer- and customer-oriented to develop environmentally-friendly products with high functionality to maintain industry competitiveness

(a) To remain in line with the carbon reduction and environmentally-friendly trend, Nan Pao is the first to launch green products in the hopes of seizing opportunities in the green and eco-friendly market. We have also improved the functionality of the coating and reduced engineering procedures, lowering costs for customers.

(b) Nan Pao has launched water-based furniture coatings. The Company’s R&D team has successfully developed products with pricing and functionality that could rival oil-based furniture paints, and have been introduced at furniture plants for mass adoption. Under such conditions, we believe that Nan Pao can lead the trend and promotion of water-based furniture paints and maintain a market competitive niche.

H. Persisting on producing and selling high-quality products

The most important foundation for the survival and development of companies is to provide high-quality products, and the chemical

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

(2) Unfavorable Factors and Countermeasures

Disadvantageous factors	Response measures
A. Pressure from inflation of costs of raw materials	(1) Maintain long-term cooperation with decent suppliers, establish good relationships, and obtain favorable transaction prices and conditions. (2) Adopt joint procurement for bulk materials to reduce the price. (3) Moderately diversify the source of purchase to reduce supply-side pressure and risk. (4) Strengthen product R&D to lower costs through technical advantages.
B. Customers have turned from concentration to dispersion, leading to lower service costs.	(1) Set up localized service centers to reduce the costs of business trips. (2) Foster multi-functional talent to further enhance service efficiency.
C. Intensely competitive pricing	(1) Revise formulas to lower costs. (2) Continue to develop products with high margin and high functionality. (3) Strengthen the provision of integrated coating service to satisfy customer needs.
D. Environmental requirements are become even stricter	(1) Strengthen the development of water-based products (2) Strengthen the R&D and promotions of high-functionality eco-friendly powder-based coating. (3) Utilization and promotion of carbon-reducing, eco-friendly paints.

Major Uses and Production Process of the Primary Products

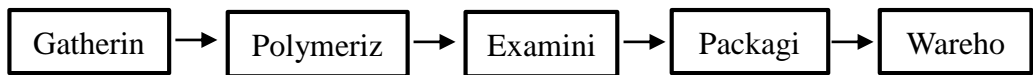
1、Key applications of the primary products

Main products	Product	Use	Application industry
Adhesives	Polyurethane adhesive	Various shoe material adhesives, upper lining glue, flanging adhesives, upper lining fitting adhesives, hem adhesives, shoe lasting adhesives, textile adhesives, pigment resin for printing, flocking adhesives, fabric stabilizer, starching agents, flannel primer, foam coating, fabric and EVA foam adhesive, fabric adhesive, plush adhesive, and various cloth processing	Shoe materials, textile, woodwork, construction, graphic art, and composite products
	CR rubber		
	Acrylic		
	Hot Melt Adhesive		
	Ethylene - Ethylene Vinyl Acetate		

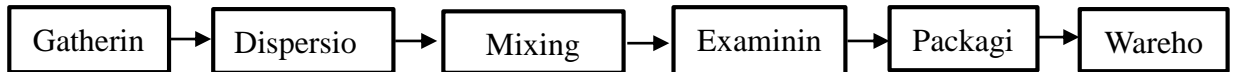
Coatings	Liquid Coating	Metal/Wood decorative coating and functional coating, interior/exterior wall decoration and waterproof coating, interior decoration board material coating, metal component protection, and energy savings and thermal insulation	Construction, waterproofing, anti-corrosion, equipment, and woodcraft
	Powder coating	Metal product decorative coating and functional coating	Furniture, general hardware, car components, home appliances, baby carriage, aluminum wheel rim, sports equipment, aluminum construction materials, pipes, and lightings

2、Manufacturing process

(1) Adhesives



(2) Coatings



State of Supply of Main Materials

Below is a table of Nan Pao's supply of main materials. All materials are provided by domestic and overseas quality vendors with stable source and quality. We have also established good relationships with the major suppliers, and always maintain two or more sources of supply to ensure smooth production.

The main raw materials	Suppliers	Source and quality
Ketones	Chang Chun Group; Taiwan Prosperity Chemical Corporation	Taiwan; stable quality and source
Ester	Chang Chun Group; Dairen Chemical Corporation	Taiwan; stable quality and source
VAE emulsion	Dairen Chemical Corporation; Wacker Chemie AG	Taiwan, Korea; stable quality and source
Vinyl Acetate	Dairen Chemical Corporation; Celanese Corporation	Taiwan, Singapore; stable quality and source

Methyl MethAcrylate (MMA)	Formosa Plastics Group; LG Group	Taiwan, Korea; stable quality and source
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List of Major Invoicing

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

Unit: thousand NT\$; %

Items	2016				2017			
	Title (Note 1)	Sum	Proportion of total procurement value for the entire year (%)	Relationship with the issuer	Title (Note 1)	Sum	Proportion of total procurement value for the entire year (%)	Relationship with the issuer
	Others (Note2)	8,707,796	100.00	—	Others	9,873,516	100.00	—
	Net purchase	8,707,796	100.00		Net purchase	9,873,516	100.00	

Note 1: In the list of any suppliers and customers accounting for 10 percent or more of the Company's total procurement (sales) in either of the 2 most recent years and the percentage of total procurement (sales), if the supplier's name cannot be disclosed due to contract restrictions, or the transaction counterpart is an individual that is not a related party, then the name can be replaced with a code name.

Note 2: The Company does not have a single supplier who exceeds 10 percent or more of the Company's total procurement in either of the 2 most recent years.

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

Unit: thousand NT\$; %

Items	2016				2017			
	Title (Note)	Sum	Proportion of total sales value for the entire year (%)	Relationship with the issuer	Title (Note)	Sum	Proportion of total sales value for the entire year (%)	Relationship with the issuer
1	Pou Chen Group	1,574,530	10.88	Investor with significant influence over the Company	Pou Chen Group	1,644,480	11.25	Investor with significant influence over the Company

Items	2016				2017			
	Title (Note)	Sum	Proportion of total sales value for the entire year (%)	Relationship with the issuer	Title (Note)	Sum	Proportion of total sales value for the entire year (%)	Relationship with the issuer
	Others	12,899,255	89.12	—	Others	12,970,528	88.75	—
	Net sales	14,473,785	100.00		Net sales	14,615,008	100.00	

Note: Where sales to the customer exceed 10% of the total sales value in the most recent 2 years, the name, sales value, and proportion of the said sales shall be disclosed. However, contractual terms dictate that the names of such customer or trading counterparty cannot be disclosed if the said customer or trading counterparty is an individual and unrelated party, and may be suitably replaced by codes.

Production Volume/Value in the Most Recent Two Years

Unit: metric tons / thousand NT\$

Production quantity and value	2016			2017		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Primary products						
Adhesives	191,387	159,173	8,688,763	198,101	178,142	9,668,584
Coatings	11,632	10,171	885,116	22,394	13,619	1,199,168
Others (Note)	—	—	1,759,983	—	—	1,716,240
Total	203,019	169,344	11,333,862	220,495	191,761	12,583,992

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

Sales quantity and value in the last two years

Unit: metric tons / thousand NT\$

Year Sales value	2016				2017			
	Internal sales		External sales		Internal sales		External sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Primary products								
Adhesives	26,860	1,557,496	114,738	9,057,769	27,212	1,591,516	117,143	8,823,386
Coatings	5,188	483,787	8,858	734,027	4,836	469,313	13,965	1,016,097
Others (Note)	—	284,772	—	2,355,934	—	272,814	—	2,441,882
Total	32,048	2,326,055	123,596	12,147,730	32,048	2,333,643	131,108	12,281,365

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

Employee data and shares of education degrees in the most recent 2 years and until the publication of this Annual Report are shown as follows:

Year		2016	2017	As of March 31, 2018
Number of employees	Sales	569	610	611
	Management	464	399	411
	R&D	295	329	322
	Direct	783	959	969
	Indirect	702	659	658
	Total	2,813	2,956	2,971
Average age		35	37	37
Average work tenure		5	5	5
Percentage Distribution of Academic Qualification (%)	Ph. D.	0.28	0.27	0.34
	Master's degree	5.51	5.48	5.65
	University/College	35.76	40.19	42.65
	High School	37.33	35.79	32.28
	Below High School	21.12	18.27	19.08

Environmental protection expenditure

Loss (including indemnity) caused by environmental pollution and the total indemnity amount involved in the most recent year up to the date this Report is published; account of future countermeasures (including improvement actions) and possible expenditures (including loss, disposition, and an estimate of indemnity incurred by a failure to implement the countermeasure; if a reasonable estimation cannot be made, the justification shall be provided):

Unit: thousand NT\$

Year and month	Plant	Explanation of breach	Reference for penalty	Penalty	Improvements	Expenses
May 2015	Plant No. 1	The inspection discharge sample was sent for inspection on August 29, 2014, and the test results showed that the methylmercury test value was 0.000003314 mg/L (the standard value was 0.0000002 mg/L), which did not meet the discharge water	Regulation of Article 40-1 of the Water Pollution Control Act	80	1. In response to the problem of excessive methylmercury, the Company had already filed a dissent at that time as the plant did not have raw materials	—

Year and month	Plant	Explanation of breach	Reference for penalty	Penalty	Improvements	Expenses
		standard for the chemical engineering industry effluent standard. Pursuant to Article 7 of the Water Pollution Control Act, for sewage system or building sewage treatment facilities that discharge waste (sewage) water to the surface waters, the discharge water standards shall be met.			containing methylmercury. 2. Subsequently, since the incident in August 2014, no internal or external detection has occurred in the event of methylmercury exceeding the standard.	
April 2015	Bao Li Plant	The inspection discharge sample was sent for inspection on November 19, 2014, and the test results showed that the COD inspection value was 218 mg/L (the standard value was 100 mg/L); while BOD inspection value was 51.5 mg/L (the standard value was 30 mg/L) which did not meet the discharge water standard for chemical engineering industry effluent standard. Pursuant to Article 7 of the Water Pollution Control Act, for sewage system or building sewage treatment facilities that discharge waste (sewage) water to the surface waters, the discharge water standards shall be met.	Regulation of Article 40-1 of the Water Pollution Control Act	90	The Company installed a thin film biological treatment system to enhance the removal efficiency of COD and BOD in wastewater.	1,180
April 2015	Plant No. 1	The inspection discharge sample was sent for inspection on April 10, 2014, and the test results showed that the COD inspection	Regulation of Article 40-1 of the Water Pollution Control Act	110	This was because the newly added MBR system was not yet stable. Currently, the system is	4,140

Year and month	Plant	Explanation of breach	Reference for penalty	Penalty	Improvements	Expenses
		<p>value was 204 mg/L (the standard value was 100 mg/L); while BOD inspection value was 47.7 mg/L (the standard value was 30 mg/L) which did not meet the discharge water standard for chemical engineering industry effluent standard.</p> <p>Pursuant to Article 7 of the Water Pollution Control Act, for sewage system or building sewage treatment facilities that discharge waste (sewage) water to the surface waters, the discharge water standards shall be met.</p>			operating steadily, and the water quality has reached the effluent standards.	
September 2016	Plant No. 1	<p>On July 13, 2016, the competent authority appointed Chi-Chuan Environmental Protection Technology Co., Ltd., to inspect the M05 process of the factory for 150 points of equipment components. One of the equipment component (opening valve R-64-2-001) had initial inspection value, net inspection value and reporting values all greater than 10,000 ppm, which violated Article 20, paragraph 1, of the Air Pollution Control Act and Article 29, paragraph 2, of the VOC Air Pollution Control and Emission Standard.</p>	<p>Air Pollution Control Act Article 56, Item 1 - violation of the Air Pollution Control Act in Company premises shall be subjected to fines in accordance with standards Article 3, Item 1, Supplemental Table:</p>	100	<ol style="list-style-type: none"> The Company had replaced the leaked component immediately and subsequent retest had shown that the plant was in line with regulations. The Company purchased VOC gas detectors. Subsequently, the plant would establish relevant autonomous management principles and undertake self-initiated inspection in 	420

Year and month	Plant	Explanation of breach	Reference for penalty	Penalty	Improvements	Expenses
					each month.	
September 2017	Plant No. 1	On July 20, 2017, in the execution of an appeal case investigation, it was found that Plant Number One had stored a large amount of waste resin (waste code: D-0202). Some of the waste resin was placed in the waste storage area without being sorted, and the storage location was not kept clean and complete. There was leakage which contaminated the ground, while some waste resin was stored in the open air, and there were no equipment or measures to prevent the inflow of rainwater.	Article 36, Item 1 of Waste Disposal Act, and Article 6, Item 1, Clause 1, Article 6, Item 1, Clause 2, and Article 10, Item 1, Clause 1 of the Methods and Facilities Standards for the Storage, Clearance and Disposal of Industrial Waste; punitive action was taken pursuant to Article 52 of the Waste Disposal Act.	6	<ol style="list-style-type: none"> Improvement measures including classification, reduction, labeling, and timely removal of waste were undertaken for the waste storage area. Compartments and wrought-iron doors were installed in the waste storage area. 	315
January 2018	Bao Li Plant	On November 30, 2017, Bao Li Plant has undertaken license inspection. It was found that Bao Li Plant has received the permit for solid pollutant source operations for other synthetic resin manufacturing procedure (M01) from the government. At the time of the inspection, the temperature of the absorption facility (A020) was 24 degrees (permitted range of operation was 25-40 degrees); temperature of the washing tower	Article 24, Item 20, Item 3 of the Air Pollution Control Act; and Article 24, Item 20 of the Fixed Pollution Source Setup and Operations Management Principles	100	<ol style="list-style-type: none"> The Company had improved the raw material permit. The Company had filed pollution source operation permit change request (revision to remain in line with the actual situation). 	340

Year and month	Plant	Explanation of breach	Reference for penalty	Penalty	Improvements	Expenses
		(A021) was 23.5 degrees (permitted range of operation was 25-40 degrees), while raw material defoamer was 36.838 degrees/year in 2016 (the permitted amount was 30 tons/year); the polymerization catalyst in 2016 was 74.245 tons/year (the permitted amount was 21 tons/year), and the polymerization catalyst in 2017 was 36.344 tons/year (the permitted amount is 21 tons/year). The above-mentioned conditions are clearly in violation of acceptable operations and in violation of the Air Pollution Control Act.				

Employment Relations

Employee benefit measure, on-the-job training, training, the retirement system, negotiation between employers and employees, and other employee rights:

1 · Employee welfare measures

- (1) Meal allowance, provision of uniform and work shoes, provision of single-person dormitories, wedding allowance, funeral allowance; year-end party, in-hospitalization allowance, golf membership discount for employees, labor and health insurance, employee regular health checkup, the retirement pension system, group insurance for overseas Taiwanese staff, awards for model employees, employee mutual assistance funds (wedding, funeral, and in-hospitalization)
- (2) The Employee Welfare Committee provides the following benefits: employee travel, Labor Day lucky draws, in-hospitalization allowance, wedding allowance, funeral allowance, birthday gifts, employee group insurance, and gifts or cash bonuses for the three traditional holidays.
- (3) The Professional Union provides the following benefits: childbirth allowance, birthday cakes, in-hospitalization allowance, wedding allowance, and funeral allowance.

2 · Employee training and advanced studies

The Company has established various employee educational training methods to enhance employee quality and competitiveness, in order to achieve the Company's objectives of sustainable management and development. Each departmental manager and employee can send employees or to file a voluntary application to participate in courses and training organized by external institutions on a need-basis to strengthen

their professional capability and core competitiveness as well as reinforce the employees' complete training and advanced studies channels.

3、The retirement system and state of implementation thereof

(1) The Company has established an employee retirement method and established a Labor Retirement Reserves Supervision Committee. We have applied for the establishment of the committee to the competent authority in accordance with the Labor Standards Act, and have set a monthly pension account at the Central Trust of China. According to the Company's employee retirement method, employees who have served for more than 15 years and have reached the age of 55, or have served for more than 25 years may retire. Employees who are 65 years old or no longer fit for the job may be ordered to retire. Two base points will be given for each year of service of each retired employee. However, for those who have served for more than fifteen years, 1 base point will be given for each full year of service. For years of service of less than 1 full year, if the employee has served for less than 6 months, it will be rounded up to six months. For those who have served for six months, it will be rounded up to 1 full year. The maximum is limited to 45 base points. The standard of the employee's pension base point is the monthly average salary at the time of retirement. The calculation of the average salary is handled in accordance with the relevant provisions of the Labor Standards Act. The Company allocates the full amount under the previous pension scheme to the Central Trust of China in accordance with the law.

(2) Starting on July 1, 2005, with the implementation of the new system for labor pension, the Company inquires its employees whether they wish to adopt the new system or the previous system. The Company has set aside 6% of the monthly salary for employees who have opted for the new labor pension system and deposited the funds into the employees' personal pension account to safeguard their lives after retirement.

4、Employment relations negotiations and status of employee rights protections:

The Company's employment relationship is positive and sound. Employees can communicate with the Company through the internal website or opinion mailbox, and the regularly organized employment relations meetings to address the Company's various systems and working environment. Such opinions also serve as important references for the administrative management and help to maintain a good interaction between employers and employees. In addition, the Company has also established an Employee Welfare Committee to be in charge of carrying out various employee benefits. The committee also organizes various activities from time to time to build a harmonious atmosphere between the Company and employees and to build cohesion. The Company always values employee benefits and maintains a positive employment relationship.

5、Measures for safeguarding employees' rights

The Company has compiled Employee Handbook so employees can be clearly aware of their rights and behavioral principles to comply with. In addition, the Company has also set up an HR Evaluation Committee and various employee grievance channels. In case an employee has any concern for his/her rights, the employee can file for appeal through various methods.

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

Important Contracts

Company name	Type of Contract Nature	Party	Contract Date of meeting	Main content	Restrictive terms
Nan Pao Resins Chemical Co., Ltd.	Trading	Company A	107.01.01~ Both parties agree to terminate	Product sales	None
Nan Pao Resins Chemical Co., Ltd.	Technology Cooperation	National Kaohsiung University of Applied Sciences	106.03.01~ 107.02.28	Industry-university cooperation project: "Research and product development plan of weather resistance performance of high performance carbon fiber composite material"	Intellectual property will be mutually held by both parties
Nan Pao Resins Chemical Co., Ltd.	Technology Cooperation	National Taipei University of Technology	106.08.01~ 107.01.31	Industry-university cooperation project and early-stage technology transfer: "Research on printing different materials with photo curing, melt extrusion, and selective laser sintering."	None
Nan Pao Resins Chemical Co., Ltd.	Technology Cooperation	Industrial Technology Research Institute (ITRI)	106.09.01~ 108.03.31	Authorization of technical service (development of PUR resin preparation technology for high-strength shoes) and early-stage technology transfer (low processing temperature PUR hot melt adhesive synthesis technology)	None
Nan Pao Resins Chemical Co., Ltd.	Technology Cooperation	Industrial Technology Research Institute (ITRI)	106.09.12~ 107.07.31	Technical coaching for "digital textile design R&D and product promotion plan"	None
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	E. SUN Commercial Bank	106.07.11~ 108.04.20	Working capital; NT\$ 200 million; cyclical use; loan principal repayment upon maturation	None
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	Chinatrust Commercial Bank	106.09.30~ 108.09.30	Working capital; NT\$ 260 million; cyclical use; loan principal repayment upon maturation	Needs to comply with certain financial ratios and standards

Company name	Type of Contract Nature	Party	Contract Date of meeting	Main content	Restrictive terms
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	O-Bank (formerly Industrial Bank of Taiwan)	105.06.15~108.06.14	Working capital; NT\$ 250 million; lump sum payment upon maturation	Needs to comply with certain financial ratios and standards
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	O-Bank (formerly Industrial Bank of Taiwan)	106.06.29~111.06.28	Working capital and overseas investment; NT\$ 300 million; each term was 3 months, average loan repayment	None
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	Yuanta Bank	106.08.30~109.08.29	Working capital; NT\$ 300 million; cyclical use; loan principal repayment upon maturation	None
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	Mizuho Bank	106.12.15~108.12.15	Working capital; NT\$ 500 million; cyclical use; loan principal repayment upon maturation	None
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	KGI Bank	106.08.29~108.08.29	Working capital; NT\$ 400 million; cyclical use; loan principal repayment upon maturation	None
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	Taipei Fubon Commercial Bank	106.12.11~108.12.11	Working capital; NT\$ 300 million; cyclical use; loan principal repayment upon maturation	Needs to comply with certain financial ratios and standards
NAN PAO GROUP HOLDINGS LIMITED	Credit Extension	Taipei Fubon Commercial Bank	106.12.11~108.12.11	Working capital; US\$ 3 million; cyclical use; loan principal repayment upon maturation	Needs to comply with certain financial ratios and standards
Nan Pao Resins (Vietnam) Co., Ltd.	Lease	Binh Duong Construction Co., Ltd.	103.12.15~144.10.18	Lease of Vietnam Industrial Park (Binh Duong Plant)	None

Company name	Type of Contract Nature	Party	Contract Date of meeting	Main content	Restrictive terms
Nan Pao Resins (Vietnam) Co., Ltd.	Engineering	L&K Engineering (Vietnam) Co., Ltd.	December 24, 2015 to present	Binh Duong Plant Infrastructure	None
Nan Pao Resins (Vietnam) Co., Ltd.	Engineering	L&K Engineering (Vietnam) Co., Ltd.	April 25, 2016, to present	Construction of Binh Duong Plant main building	None
Nan Pao Resins (Vietnam) Co., Ltd.	Credit Extension	Mega International Commercial Bank	106.06.22~111.06.21	Loan for plant construction; US\$ 30 million; each term is three months; loan repayment in 17 terms	None
Nan Pao Resins (Vietnam) Co., Ltd.	Credit Extension	Mega International Commercial Bank	106.06.22~111.06.21	Loan for plant construction; US\$ 5 million; each term is three months; loan repayment in 17 terms	None
Nan Pao Advanced Materials Limited	Lease	Fu-Lu Industrial Park and Urban Development Investment Co., Ltd.	105.05.07~153.03.14	Lease of Vietnam Fushan Industrial Park (Period I)	None
Nan Pao Advanced Materials Limited	Lease	Fu-Lu Industrial Park and Urban Development Investment Co., Ltd.	105.10.1~153.03.14	Rental of land from Industrial Zone in Fushan, Vietnam (Phase II)	None
Nan Pao Advanced Materials Limited	Engineering	Ho Chi Minh Museum Construction Co., Ltd.	February 8, 2017, to present	Commission the building of Ninh Binh Plant	None
RLA	Lease	G&N Sacca Investments Pty. Ltd.	96.12.18~124.04.30	Lease of Melbourne office	None
RLA	Lease	R K Ghalloub Pty. Ltd.	96.01.04~124.11.03	Lease of Sydney office	None
Prince Pharmaceutical Co. Ltd.	Credit Extension	Taiwan Cooperative Bank	106.08.04~108.12.31	Loan A: construction loan; NT\$ 320 million; principal payment at maturation or take out Loan B	None

Company name	Type of Contract Nature	Party	Contract Date of meeting	Main content	Restrictive terms
Prince Pharmaceutical Co. Ltd.			Initial date of Loan B Initial date of Loan B + 15 years	Loan B: secured debt; NT\$ 320 million; one-time use; monthly repayment in 180 terms	<ol style="list-style-type: none"> 1. Loan A needs to be settled at the same time Loan B is taken out. 2. After construction and registration of the building, Taiwan Cooperative Bank will have priority of collateral rights for NT\$840 million.

Chapter VI Financial Information

I. Condensed balance sheet and composite income sheet for the five most recent years

(I) Individual Concise Balance Sheet - International Financial Reporting Standards

1、Consolidated

Unit: NT\$1,000

Items		Year	Financial information for the past five years				
			2013	2014	2015	2016	2017
Current assets				7,576,318	8,065,345	9,687,617	10,137,504
Property, plant, and equipment				2,283,273	2,448,851	2,661,875	3,346,729
Intangible assets				165,880	140,798	144,757	141,279
Other assets				981,699	1,165,367	1,381,620	1,573,630
Total assets				11,007,170	11,820,361	13,875,869	15,199,142
Current liability	Before distribution			4,094,385	3,896,226	4,563,534	4,506,918
	After distribution (Note 3)			4,315,453	4,267,620	5,095,989	5,050,022
Non-current liability				1,992,505	2,145,162	2,182,219	2,576,429
Total liabilities	Before distribution			6,086,890	6,041,388	6,745,753	7,083,347
	After distribution (Note 3)			6,307,958	6,412,782	7,278,208	7,626,451
Equity attributable to owners of parent Company				4,695,808	5,519,030	6,792,897	7,457,240
Capital				884,272	928,485	1,034,909	1,086,207
Capital reserve				464,476	421,541	778,977	1,290,212
Retained earnings	Before distribution			3,213,275	4,006,337	4,984,240	5,372,538
	After distribution (Note 3)			2,992,207	3,634,943	4,451,785	4,829,434
Other equity				133,785	162,667	(5,229)	(291,717)
Treasury stock				-	-	-	-
Non-controlling Interests				224,472	259,943	337,219	658,555
Total equity	Before distribution			4,920,280	5,778,973	7,130,116	8,115,795
	After distribution (Note 3)			4,699,212	5,407,579	6,597,661	7,572,691

Note 1: The Company has adopted Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS) recognized by the Financial Supervisory Commission, R.O.C. (Taiwan) in 2015, and has recompiled the

financial information for 2014. Financial information from years 2013 and 2014 are prepared using ROC GAAP. Please see the explanation from the following “2. Condensed Balance Sheet - Adoption of ROC GAAP (1) Consolidated Statement” for details.

Note 2: The financial data has been examined and certified by the CPAs.

Note 3: 2017 earnings distribution is subject to the resolution of the Shareholders’ Meeting.

2、Individual

Unit: NT\$1,000

Items		Year	Financial information for the past five years				
			2013	2014	2015	2016	2017
Current assets			1,778,393	1,783,308	2,625,352	2,613,596	
Property, plant, and equipment			1,188,134	1,362,182	1,405,723	1,633,008	
Intangible assets			0	1,768	14,649	14,124	
Other assets			5,258,081	5,902,190	6,971,195	7,739,902	
Total assets			8,224,608	9,049,448	11,016,919	12,000,630	
Current liability	Before distribution		1,600,857	1,475,131	2,195,321	2,173,880	
	After distribution (Note 3)		1,821,925	1,846,525	2,727,776	2,716,984	
Non-current liability			1,927,943	2,055,287	2,028,701	2,369,510	
Total liabilities	Before distribution		3,528,800	3,530,418	4,224,022	4,543,390	
	After distribution (Note 3)		3,749,868	3,901,812	4,756,477	5,086,494	
Equity attributable to owners of parent Company			4,695,808	5,519,030	6,792,897	7,457,240	
Capital			884,272	928,485	1,034,909	1,086,207	
Capital reserve			464,476	421,541	778,977	1,290,212	
Retained earnings	Before distribution		3,213,275	4,006,337	4,984,240	5,372,538	
	After distribution (Note 3)		2,992,207	3,634,943	4,451,785	4,829,434	
Other equity			133,785	162,667	(5,229)	(291,717)	
Treasury stock			-	-	-	-	
Non-controlling Interests			-	-	-	-	
Total equity	Before distribution		4,695,808	5,519,030	6,792,897	7,457,240	
	After distribution (Note 3)		4,474,740	5,147,636	6,260,442	6,914,136	

Note 1: The Company has adopted Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS) recognized by the Financial Supervisory Commission, R.O.C. (Taiwan) in 2015, and has recompiled the financial information for 2014. Financial information from years 2013 and 2014 are prepared using ROC GAAP. Please see the explanation from the following “2. Condensed Balance Sheet - Adoption of ROC GAAP (2) Individual Statement” for details.

Note 2: The financial data has been examined and certified by the CPAs.

Note 3: 2017 earnings distribution is subject to the resolution of the Shareholders' Meeting.

(II) Condensed Balance Sheets – Adoption of ROC GAAP

1、Consolidated

Unit: NT\$1,000

Year		Financial information for the past five years				
		2013	2014	2015	2016	2017
Current assets		6,240,017	7,604,743			
Funds and investments		658,368	519,584			
Fixed assets		1,960,419	2,301,979			
Intangible assets		251,546	303,901			
Other assets		148,208	192,404			
Total assets		9,258,558	10,922,611			
Current liability	Before distributio	3,346,292	4,094,385			
	After distributio	3,438,565	4,315,453			
Long-term liabilities		1,110,970	1,160,791			
Other Liabilities		607,412	674,188			
Total liabilities	Before distributio	5,064,674	5,929,364			
	After distributio	5,156,947	6,150,432			
Capital		768,932	884,272			
Capital reserve		580,277	464,937			
Retained earnings	Before distributio	2,352,535	2,936,353			
	After distributio	2,260,262	2,715,285			
Unrealized gains or losses of financial		-	-			
Unrealized revaluation increments		342,345	338,397			
Accumulated translation adjustments		14,042	141,610			
Not recognized as retirement pension		-	-			
Net loss of costs		-	-			
Shareholders' equity	Before distributio	4,193,884	4,993,247			
	After distributio	4,101,611	4,772,179			
Total						

Note 1: The Company has adopted Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), recognized by the Financial Supervisory Commission, R.O.C. (Taiwan) in 2015. Please see the explanation from the above “1. Condensed Balance Sheet - Adoption of IFRS (1) Consolidated Statement” for details.

Note 2: The financial data has been examined and certified by the CPAs.

2、Individual

Unit: NT\$1,000

Year		Financial information for the past five years				
		2013	2014	2015	2016	2017
Current assets		1,810,317	1,797,486			
Funds and investments		4,144,425	5,039,485			
Fixed assets		1,156,211	1,287,247			
Intangible assets		56	-			
Other assets		28,405	29,571			
Total assets		7,139,414	8,153,789			
Current liability	Before distribution	1,382,515	1,600,857			
	After distribution	1,474,788	1,821,925			
Long-term liabilities		1,088,769	1,128,769			
Other Liabilities		609,999	658,594			
Total liabilities	Before distribution	3,081,283	3,388,220			
	After distribution	3,173,556	3,609,288			
Capital		768,932	884,272			
Capital reserve		580,277	464,937			
Retained earnings	Before distribution	2,352,535	2,936,353			
	After distribution	2,260,262	2,715,285			
Unrealized gains or losses of financial products		-	-			
Unrealized revaluation increments		342,345	338,397			
Accumulated translation adjustments		14,042	141,610			
Not recognized as retirement pension		-	-			
Net loss of costs		-	-			
Shareholder's equity	Before distribution	4,058,131	4,765,569			
	After distribution	3,965,858	4,544,501			
Total						

Note 1: The Company has adopted Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), recognized by the Financial Supervisory Commission, R.O.C. (Taiwan) in 2015. Please see the explanation from the above "1. Condensed Balance Sheet - Adoption of IFRS (2) Individual Statement" for details.

Note 2: The financial data has been examined and certified by the CPAs.

(III) Individual Consolidated Concise Income Statement - International Financial Reporting Standards
1、Consolidated

Unit: NT\$1,000

Items	Year	Financial information for the past five years				
		2013	2014	2015	2016	2017
Operating revenue			14,503,858	14,459,543	14,473,785	14,615,008
Gross profit			3,518,572	4,280,863	4,608,708	3,922,991
Operating gain (loss)			849,242	1,620,404	1,856,204	1,192,972
Non-operating income and expenses			77,142	(73,417)	26,154	(32,219)
Pre-tax profit			926,384	1,546,987	1,882,358	1,160,753
Income from Continuing Operations after Tax			698,441	1,089,949	1,391,063	917,003
Losses from discontinued operation			-	-	-	-
Net profit (loss) in this period			698,441	1,089,949	1,391,063	917,003
Other comprehensive income of the year (Net income after tax)			108,302	(6,394)	(136,448)	(260,582)
Total Consolidated Profit/Loss for the Current Period			806,743	1,083,555	1,254,615	656,421
Profit attributable to: Owners of parent			663,033	1,032,044	1,325,219	881,874
Profit attributable to: Non-controlling Interests			35,408	57,905	65,844	35,129
Comprehensive income (loss) attributable to owners of parent Company			773,478	1,043,012	1,181,401	635,626
Comprehensive income (loss) attributable to non-controlling interests			33,265	40,543	73,214	20,795
Earnings per share			6.8	10.59	13.32	8.22

Note 1: The Company has adopted Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), recognized by the Financial Supervisory Commission, R.O.C. (Taiwan) in 2015, and has recompiled the financial information for 2014. Financial information from years 2013 and 2014 are prepared using ROC GAAP. Please see the explanation from the following "4. Condensed Income Statement - Adoption of ROC GAAP (1) Consolidated Statement" for details.

Note 2: The financial data has been examined and certified by the CPAs.

2、Individual

Unit: NT\$1,000

Items	Year	Financial information for the past five years				
		2013	2014	2015	2016	2017
Operating revenue			4,513,909	4,491,512	4,629,732	5,146,035
Gross profit			812,779	1,054,335	1,277,854	1,322,046
Operating gain (loss)			192,878	387,851	388,246	500,434
Non-operating income and expenses			542,645	865,131	1,205,098	558,339
Pre-tax profit			735,523	1,252,982	1,593,344	1,058,773
Income from Continuing Operations after Tax			663,033	1,032,044	1,325,219	881,874
Losses from discontinued operation			-	-	-	-
Net profit (loss) in this period			663,033	1,032,044	1,325,219	881,874
Other comprehensive income of the year (Net income after tax)			110,445	10,968	(143,818)	(246,248)
Total Consolidated Profit/Loss for the Current Period			773,478	1,043,012	1,181,401	635,626
Profit attributable to: Owners of parent			663,033	1,032,044	1,325,219	881,874
Profit attributable to: Non-controlling Interests			-	-	-	-
Comprehensive income (loss) attributable to owners of parent Company			773,478	1,043,012	1,181,401	635,626
Comprehensive income (loss) attributable to non-controlling interests			-	-	-	-
Earnings per share			6.8	10.59	13.32	8.22

Note 1: The Company has adopted Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), recognized by the Financial Supervisory Commission, R.O.C. (Taiwan) in 2015, and has recompiled the financial information for 2014. Financial information from years 2013 and 2014 are prepared using ROC GAAP. Please see the explanation from the following “4. Condensed Income Statement - Adoption of ROC GAAP (1) Individual Statement” for details.

Note 2: The financial data has been examined and certified by the CPAs.

(IV) Condensed Income Statement – Adoption the ROC GAAP

1、Consolidated

Unit: NT\$1,000

Year Item	Financial information for the past five years				
	2013	2014	2015	2016	2017
Operating revenue	11,596,301	14,503,858			
Gross profit	2,972,741	3,517,554			
Operating gain (loss)	871,242	847,801			
Non-operating revenues and gains	176,127	244,719			
Non-operating expenses and losses	211,644	146,069			
Continuing operation business departments Profit before tax	835,725	946,451			
Continuing operation business departments Profit and loss	558,622	714,705			
Gain (loss) of discontinued operations	-	-			
Gain (loss) of extraordinary items	-	-			
Cumulative effect of changes in accounting principle	-	-			
Net Gain (Loss) of the Investee	558,622	714,705			
Earnings per share	5.60	6.80			

Note 1: The Company has adopted Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), recognized by the Financial Supervisory Commission, R.O.C. (Taiwan) in 2015. Please see the explanation from the above “3. Condensed Income Statement - Adoption of IFRS (1) Consolidated Statement” for details.

Note 2: The financial data has been examined and certified by the CPAs.

2、Individual

Unit: NT\$1,000

Year Item	Financial information for the past five years				
	2013	2014	2015	2016	2017
Operating revenue	4,041,938	4,513,909	/		
Gross profit	776,387	835,031			
Unrealized profit of the affiliates	10,464	22,689			
Operating gain (loss)	226,884	192,130			
Non-operating revenues and gains	438,597	585,069			
Non-operating expenses and losses	21,107	24,777			
Continuing operation business departments Profit before tax	644,374	752,422			
Continuing operation business departments Profit and loss	530,094	676,091			
Gain (loss) of discontinued operations	-	-			
Gain (loss) of extraordinary items	-	-			
Cumulative effect of changes in accounting principle	-	-			
Net Gain (Loss) of the Investee	530,094	676,091			
Earnings per share	5.60	6.80			

Note 1: the Company has adopted Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), recognized by the Financial Supervisory Commission, R.O.C. (Taiwan) in 2015. Please see the explanation from the above “3. Condensed Income Statement - Adoption of IFRS (2) Individual Statement” for details.

Note 2: The financial data has been examined and certified by the CPAs.

(V) CPA Audit Opinion for the Past Five Years

Year	Name of the accounting firm	Name of the PCA	Audit opinions
102	KPMG	Yang, Liu-Feng, Chiang, Chung-Yi	Unqualified opinion
103	KPMG	Yang, Liu-Feng, Chiang, Chung-Yi	Unqualified opinion
104	KPMG	Yang, Liu-Feng, Chiang, Chung-Yi	Unqualified opinion
105	Deloitte & Touche Taiwan	Liao, Hung-Ju, Kung, Chun-Chi	Unqualified opinion

106	Deloitte & Touche Taiwan	Liao, Hung-Ju, Kung, Chun-Chi	Unqualified opinion
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II. Financial Analyses for the past five years

Individual financial analysis - Adoption of IFRS

1、Consolidated

Item analyzed		Year	Financial analysis of the past five years				
			2013	2014	2015	2016	2017
Financial structure%	Liability to asset ratio			55.3	51.11	48.61	46.6
	Long-term funds to property, plant and equipment ratio			302.76	323.59	349.84	319.48
Solvency (%)	Current ratio			185.04	207	212.28	224.93
	Quick ratio			140.12	162.19	171.24	171.82
	Interest protection multiples			17.71	38.32	43.49	24.54
Operating performance	Receivables turnover ratio (times)			4.45	4.14	4.52	4.54
	Average collection days			82	88	81	80
	Inventory turnover ratio (times)			6.8	6.02	5.88	5.4
	Payables turnover ratio (times)			7.28	6.07	5.95	5.73
	Average inventory turnover days			54	61	62	68
	Property, plant, and equipment (PP&E) turnover ratio (times)			6.77	6.11	5.66	4.86
	Total asset turnover ratio (times)			1.43	1.27	1.13	1.01
Profitability	Return on assets (%)			7.32	9.85	11.11	6.59
	Return on equity (%)			15.4	20.37	21.55	12.03
	Ratio of pre-tax income to paid-in capital (%)			104.76	166.61	181.89	106.86
	Capital Ratio (%)						
	Net profit margin (%)			4.82	7.54	9.61	6.27
	Earnings per share (NT\$)			6.8	10.59	13.32	8.22
Cash flow	Cash flow ratio (%)			12.23	51.91	35.02	17.03
	Cash flow adequacy ratio (%)			114.13	242.02	202.89	122.04
	Cash re-investment ratio (%)			4.22	16.6	9.91	1.72
Degree of leverages	Degree of operating leverage (DOL)			1.98	1.52	1.49	1.79
	Degree of financial leverage (DFL)			1.07	1.03	1.02	1.04

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

1. The decline in interest coverage ratio and profitability: Mostly due to the inflation of raw material

costs, leading to a decline in gross margin and net profit.

2. The decline in liquidity ratios: Mostly due to the decline in profit before tax, leading to a decline in operating cash inflow.
3. The increase in operating leverage: Mostly due to a decline in operating net profit.

Note 1: The financial information above has been audited by CPAs.

Note 2: Please see Pages 83-84 for the calculation formula of the aforementioned financial ratios.

2、Individual

Item analyzed		Year	Financial analysis of the past five years				
		2013	2014	2015	2016	2017	
Financial structure%	Liability to asset ratio		42.91	39.01	38.34	37.86	
	Long-term funds to property, plant and equipment ratio		557.49	556.04	627.55	601.76	
Solvency (%)	Current ratio		111.09	120.89	119.59	120.23	
	Quick ratio		79.74	93.01	98.31	89.65	
	Interest protection multiples		34.42	62.27	77.32	41.28	
Operating performance	Receivables turnover ratio (times)		4.75	4.49	4.37	4.49	
	Average collection days		77	81	83	81	
	Inventory turnover ratio (times)		7.88	7.69	7.97	7.09	
	Payables turnover ratio (times)		7.04	6.63	5.81	5.69	
	Average inventory turnover days		46	47	46	51	
	Property, plant, and equipment (PP&E) turnover ratio (times)		3.91	3.52	3.35	3.39	
	Total asset turnover ratio (times)		0.58	0.52	0.46	0.45	
Profitability	Return on assets (%)		8.83	12.15	13.38	7.85	
	Return on equity (%)		15.22	20.21	21.53	12.38	
	Ratio of pre-tax income to paid-in capital (%)		83.18	134.95	153.96	97.47	
	Capital Ratio (%)						
	Net profit margin (%)		14.69	22.98	28.62	17.14	
	Earnings per share (NT\$)		6.8	10.59	13.32	8.22	
Cash flow	Cash flow ratio (%)		15.29	42.03	12.37	10.76	
	Cash flow adequacy ratio (%)		104.14	140.1	95.41	59.13	
	Cash re-investment ratio (%)		1.21	2.8	-0.6	-1.63	
Degree of leverages	Degree of operating leverage (DOL)		2.47	1.77	2.01	1.63	
	Degree of financial leverage (DFL)		1.13	1.06	1.06	1.06	

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

1. The decline in interest coverage ratio and profitability ratios: Mostly due to the inflation of raw material costs at each subsidiary, leading to a decrease in income from investment from the parent company.
2. The decline in cash flow adequacy ratio: Mostly due to the decline in profit before tax, and an

increase in capital expenditure and inventory for the period.

3. The decline in cash flow reinvestment ratio: Mostly due to the fact that more cash dividend was paid out in 2017.

Note 1: The financial information above has been audited by CPAs.

Note 2: Please see Pages 83-84 for the calculation formula of the aforementioned financial ratios.

Financial Analyses – Adoption the ROC GAAP

1、Consolidated

Year Item analyzed		Financial analysis of the past five years					
		2013	2014	2015	2016	2017	
Financial structure	Liability to asset ratio	54.70	54.29				
	Long-term capital as a proportion of fixed assets	301.58	296.62				
Solvency (%)	Current ratio	186.48	185.74				
	Quick ratio	138.77	140.82				
	Interest protection multiples	32.01	18.07				
Operating performance	Receivables turnover ratio (times)	4.60	4.79				
	Average collection days	79	76				
	Inventory turnover ratio (times)	5.98	6.80				
	Payables turnover ratio (times)	7.19	7.28				
	Average inventory turnover days	61	54				
	Fixed assets turnover ratio (times)	6.05	6.81				
	Total asset turnover ratio (times)	1.31	1.44				
Profitability	Return on assets (%)	6.57	7.54				
	Return on shareholder's equity (%)	14.28	15.56				
	Percentage Capital	Operating profit	95.88	113.31			
		Pre-tax profit	107.03	108.69			
	Net profit margin (%)	4.82	4.93				
	Earnings per share (NT\$)	5.60	6.80				
Cash flow	Cash flow ratio (%)	26.62	18.13				
	Cash flow adequacy ratio (%)	162.01	121.14				
	Cash re-investment ratio (%)	11.28	7.38				
Degree of leverage	Degree of operating leverage (DOL)	1.78	1.98				
	Degree of financial leverage (DFL)	1.03	1.07				

Note 1: The financial information above has been audited by CPAs.

Note 2: Please see Pages 83-84 for the calculation formula of the aforementioned financial ratios.

2、Individual

Year Item analyzed		Financial analysis of the past five years					
		2013	2014	2015	2016	2017	
Financial structure	Liability to asset ratio	43.16	41.55				
	Long-term capital as a proportion of fixed assets	497.91	509.07				
Solvency (%)	Current ratio	130.94	112.28				
	Quick ratio	97.96	80.93				
	Interest protection multiples	32.97	35.18				
Operating performance	Receivables turnover ratio (times)	4.80	4.75				
	Average collection days	76	77				
	Inventory turnover ratio (times)	7.73	7.83				
	Payables turnover ratio (times)	6.38	7.00				
	Average inventory turnover days	47	47				
	Fixed asset turnover ratio (times)	3.59	3.69				
	Total asset turnover ratio (times)	0.60	0.59				
Profitability	Return on assets (%)	8.06	9.08				
	Return on shareholder's equity (%)	14.26	15.32				
	Percentage Capital	Operating profit	29.51	21.73			
		Pre-tax profit	83.80	85.09			
	Net profit margin (%)	13.11	14.98				
	Earnings per share (NT\$)	5.60	6.80				
Cash flow	Cash flow ratio (%)	25.67	23.27				
	Cash flow adequacy ratio (%)	114.95	89.68				
	Cash re-investment ratio (%)	4.32	3.75				
Degree of leverage	Degree of operating leverage (DOL)	2.15	3.02				
	Degree of financial leverage (DEL)	1.10	1.13				

Note 1: The financial information above has been audited by CPAs.

Note 2: The calculation formulas are as follows:

1. Financial structure

(1) Liability to asset ratio = Total liabilities/total assets

(2) Long-term funds to fixed asset ratio = (net shareholders' equity + long-term liabilities)/net fixed assets

2. Debt-paying ability

(1) Current ratio = Current assets/Current liabilities

(2) Quick ratio = (Current asset - inventories)/Current liabilities

(3) Interest coverage ratio = Earnings before interests and taxes (EBIT)/Interest expenses over this period

3. Operating ability

(1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales/Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations)

(2) Average collection days = 365/Receivables turnover ratio

(3) Inventory turnover ratio = Cost of sales/Average inventory value

(4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales/Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations)

(5) Average inventory turnover days = 365/Inventory turnover ratio

(6) Fixed assets turnover rate = net sales/average net fixed assets

(7) Total inventory turnover rate = Net sales/Average total asset value

4. Return on investments

(1) Return on assets (ROA) = [Gain (loss) after tax + Interest expenses x (1 - interest rates)]/Average total asset value

(2) Return on Equity (ROE) = Gain (loss) after tax/average net equity

(3) Net profit rate = Gain (loss) after tax/Net sales

(4) Earnings per share = (net profit after taxes - special stock dividend)/weighted average issued number of shares

5. Cash flow

(1) Cash flow ratio = Net cash flow of business activities/Current liabilities

(2) Net cash flow adequacy ratio = Net cash flow for business activities in the 5 most recent years/(capital expenditure + inventory increase + cash dividends) for the 5 most recent years

(3) Cash re-investment ratio = (net cash flow for business activities - cash dividends)/(gross value of fixed assets + long-term investments + other assets + working capital)

6. Degree of leverages

(1) Degree of operating leverage (DOL) = (Net operating revenue - operating change costs and expenses)/Operation profit

(2) Degree of financial leverage (DFL) = Operating profit / (Operating profit - interest expenses).

III. Audit Committee's review reports on financial statements in the most recent year

Nan Pao Resins Chemical Co., Ltd.

The 2017 Business Report, Financial Statements, and Profit Distribution Proposal are submitted by the Company's Board of Directors. The Financial Statements have been audited by CPA Liao, Hung-Ju and CPA Kung, Chun-Chi from Deloitte & Touche Taiwan, and a CPA Audit Report have been issued. The aforementioned Business Report, Financial Statements, and Profit Distribution Proposal have been audited by this Audit Committee, , and the Committee does not see any discrepancies. The report is made according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please review accordingly.

To

2018 Annual General Meeting

Nan Pao Resins Chemical Co., Ltd.

Audit Committee Member



Audit Committee Member



Audit Committee Member



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IV. Most recent Financial Reports: Please refer to Attachment 1 of the Annual Report.

V. Parent Company Only Financial Report audited and attested by a CPA for the most recent year: Please refer to Attachment 2 of the Annual Report.

VI. Any financial difficulties experienced by the Company and its affiliated companies during the most recent year up to the publication date of this annual report, as well as the impact of the aforesaid difficulties on the financial position of the Company, shall be listed: None.

Chapter VII Financial condition and performance analysis and risk

1. Financial status

Unit: thousand NT\$; %

Item	Year		Changes to increase (decrease)	
	2016	2017	Sum	%
C u r r e n t a s s e t	9,687,617	10,137,504	449,887	4.64
Investment using equity method	386,482	278,451	(108,031)	(27.95)
Property, plant, and equipment	2,661,875	3,346,729	684,854	25.73
Other non-current assets	1,139,895	1,436,458	296,563	26.02
T o t a l a s s e t	13,875,869	15,199,142	1,323,273	9.54
Current liabilities	4,563,534	4,506,918	(56,616)	(1.24)
Long-term liabilities	1,152,875	1,604,339	451,464	39.16
Other noncurrent liabilities	1,029,344	972,090	(57,254)	(5.56)
T o t a l l i a b i l i t i e s	6,745,753	7,083,347	337,594	5.00
C a p i t a l	1,034,909	1,086,207	51,298	4.96
Capital reserve	778,977	1,290,212	511,235	65.63
Retained Earnings	4,984,240	5,372,538	388,298	7.79
O t h e r E q u i t y	(5,229)	(291,717)	(286,488)	5,478.83
Non-controlling Interests	337,219	658,555	321,336	95.29
T o t a l e q u i t y	7,130,116	8,115,795	985,679	13.82

Main reasons and impact of any material change in the company's assets, liabilities, or shareholders' equity during the past two fiscal years (changes that exceed 20% between periods and a value of NT\$10 million):

1. The decrease in the investment accounted for using equity method: mostly due to the acquisition of shares from Noroo and merging Moroo into the consolidated company in April 2017.
2. The increase in property, plant, and equipment: Mostly due to the building of new Taiwan plant (Plant "P" - pressure-sensitive adhesive), acquisition of land and building for Taiwan Nan Pao, and the increase in production capacity and equipment in Vietnam as well as unfinished construction.
3. The increase in other non-current assets: Mostly due to the recognition of deferred income tax asset and the increase in prepaid rent.
4. The increase in long-term liabilities: Mostly due to the increase in long-term debt from the adjustment in debt structure and other long-term operational capital needs.
5. The increase in capital surplus: Mostly from handling the capital increase in June 2017; the premium in capital surplus.
6. The decrease in other equity: mostly from exchange loss from the translation of financial statements of overseas operations before December 31, 2017
7. The increase in non-controlling interests: Mostly from the acquisition of invested non-controlling interest (Vietnam Noroo) in April 2017, and consolidating the investment into the Consolidated Company, and decreasing the shareholding ratio of Prince Pharmaceutical Co. Ltd. in the consolidated company from 66.66% to 49.9%

2. Financial Performance

Analysis of changes to business outcomes over the past two fiscal years

Unit: thousand NT\$; %

Items	Year		Changes to increase(decrease)	
	2016	2017	Sum	%
Net operating revenue	14,473,785	14,615,008	141,223	0.98
Operating cost	9,865,077	10,692,017	826,940	8.38
Gross profit	4,608,708	3,922,991	(685,717)	(14.88)
Operating expenses	2,752,504	2,730,019	(22,485)	(0.82)
Operating (loss) income	1,856,204	1,192,972	(663,232)	(35.73)
Non-operating income and expenses	26,154	(32,219)	(58,373)	(223.19)
Net income (loss) before tax	1,882,358	1,160,753	(721,605)	(38.34)
Income tax gains (expenses)	(491,295)	(243,750)	247,545	(50.39)
Net income (loss) before tax	1,391,063	917,003	(474,060)	(34.08)
Other comprehensive income of the year	(136,448)	(260,582)	(124,134)	90.98
Total Consolidated Profit/Loss for the Current Period	1,254,615	656,421	(598,194)	(47.68)
<p>Main reasons and impact of any material change in the company's consolidated operating income, net operating profit, and net profit before tax during the past two fiscal years (changes that exceed 20% between periods and a value of NT\$10 million):</p> <ol style="list-style-type: none"> 1. The decrease in operating profit: mostly due to raw material inflation and exchange fluctuation in this period, leading to a decline in operating margin. 2. The decrease in non-operating revenue and expenses: mostly from consolidating Vietnam Noroo into the consolidated company, leading to decrease in income or loss from affiliate recognized using equity method, exchange rate fluctuation leading to an increase in exchange loss, and an increase in disposal of investment loss. 3. The decrease in income tax (expense): Mostly due to the recognition of deferred income tax asset from previous losses by the Australian subsidiary. 4. The decrease in other comprehensive income for the period: Mostly due to the decrease in differences from the translation of financial statements from exchange rate fluctuations. 5. The decrease in total comprehensive income: Mostly due to the decrease in operating margin due to inflation of raw materials. 				

The expectation on sales volume and basis forming the expectation, the impacts on the Company's financial condition and business and the mitigation efforts.

The Company's expected sales volume is forecasted based on the Company's business plan, predicted market demand, industry competitiveness, and business outlook of major customers. The Company will continue to invest in R&D to maintain technical progress and to continuously enhance product quality, and strive to enhance customer coverage rate and expand market share. We anticipate to maintain certain degree of growth over the next year.

3. Cash flow

Analysis of changes to cash flow over the past fiscal year

Unit: thousand NT\$; %

Items	2016	2017	Changes to increase(decrease)	
			Sum	%
Operating activities	1,598,312	767,652	(830,660)	(51.97)
Investment activity	(760,490)	(1,137,775)	(377,285)	49.61
Financing activity	709,914	285,706	(424,208)	(59.75)
Cash net increase (decrease)	1,421,879	(410,493)	(1,832,372)	(128.87)
Analysis on increase/decrease in ratio:				
1. The decrease in net cash flow from operating activities: Mostly due to inflation of raw materials, leading to a decrease in net profit.				
2. The increase in net cash outflow from investment activities: Mostly from the increase in capital expenditure for the period.				
3. The decrease in net cash inflow from financing activities: Mostly due to repayment of short-term loans and distribution of cash dividends.				

Improvement plans for liquidity shortage

The Company will use bank borrowings or capital increase should capital needs arise; therefore, cash liquidity is still sufficient.

Analysis of cash liquidity for the next year:

Unit: NT\$1,000

Opening cash balance	Expected net cash flow resulting from the year's operating activities.	Expected net cash flow resulting from the year's investment activities.	Expected net cash flow resulting from the year's financing activities.	Expected sum of cash surplus (inadequacy)
3,866,587	355,237	(416,171)	636,587	4,442,240
Explanation:				
1. Operating activities: mostly net cash inflow from operating profit.				
2. Investment activities: capital expenditure will lead to cash outflow.				
3. Financing activities: cash inflow is expected after repayment of debts after capital increase.				

4. Material expenditures of the most recent year and impact to the Company's finances and operations

The Company's material capital expenditure in 2017 included the following: replacing or fixing old equipment and machinery at the parent company, purchasing land for administration center, and building the factory plant at Binh Duong Industrial Area in Vietnam through investing in Nan Pao Materials Vietnam Co., Ltd. to meet market demand in Vietnam. The major source of funding is the Company's own funds. Bank borrowings are used to cover any insufficiencies and have not posed material influences on the Company's finance or operations.

5. Investment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving profitability, and investment plans for the coming year.

Reinvestment policy for the most recent year:

The Company's reinvestment strategies are mostly focused on the applications of our core business "resin." In addition, reinvestments are structured according to industry developmental trends, to serve local customers, and to reduce production costs, as well as diversified management policies (e.g. investing in health care and biotech industries) to enhance competitiveness and to benefit the Company's long-term development objectives. Relevant execution departments undertake investment-related affairs in compliance with the internal control "investment cycle" and "Procedures to Handle Acquisition or Disposal of Assets." In addition, the Company also maintains a constant focus on the operating status of invested businesses for subsequent management.

Major reasons for profit or loss and improvement plan:

There have been profits and losses from invested businesses due to market segmentation. In the future, the Group will continue to undertake the effective allocation of resources to maintain overall management performance and stable growth and profit. The investment income recognized by the Company in 2017 using equity method is NT\$593,412 thousand. Please refer to "8. Special Items: 1. Information on affiliated companies: (1) Consolidated Business Report from Affiliated Companies - 6. Overview of Affiliates' Operations" for profit or loss from reinvestments. For the loss-making investment businesses, the Company will pay attention to their industry trends at all times and attempt to expand various business opportunities, and commit to internal process improvement and optimization of cost structure, on top of actively promoting product quality to enhance product value.

Investment Plans in the Upcoming Year

In response to the future market changes and challenges, the Company will carefully evaluate the investment plans from a long-term and strategic perspective to strengthen global competitiveness.

- 1、Nantung Plant, China: The Company plans to reinvest in Nantung Plant to replace the existing Kunshan Plant (Nan Pao Resins (China) Co., Ltd) through subsidiary Nanpao Advanced Investment Co., Ltd. due to the local laws' prohibition on production of solvent-based and powder-based products. Therefore, the Company plans to relocate production to a designated site from the Chinese government as the basis of the Group's continued development in China's Huabei region.
- 2、Yunan Plant, China: in line with the Group's continued development strategies in China's Huanan region, the Company plans to purchase land to establish Yunan Plant at the Chemical Engineering Zone in Huanan through subsidiary Nanpao Advanced Investment Co., Ltd. to replace the existing Foshan Nan Pao and Fuqing Nan Pao.

6. Analysis of Risk Management

The following matters pertain the past year and up until the publication of the Annual Report: The Impact and Future Mitigation Efforts to Risks Associated with Interest Rate Fluctuation, Foreign Exchange Volatility, and Inflation

- 1、Interest rate: The Company's interest expense in 2017 was NT\$49,312 thousand, accounting for 0.34% of the net operating revenue for the year. As the global economy recovers, interest rates are expected to be raised in the future. The Company will make appropriate fund utilization plans based on changes in interest

rates in the financial market. We will also evaluate bank borrowing rates from time to time and strive for preferential interest rates to achieve economies of scale.

- 2、Exchange rate: The Company's net exchange loss for 2017 was a loss of NT\$46,578 thousand, accounting for 0.32% on the net operating revenue for the year. The Company is mainly export-oriented; therefore, the exchange rate changes have a certain impact on the Company. Nevertheless, besides using the US\$ as the denomination currency for certain purchases and sales transactions, creating a natural hedging effect, in the future, we will also consider forward exchange contracts to effectively lower the risk of fluctuation in exchange.
- 3、Inflation: Inflation has no significant impact on the Company, and the Company is always aware of fluctuations in market prices and maintains good interaction with suppliers and customers to avoid adverse effects of inflation on the Company's profit and loss.

The policies to engage in high-risk, high-leverage investments, lending funds to others, endorsements and guarantees, and the transactions of derivative products, the main reasons for profits and losses, and the future countermeasures:

- 1、The policies to engage in high-risk, high-leverage investments, the main reasons for profits and losses, and the future countermeasures: the Company is focused on management of our core business, and based on the principle of prudence, the Company has not engaged in high-risk, high-leverage investments in the past year and up until the printing of this Annual Report.
- 2、The policies to engage in lending funds to others, endorsements and guarantees, and the main reasons for profits and losses, and the future countermeasures: the Company is focused on management of our core business and has adopted the principle of prudence as financial policy, and does not engage in derivative transactions. Besides to subsidiaries with absolute control rights or for business needs, the Company does not provide endorsement guarantees or lending of funds to others in principle. The Company has established "Procedures for Lending of Funds to Others and Provision of Endorsement/Guarantee," which has been approved by the Shareholders' Meeting. When undertaking related procedures, the Company will follow the relevant work procedures and legal regulations, and to immediately and accurately announce relevant information.

Future R&D Projects and Estimated R&D Expenditure:

- 1、Future R&D Plan: the Company's future R&D plans include: internally, we will expand research directions in line with diversified management strategies, and work toward environmental protection (water-based / high-cure, low-toxic and low-VOC (organic volatile components)), energy-saving (UV (ultraviolet light) hardening, normal / low temperature applications, process optimization and automation), carbon reduction (process simplification and quality) Material application) and quality optimization. These efforts will help us to reduce costs and enhance competitiveness. Externally, we will provide customized services, energy-saving, and high-efficiency products and effective solutions to customers to enhance customer relationships, increase market share, and the added-values of products.
- 2、Expected R&D expense: the Company invested NT\$386,662 thousand in R&D expense in 2017, accounting for 2.65% of the revenue. To ensure and enhance the Company's competitive advantage, we will continue to invest in R&D expense and to

flexibly adjust such expense upon operational status and future demand.

The Impacts of Changes of Important Domestic and Foreign Policies and Laws on the Company's Finances and Business, and the Countermeasures:

Besides following domestic and international legal regulations on a day-to-day basis, the Company and subsidiaries also pay attention to changes in domestic and overseas political development, trends, and legal regulations at all times to be fully aware of and to respond to market environmental changes. Therefore, in the past year and until the date of printing of this Annual Report, the changes in domestic and international policies and regulations have not had significant impacts on the Company and subsidiaries' finance and business.

Technology and industry changes that have an impact on this company's finances and response measures:

The Company pays close attention to the technology, development, and changes in the industry, and quickly seizes the industry dynamics, continuously improves R&D and production capacity and actively expands the product application market to generate profit. We make timely product adjustments to cater to different customers' needs, and at the same time, we seize technology or industry changes to timely adjust the objective of our development efforts. Therefore, technology and industry changes have not posed significant influences on the Company's finance and business.

The Impacts of Change of Corporate Image on the Enterprise Crisis Management and the Countermeasures:

Since our establishment, the Company has always adhered to the principle of good faith and the principle of prudent management and has maintained a good corporate image, complying with the relevant local laws and regulations at home and abroad, and maintains a harmonious employment relationship to secure our positive corporate image. As of the date of printing of the Annual Report, the Company was not subjected to enterprise crisis management due to corporate image change.

Expected benefits and possible risks of mergers and response measures

As of the date of printing of the Annual Report, the Company has not had plans to merge with other companies. If M&A plans should arise in the future, we will maintain a cautious, speculative attitude and fully consider the synergies of the merger to protect shareholders' rights in practice.

Expected benefits and possible risks of expanding factory buildings and response measures

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

The Risk and Future Mitigation Efforts to Risks Associated with Purchase Concentration and Sales Concentration:

1、Purchase

Currently, the Company does not have conditions of purchase concentration. The Company maintains two or more suppliers for key raw materials, and always maintains a positive and stable partnership with suppliers. Besides being fully aware of the sources of raw materials, the Company also maintains strict control over product quality and delivery schedule to ensure that there is sufficient supply of major raw materials.

2、Sales

Currently, the Company does not have conditions of sales concentration, and as

our operational scale expands, we also continue to develop new products and customers to help with lowering the risk of sales concentration. In the past two years, transacting customers are dispersed and we do not exceed 12% for most of the sales in each year. We have yet to run into problems with over-concentration.

Impacts, risks, and response measures resulting from major equity transfer or replacement of directors, supervisors, or shareholders holding more than 10% of the Corporation's shares.

In the last year and up until the printing of this Annual Report, there has not been any major equity transfer or change by directors, supervisor, or major shareholders that hold more than 10% of the company's shares.

Impact, risk, and response measures related to any change in the administrative authority towards the Company's operations:

In the last year and up until the printing of this Annual Report, the Company's management has been solid and has not had changes in the administrative authority. The Company has reinforced various corporate governance measures, introduced Independent Directors, established the Audit Committee, and the management level all strive to enhance operational performance to protect the shareholders' rights.

Litigation or non-litigious matters

Confirmed judgment, ongoing litigation, and non-litigation or administrative disputes involving the Company's Director, Supervisor, president, responsible person, and stockholder that hold more than 10% of the Company's stock in the last two years and up to the printing of this Annual Report that can have a significant impact on shareholders' equity or securities prices:

- 1、In the last two years and up to the printing of this Annual Report, the Company's Director, Supervisor, president, responsible person, and stockholder that hold more than 10% of the Company's stock have not had confirmed judgment, ongoing litigation, and non-litigation or administrative disputes that could have significant impacts on shareholders' equity or securities prices.
- 2、Besides the following matter, none of the subsidiaries have had confirmed judgment, ongoing litigation, and non-litigation or administrative disputes that could have significant impacts on shareholders' equity or securities prices.

Third Party of Dissent Action from Nan Pao Chemical Co., Ltd.:

Land, plant, machinery, and equipment from He Kui Chemical Company were in foreclosure sales from the court in the year 2007. The Company bought the aforementioned property and sold it to subsidiary Nan Pao Chemical Co., Ltd. However, He Kui Chemical Company and Fu-chien Management Consulting Company forged claims, and the mortgage rights of the machinery and equipment were given to Fu-chien Management Consulting Company. Fu-chien Management Consulting Company filed for compulsory enforcement for the machinery and equipment claims, and Nan Pao Chemical Co., Ltd. has filed for Third Party of Dissent Action on June 5, 2007, with the target priced at NT\$100,000 thousand. After rulings from Court of First Instance (Taiwan Changhua District Court), Court of Second Instance (Taiwan High Court Taichung Branch Court), Court of Third Instance (Supreme Court), and Appeals (Taiwan High Court Taichung Branch Court), the Supreme Court had rejected Nan Pao Chemical Co., Ltd.'s appeal on June 21, 2017.

Based on the ruling of Taiwan Changhua District Court, He Kui Chemical Company argued for ownership of the machinery and equipment in the plant. Based on the above-mentioned, He Kui Chemical Company filed for indemnity lawsuit against Nan Pao Chemical Co., Ltd. for damage caused by the use of machinery and

equipment, and sought for indemnity of NT\$53,102 thousand. Nevertheless, the amount that He Kui Chemical Company claimed for was based on the purchase price of the machinery and 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 '90s to early 2000s, with the surplus value under NT\$53,102 thousand. The Consolidated Company has appropriated NT\$38,445 thousand liability reserve based on the remaining value.

Other material risk and mitigation efforts: None.

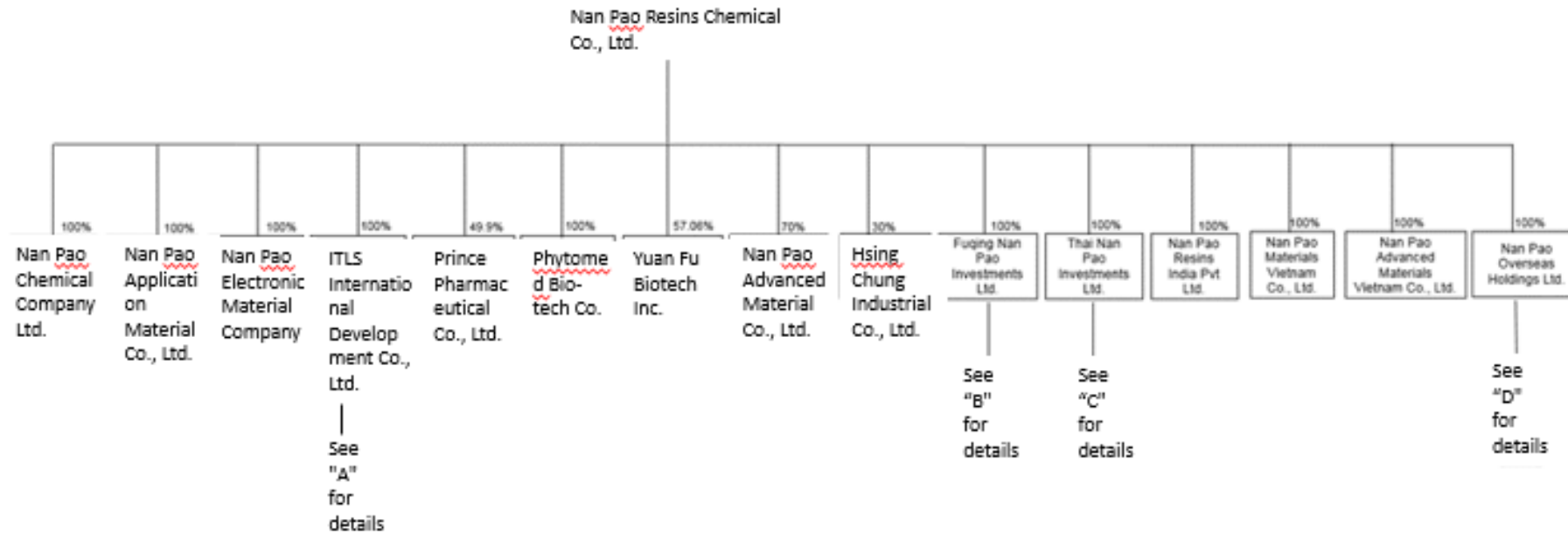
7. Other Important Issues: None.

8. Special Notes

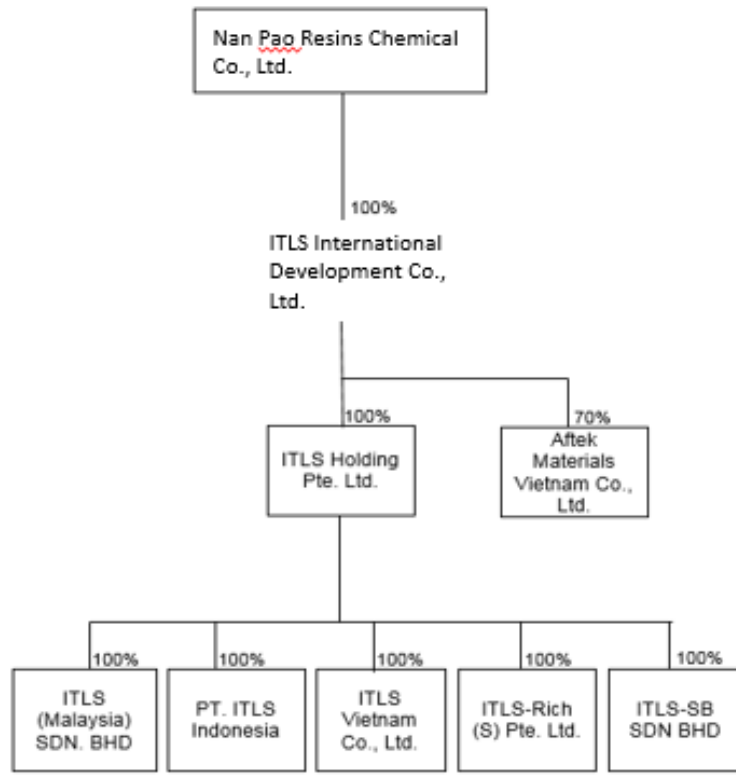
1. Information on Affiliates

(1) Consolidated Business Report of the Affiliates

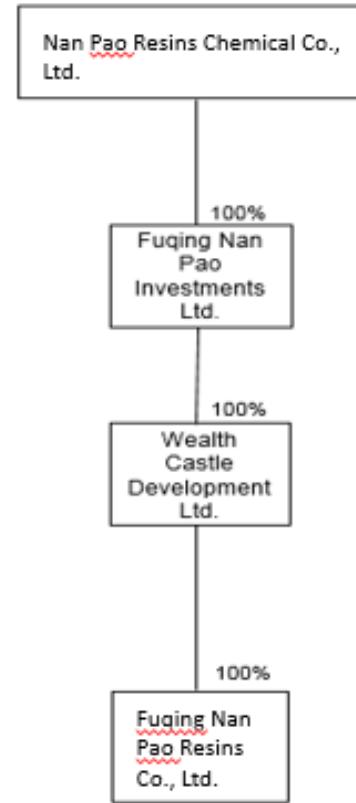
1、Organization structure of affiliated businesses



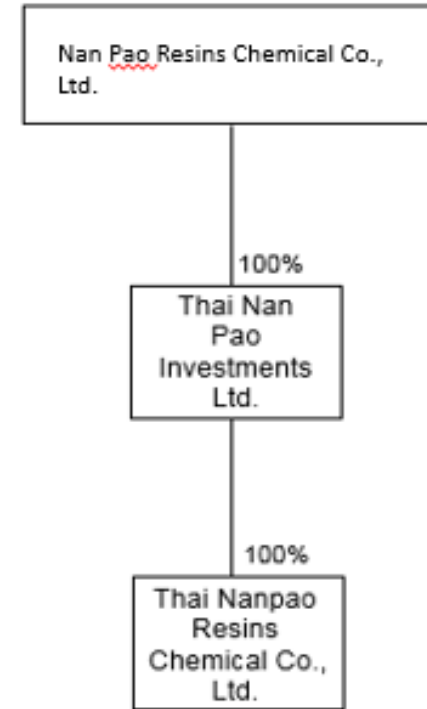
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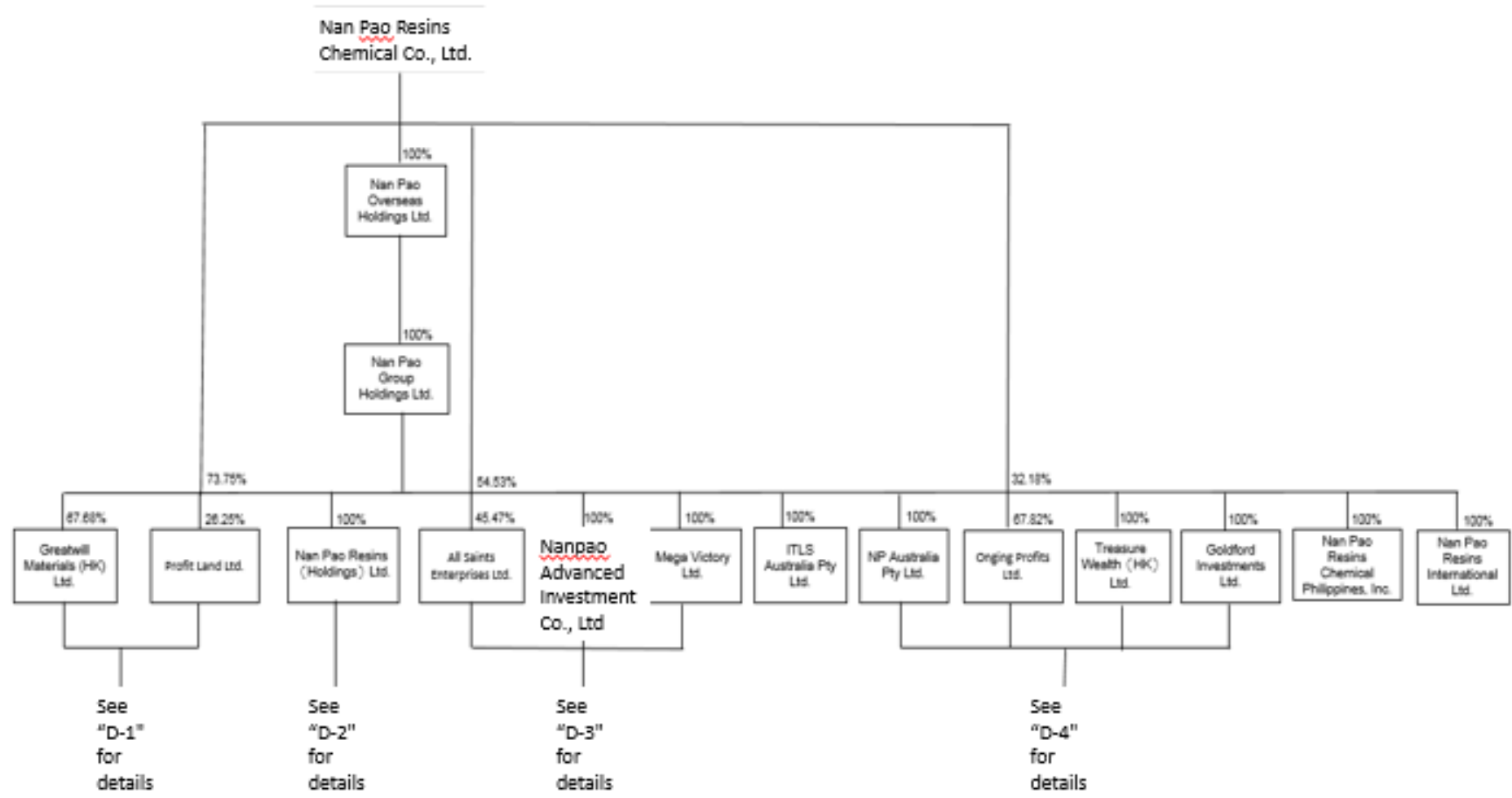
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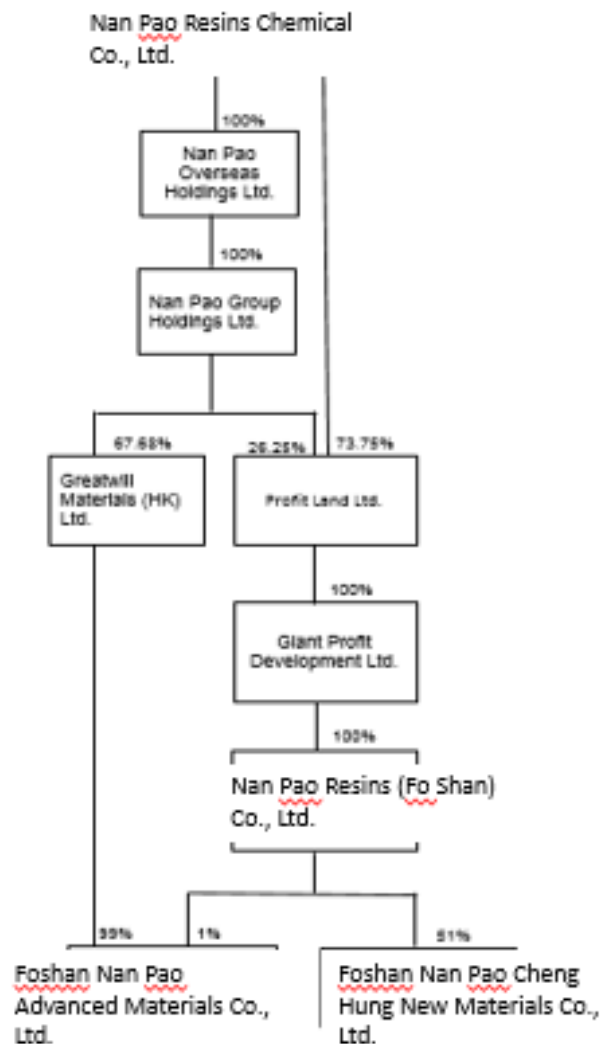
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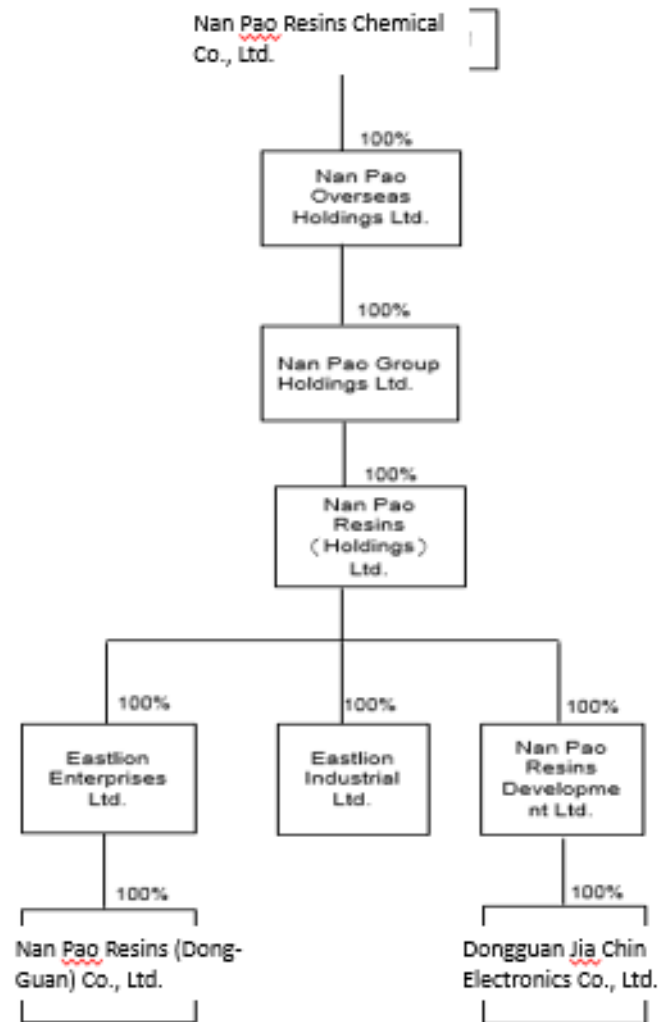
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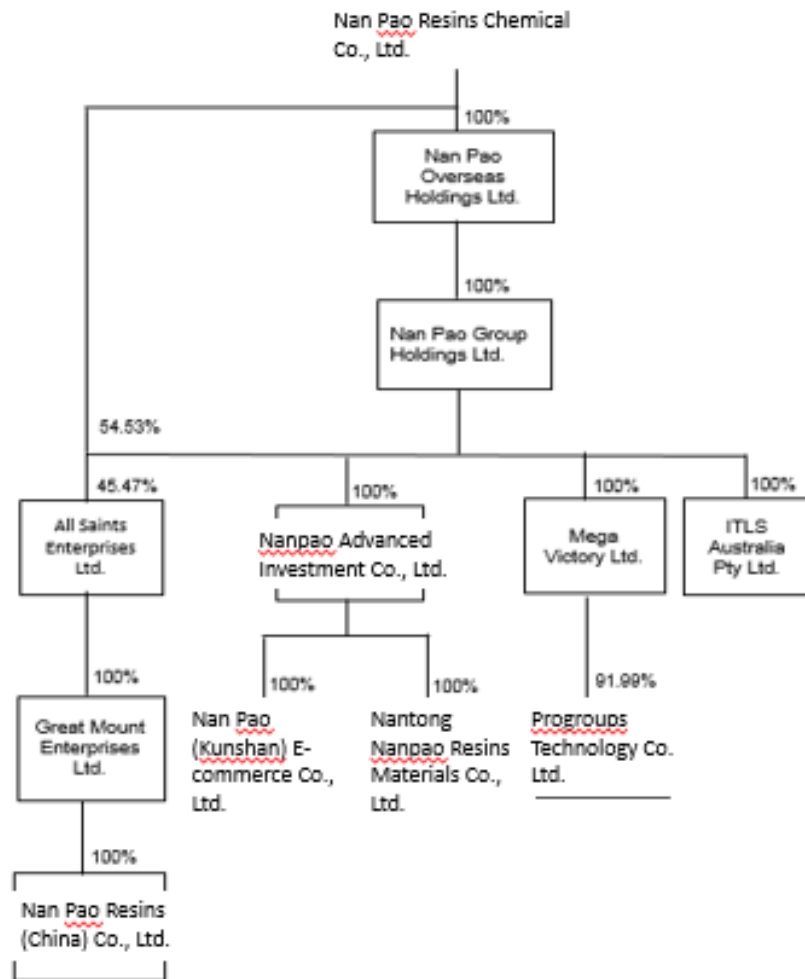
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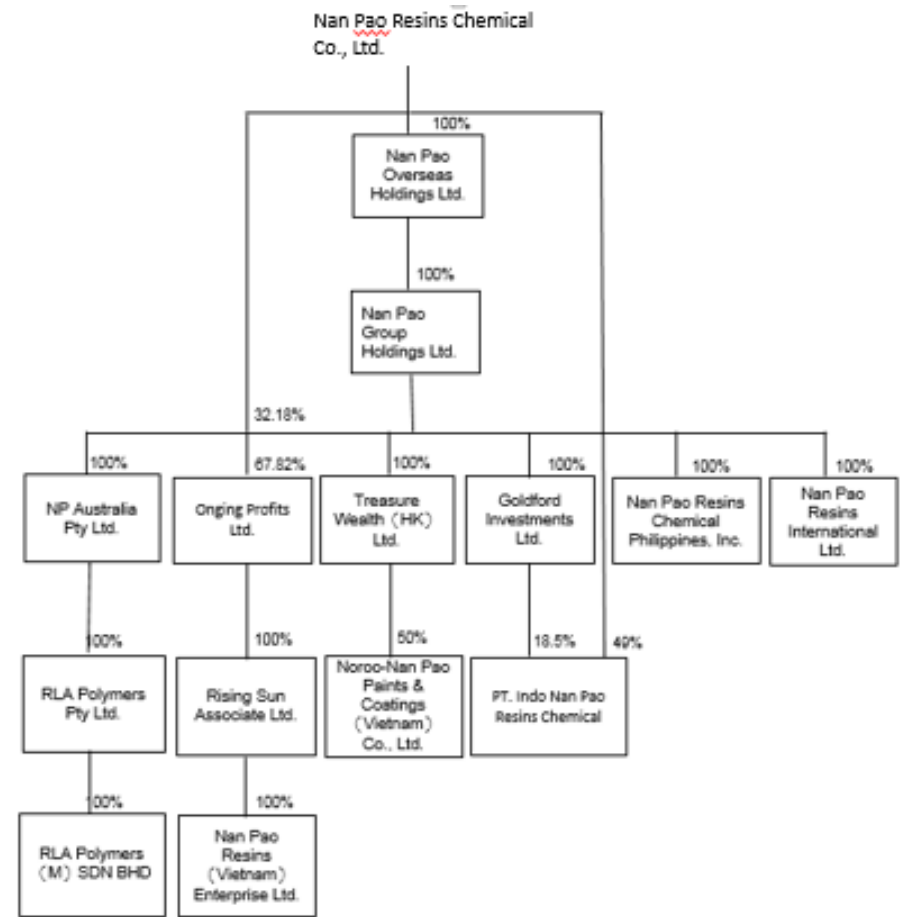
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2、Basic information of affiliated businesses

Unit: 1,000 NT\$/Foreign Currency

Name of business	Date established	Address	Actual paid-in capital	Primary business or products
Hsin Chung Industrial Co., Ltd.	1998.07.04	12 F, No. 117, Sec. 2, Chongqing N. Rd., Datung Dist., Taipei City	50,000,000	Production and trading of chemical materials including adhesives and resin
Nan Pao Overseas Holdings Limited	2007.12.14	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	1,773,229,745	General investment
Nan Pao Group Holdings Limited	2004.05.11	4th Floor, Willow House, Cricket Square, P.O. Box No. 2804, Grand Cayman KY1-1112, Cayman Islands	1,773,229,745	General investment
			(US\$59,584,332.82)	
Treasure Wealth (HK) Limited	2009.07.28	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	17,588	General investment
			(US\$591.01)	
Norro-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	2008.05.05	Khu Cong NghiepNhonTrach II, huyenNhonTrach, Tinh Dong Nai.	213,734,631	Production and trading of coatings
			(VND179,610,063,600)	
Greatwill Materials (HK) Limited	2009.10.29	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	40,432	General investment
			(US\$1,359.05)	
Foshan Nan Pao Advanced Materials Co., Ltd.	2010.03.16	No. 12, Kohler Boulevard, Leping Township, Sanshui Dist., Foshan City	46,639,591	Production and trading of adhesives
			(CNY10,240,336.5)	
Onging Profits Limited	1999.07.08	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	144,262,969	General investment
			(US\$4,847,546)	
Rising Sun Associate Limited	1999.07.08	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	89,280,000	General investment
			(US\$D3,000,000)	
Nan Pao Resins Vietnam Enterprise, Limited	1999.09.24	Soá 10 Ñ aũ loã Thoáng Nhaát-KCN Soùng Thaàn II-Dó An-Bình Dõng	190,708,531	Production and trading of adhesives and coating
			(US\$6,408,216.77)	
Mega Victory Limited	2010.01.04	Offshore Chambers, P.O. Box 217, Apia, Samoa	70,446,524	General investment
			(US\$2,367,154.71)	
Progroups Technology co. Ltd	2010.03.08	No. 12, Nanhapu, Nanhai Li, Xigang	5,000,000	Trading of water-based

Name of business	Date established	Address	Actual paid-in capital	Primary business or products
		Dist., Tainan City	NT\$5,000,000)	Polyurethane resin
Nan Pao Resins Chemical Philippines, Inc.	2011.01.28	Road 22 Phase 11, Cogeo Village, Antipolo City , Philippines	5,302,796	Trading of adhesives
			(PHP9,000,000)	
Goldford Investments Limited	1994.01.06	CREQUE BUILDING, P.O. BOX 116, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	14,463,360	General investment
			(US\$48,6000)	
Nan Pao Resins (Holdings) Limited	1995.09.26	P.O.BOX 71, CRAIGMUIR CHAMBERS, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	2,976	General investment
			(US\$100)	
Eastlion Enterprises Limited	1993.09.06	P.O.BOX 71, CRAIGMUIR CHAMBERS, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	602,342	General investment
			(US\$20,240)	
Nan Pao Resins (Dong-Guan) Co., Ltd.	2011.04.12	No. 2, Yue Yuen 2 Rd., Yue Yuen Industrial Estate, Huangjiang Town, Dongguan City	78,063,444	Processing of adhesives
			(CNY17,139,857.3)	
Eastlion Industrial Limited	1994.08.30	P.O.BOX 71, CRAIGMUIR CHAMBERS, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	2,976	General investment
			(US\$100)	
Nan Pao Resins Development Limited	2002.02.12	P.O.BOX 71, CRAIGMUIR CHAMBERS, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	89,280,000	General investment
			(US\$3,000,000)	
Dongguan Jia Chin Electronics Co., Ltd.	2007.02.08	No. 2, Yue Yuen 2 Rd., Yue Yuen Industrial Estate, Huangjiang Town, Dongguan City	90,548,519	Production and trading of coatings and high-functionality adhesives
			(CNY19,881,120)	
NP Australia Pty. Ltd.	2013.03.04	215 Colchester Road (PO Box 147)	549,841,391	General investment

Name of business	Date established	Address	Actual paid-in capital	Primary business or products
		Kilsyth VIC 3137 Australia	(AUD23,714,354)	
RLA Polymers Pty. Ltd.	1967.10.16	215 Colchester Road (PO Box 147)	496,690,900	Production and trading of construction materials and chemicals
		Kilsyth VIC 3137 Australia	(AUD21,422,002.8)	
RLA Polymers (M) SDN. BHD.	1992.04.23	No.2A & 2B, Jalan Canang Emas 7/KS10, Telok Gong, 42000 Pelabuhan Klang, Selangor D. E, Malaysia	135,030,622	Production and trading of construction materials and chemicals
			(MYR18,415,500)	
Nan Pao Materials Vietnam Co., Limited	2014.12.25	Lot A4, A5, A10, A11, Dai Dang 3 Street	446,400,000	Production and trading of adhesives and chemicals
			(US\$15,000,000)	
Nan Pao Resins International Limited	1992.07.14	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	38,070	Trading of chemical substances and related products
			(HKD10,000)	
Nanpao Advanced Investment Co., Ltd.	2017.04.14	2F., No. 600-2, Kunjia Rd., Kunshan Economic Technical Development Zone, Jiangsu Province	331,233,555	General investment
			(CNY72,726,690)	
Nantong Nanpao Resins Materials Co., Ltd.	2015.12.30	No. 1692-21, Xinghu Boulevard, Development Zone, Nantong City	105,554,164	Production and trading business of adhesives
			(CNY23,175,807)	
Nanpao (Kunshan) E-Commerce Co., Ltd.	2017.08.09	2F., No. 600-2, Kunjia Rd., Kunshan Economic Technical Development Zone, Jiangsu Province	30,064,240	Online commerce agency and trading of common good
			(CNY6,601,000)	
Profit Land Limited	2004.09.17	Equity Trust Chambers, P.O.Box3269, Apia, Samoa	39,679,990	General investment
Giant Profit Development Limited	2009.03.13	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	38,154	General investment
			(US\$1,282.05)	
Nan Pao Resins (Fo Shan) Co., Ltd	2004.08.26	No. 12, Kohler Boulevard, Leping Township, Sanshui Dist., Foshan City	287,634,077	Production and trading of adhesives
			(CNY63,153,850.43)	
Nanpao Chenghong New Material Technology Co., Ltd.	2016.05.25	Top Floor-103, No. 36-F2, Section A, Sanshui Center Technology Industrial	22,772,489	Trading of footwear material
			(CNY5,000,000)	

Name of business	Date established	Address	Actual paid-in capital	Primary business or products
		Zone, Leping Township, Sanshui Dist., Foshan City		
PT. Indo Nan Pao Resins Chemical	1991.05.13	Jl. Pajajaran Raya No.44, Jatiuwung Tangerang 15137, Indonesia	12,543,750	Production and trading of adhesives
All Saints Enterprises Limited	1997.08.13	Tropic Isle Building, P.O.BOX 438, Road Town, Tortola, British Virgin Islands	297,600,000	General investment
Great Mount Enterprises Limited	2009.07.31	Unit 2102,21/F The Broadway, No. 54-62 Lockhart, Road, Wanchai, Hong Kong	38,154	General investment
			(US\$1,282.05)	
Nan Pao Resins (China) Co., Ltd	1996.03.28	No. 600, Kunjia Rd., Kunshan Economic and Technological Development Zones, Jiangsu Province, China	374,424,988	Production and trading of adhesives and coatings
			(CNY82,209,938.01)	
Fuqing Nan Pao Investment Limited	2004.08.20	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	148,502,400	General investment
Wealth Castle Development Limited	2009.03.13	Room 13, 10/F., Block B, Tonnice Industrial Center, 19 Lam Hing Street, Kowloon Bay, Kowloon, Hong Kong	38,070	General investment
			(HKD10,000)	
Fuqing Nan Pao Resins Co., Limited	1993.12.27	Hongkuan Industrial Village, Yangxia Township, Fuqing City	153,847,759	Production and trading of adhesives
			(CNY33,779,302.04)	
Thai Nan Pao Investments Limited	2004.08.20	P.O.BOX 438 Road Town, Tortola British Virgin Island	157,192,320	General investment
Thai Nanpao Resins Chemical Co., Limited	1987.12.25	412 Kor Moo4 Praeksa Amphur Muang Samutprakarn 10280, Thailand	194,503,867	Production and trading of adhesives
			(THB211,970,000)	
PHYMED BIO-TEC CO., LTD.	2009.06.30	No. 12, Nanhai, Nanhai Li, Xigang Dist., Tainan City	16,000,000	R&D and trading of health food
ITLS International Development Co., Ltd	2009.01.22	3F., No. 356, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	305,000,000	Trading of construction materials and chemicals

Name of business	Date established	Address	Actual paid-in capital	Primary business or products
ITLS Holding Pte. Ltd.	2009.08.11	Blk 1049, Eunos Avenue 6, #01-132, Singapore 409628	535,676,861	General investment
			(SGD24,064,549)	
ITLS-TWA Australia Pty. Ltd.	2009.09.24	215 Colchester Road (PO Box 147) Kilsyth VIC 3137 Australia	139,116,096	Production and trading of hardware, construction material and chemicals
			(AUD6,000,000)	
ITLS (Malaysia) SDN. BHD.	2009.02.20	20C, Jalan 1/64, Off Jalan Kolam Air/Jalan Ipoh, 51200 Kuala Lumpur	23,830,443	Production and trading of construction materials
			(MYR3,250,000)	
PT. ITLS Indonesia	2009.07.23	Jn. Pajajaran Raya No. 44, Kelurahan Gandasari, Kecamatan Jatiuwung Tangerang - 15137, Indonesia	59,130,113	Production and trading of construction materials
			(IDR26,515,745,960)	
ITLS Vietnam Co., Ltd.	2010.03.04	Lot VIII.1 Thuan Thanh 3 Industrial Park, Thanh Khuong Commune, Thuan Thanh District, Bac Ninh Province	113,105,540	Production and trading of construction materials
			(VND95,047,269,805)	
ITLS-Rich (S) Pte. Ltd.	2009.08.17	Blk 1049, Eunos Avenue 6, #01-132, Singapore 409628	5,565,000	Trading of hardware and construction materials
			(SGD250,000)	
ITLS-SB SDN. BHD.	2009.08.19	Suite LP 02 &03, Menara TJB, Jalan Syed Mohamed Mufti,80000 Johor Bahru, Johor, Malaysia	14,664,888	Production and trading of hardware and construction materials
			(MYR2,000,000)	
Nan Pao Electronic Material Company	2006.06.21	No. 510, Neighborhood 5, Zhongshan Rd., Xigang Li, Xigang Dist., Tainan City	40,000,000	Production and trading of electronic materials
Nan Pao Chemical Company Ltd.	2007.05.14	No. 12, Nanhaipu, Nanhai Li, Xigang Dist., Tainan City	150,000,000	Trading of chemicals
Biorich Biotechnology Co., Ltd.	2001.12.04	3F., No. 356, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	112,383,020	R&D, production, and trading of advanced high-protein business and health food
Nan Pao Application Material Co., Ltd.	2009.12.25	No. 12, Nanhaipu, Nanhai Li, Xigang Dist., Tainan City	2,000,000	Trading of chemicals
Nan Pao Resins India Pvt. Ltd.	2012.09.04	204-Abhishek , Near Monginis Factory ,	14,496,600	Trading of adhesives

Name of business	Date established	Address	Actual paid-in capital	Primary business or products
		Off new Link Road , Andheri west , Mumbai 400053 , India		
Prince Pharmaceutical Co., Ltd.	1962.07.31	9F., No. 107, Sec. 3, Chungxin Rd., Sanchung Dist., New Taipei City	290,580,000	Production, packaging, and processing of raw materials for various pharmaceutical and health food
Nan Pao Advanced Materials Co., LTD.	2015.08.10	No. 521, Zhongshan Rd., Qing'an Li, Xigang Dist., Tainan City	5,000,000	Trading of adhesives and chemicals
Nanpao Advanced Materials Vietnam Co., Ltd.	2016.04.22	No.16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	379,098,296	Production and trading of adhesives and chemicals

3、Companies presumed to have a relationship of control and subordination according to Article 369-3 of the Company Act: None.

4、Overall business scope of all affiliated businesses:

For the main business and products of each affiliated companies, please refer to (2) Basic Information on Affiliated Companies. Primary contents:

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

(2)General investment.

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

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

5、Information on Directors and General Managers from affiliated companies:

Name of business	Job Title	Name or representative	Shares held	Shareholding ratio (%)
Hsin Chung Industrial Co., Ltd.	Chairman	Kuna, Cheng-Tao	1,600,000	32.00%
	Director	Ichio Tonegawa	1,056,000	21.12%
	Director	Sunko Ink Co., Ltd.	150,000	3.00%
	Supervisor	Ema Tonegawa	34,000	0.68%

Name of business	Job Title	Name or representative	Shares held	Shareholding ratio (%)
Nan Pao Overseas Holdings Limited	Director	Wu, Cheng-Hsien	-	0.00%
Nan Pao Group Holdings Limited	Director	Wu, Cheng-Hsien	-	0.00%
Treasure Wealth (HK) Limited	Director	Wu, Cheng-Hsien	-	0.00%
Norro-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Director	Li, Hsin-Ho	-	0.00%
	Director and General Manager	Chen, Yu-Jen	-	0.00%
	Director	Tsai, Yi-Fa	-	0.00%
	Director	Jin Myungho	-	0.00%
	Director	Yun Jeongkug	-	0.00%
	Director	Lee Myunghee	-	0.00%
	Supervisor	Liu, Chi-Lin	-	0.00%
Greatwill Materials (HK) Limited	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Chang, Kuo-Jung	-	0.00%
	Director	Li, Chuan	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
Foshan Nan Pao Advanced Materials Co., Ltd.	Director	Sun, Te-Tsung	-	0.00%
	Director	Li, Chuan	-	0.00%
	Director and General Manager	Chung, He-Feng	-	0.00%
	Supervisor	Hsu, Ming-Hsien	-	0.00%
Onging Profits Limited	Director	Hsu, Ming-Hsien	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Li, Hsin-Ho	-	0.00%
Rising Sun Associate Limited	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%

Name of business	Job Title	Name or representative	Shares held	Shareholding ratio (%)
	Director	Li, Hsin-Ho	-	0.00%
Nan Pao Resins Vietnam Enterprise, Limited	Director	Li, Hsin-Ho	-	0.00%
Mega Victory Limited	Director	Nan Pao Group Holdings Limited Representative: Lee, Juh-Shyong	-	0.00%
Progroups Technology co. Ltd.	Director	Juh-Shyong Lee	-	0.00%
	Director	Huang, Cheng-Yan	-	0.00%
	Director	Tsai, Chung-Lin	-	0.00%
	Supervisor	Chen, Wu-Hsiong	-	0.00%
Nan Pao Resins Chemical Philippines, Inc.	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
	Director	Juh-Shyong Lee	-	0.00%
	Director	Reginald V. Mungcal	-	0.00%
	Director	Sen-Mao Kuo	-	0.00%
	Director	Hsu, Chi-Yuan	-	0.00%
Goldford Investments Limited	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Chang, Kuo-Jung	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
Nan Pao Resins (Holdings) Limited	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Chang, Kuo-Jung	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
Eastlion Enterprises Limited	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Chang, Kuo-Jung	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
Nan Pao Resins (Dongguan) Co., Ltd.	Director	Sun, Te-Tsung	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%

Name of business	Job Title	Name or representative	Shares held	Shareholding ratio (%)
	Director	Hsu, Ming-Hsien	-	0.00%
	Supervisor	Hung, Chung-Yuan	-	0.00%
Eastlion Industrial Limited	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Chang, Kuo-Jung	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
Nan Pao Resins Development Limited	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Chang, Kuo-Jung	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
Dongguan Jia Chin Electronics Co., Ltd.	Director	Sun, Te-Tsung	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Chen, Bi-Hsiang	-	0.00%
	Supervisor	Hsu, Ming-Hsien	-	0.00%
NP Australia Pty. Ltd.	Director	Lord, Franklin Sidney	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Sen-Mao Kuo	-	0.00%
RLA Polymers Pty. Ltd.	Director	Lord, Franklin Sidney	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Sen-Mao Kuo	-	0.00%
RLA Polymers (M) SDN. BHD.	Director	Lord, Franklin Sidney	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Lee See Yoong	-	0.00%
	Director	Sen-Mao Kuo	-	0.00%
Nan Pao Materials Vietnam Co., Limited	Director	Li, Hsin-Ho	-	0.00%
Nan Pao Resins International Limited	Director	Liu, Chi-Lin	-	0.00%

Name of business	Job Title	Name or representative	Shares held	Shareholding ratio (%)
	Director	Chang, Kuo-Jung	-	0.00%
Nanpao Advanced Investment Co., Ltd.	Director	Sun, Te-Tsung	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
	Supervisor	Tsai, Yi-Fa	-	0.00%
	General Manager	Lin, Yong-Cheng	-	0.00%
Nantong Nanpao Resins Materials Co., Ltd.	Director	Sun, Te-Tsung	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
	Supervisor	Tsai, Yi-Fa	-	0.00%
Nanpao (Kunshan) E-Commerce Co., Ltd.	Director	Sun, Te-Tsung	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
	Supervisor	Tsai, Yi-Fa	-	0.00%
	General Manager	Lin, Yong-Cheng	-	0.00%
Profit Land Limited	Director	Chang, Kuo-Jung	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Juh-Shyong Lee	-	0.00%
Giant Profit Development Limited	Director	Chang, Kuo-Jung	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
Nan Pao Resins (Fo Shan) Co., Ltd.	Director	Sun, Te-Tsung	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Chung, He-Feng	-	0.00%
	Supervisor	Hsu, Ming-Hsien	-	0.00%

Name of business	Job Title	Name or representative	Shares held	Shareholding ratio (%)
Nanpao Chenghong New Material Technology Co., Ltd.	Director	Chung, He-Feng	-	0.00%
	Supervisor	Lin, Chun-Hui	-	0.00%
	Supervisor	Chen, Kuan-Ming	-	0.00%
PT. Indo Nan Pao Resins Chemical	Director	Ni, Wen-hung	-	0.00%
	Supervisor	Li, Tai-Kang	-	0.00%
	Supervisor	Wu, Cheng-Hsien	-	0.00%
	Supervisor	Tsai, Chao-Chian	-	0.00%
	Supervisor	Liu-Wen-Chen	-	0.00%
All Saints Enterprises Limited	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Sun, Te-Tsung	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
Great Mount Enterprises Limited	Director	Chang, Kuo-Jung	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
Nan Pao Resins (China) Co., Ltd.	Director	Sun, Te-Tsung	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
	Supervisor	Tsai, Yi-Fa	-	0.00%
	General Manager	Lin, Yong-Cheng	-	0.00%
Fuqing Nan Pao Investment Limited	Director	Hsu, Ming-Hsien	-	0.00%
	Director	Chang, Kuo-Jung	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
Wealth Castle Development Limited	Director	Hsu, Ming-Hsien	-	0.00%
	Director	Chang, Kuo-Jung	-	0.00%
Fuqing Nan Pao Resins Co., Limited	Director	Sun, Te-Tsung	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%

Name of business	Job Title	Name or representative	Shares held	Shareholding ratio (%)
	Director	Wu, Cheng-Hsien	-	0.00%
	Supervisor	Tsai, Yi-Fa	-	0.00%
Thai Nan Pao Investments Limited	Director	Hsu, Ming-Hsien	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Tsai, Chao-Chian	-	0.00%
Thai Nanpao Resins Chemical Co., Limited	Director	Hsu, Ming-Hsien	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Huang, Chien-Ting	-	0.00%
PHYMED BIO-TEC CO., LTD.	Director	Juh-Shyong Lee	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
	Supervisor	Liu, Chi-Lin	-	0.00%
ITLS International Development Co., Ltd.	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Tsai, Chao-Chian	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
	Supervisor	Juh-Shyong Lee	-	0.00%
ITLS Holding Pte. Ltd.	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Liu, Chi-Lin	-	0.00%
	Director	Noraishah Binte Mohamed Sulaimi	-	0.00%
ITLS-TWA Australia Pty. Ltd.	Director	Lord, Franklin Sidney	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Sen-Mao Kuo	-	0.00%
ITLS (Malaysia) SDN. BHD.	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Liu, Chi-Lin	-	0.00%

Name of business	Job Title	Name or representative	Shares held	Shareholding ratio (%)
PT. ITLS Indonesia	Director	Liu, Chi-Lin	-	0.00%
	Supervisor	Wu, Cheng-Hsien	-	0.00%
ITLS Vietnam Co., Ltd.	Director	Liu, Chi-Lin	-	0.00%
ITLS-Rich (S) Pte. Ltd.	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Liu, Chi-Lin	-	0.00%
	Director	Noraishah Binte Mohamed Sulaimi	-	0.00%
ITLS-SB SDN. BHD.	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Liu, Chi-Lin	-	0.00%
Nan Pao Electronic Material Company	Director	Chang, Kuo-Jung	-	0.00%
	Director	Chen, Bi-Hsiang	-	0.00%
	Director	Tsai, Yi-Fa	-	0.00%
	Supervisor	Hsu, Ming-Hsien	-	0.00%
Nan Pao Chemical Company Ltd.	Director	Juh-Shyong Lee	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Tsai, Chao-Chian	-	0.00%
	Director	Lee, Hui-Fen	-	0.00%
	Supervisor	Tsai, Yi-Fa	-	0.00%
Biorich Biotechnology Co., Ltd.	Director	Wang, Kuo-Hua	-	0.00%
	Director	Tsai, Yi-Fa	-	0.00%
	Director	Chi, Ching-Tseng	-	0.00%
	Director	Yang, Wen-Jen	-	0.00%
	Director	Cheng, Shao-Liang	-	0.00%
	Supervisor	Han, Shu-Wen	-	0.00%

Name of business	Job Title	Name or representative	Shares held	Shareholding ratio (%)
Nan Pao Application Material Co., Ltd.	Director	Juh-Shyong Lee	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
	Supervisor	Tsai, Yi-Fa	-	0.00%
Nan Pao Resins India Pvt. Ltd.	Director	Sen-Mao Kuo	-	0.00%
	Director	Hsu, Chi-Yuan	-	0.00%
	Director	Mukesh Nautiyal	-	0.00%
Prince Pharmaceutical Co., Ltd.	Director	Lee, Chi-Ta	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
	Director and General Manager	Wang, Kuo-Hua	-	0.00%
	Director	Juh-Shyong Lee	-	0.00%
	Director	Hsu, Po-Shan	-	0.00%
	Supervisor	Lee, Hui-Fen	-	0.00%
	Supervisor	Kun-Chin Lin	-	0.00%
Nan Pao Advanced Materials Co., LTD.	Director	Tsai, Chao-Chian	-	0.00%
	Director	Chen, Hsing-Tsai	-	0.00%
	Director	Lin, Yi-Chang	-	0.00%
	Supervisor	Tsai, Yao-Cheng	-	0.00%
Nanpao Advanced Materials Vietnam Co., Ltd.	Director	Chen, Hsing-Tsai	-	0.00%

6、Operating status of affiliated enterprises:

Unit: NT\$1,000

Name of business	Amount of capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit (Loss)	Net Gain (Loss) of the Investee (After tax)	Earnings per share (After tax)
Hsin Chung Industrial Co., Ltd.	50,000	1,079,607	354,050	725,556	413,809	85,821	66,869	13.37
Nan Pao Overseas Holdings Limited	1,773,230	3,678,389	0	3,678,389	0	(1)	318,739	5.35
Nan Pao Group Holdings Limited	1,773,230	3,749,492	77,058	3,672,434	0	(38,174)	318,737	5.35
Treasure Wealth (HK) Limited	18	132,419	0	132,419	0	(52)	(2,295)	(501.43)
Norro-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	213,738	421,975	180,196	241,779	427,567	19,363	15,139	Note 2
Greatwill Materials (HK) Limited	40	356,933	9,719	347,214	28,029	950	48,628	Note 2
Foshan Nan Pao Advanced Materials Co., Ltd.	44,640	668,486	323,432	345,054	1,162,106	57,127	48,522	Note 2
Onging Profits Limited	144,263	973,112	0	973,112	0	(62)	269,189	55.53
Rising Sun Associate Limited	89,280	1,162,219	190,961	971,258	(3,168)	(952)	269,249	89.75
Nan Pao Resins Vietnam Enterprise, Limited	190,709	1,701,908	540,190	1,161,718	3,113,846	320,982	270,067	Note 2
Nan Pao Resins International Limited	38	131,432	123,521	7,911	274,539	(2,338)	6,989	6,988.62
Nanpao Advanced Investment Co., Ltd.	327,360	325,014	0	325,014	0	(198)	(6,153)	Note 2

Name of business	Amount of capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit (Loss)	Net Gain (Loss) of the Investee (After tax)	Earnings per share (After tax)
Nantong Nanpao Resins Materials Co., Ltd.	103,862	104,934	0	104,934	0	(562)	(613)	Note 2
Nanpao (Kunshan) E-Commerce Co., Ltd.	29,760	142,266	115,731	26,535	12,633	(2,361)	(3,491)	Note 2
Profit Land Limited	39,680	971,553	0	971,553	0	5,883	88,506	Note 2
Giant Profit Development Limited	38	875,930	0	875,930	0	(18)	76,728	Note 2
Nan Pao Resins (Fo Shan) Co., Ltd.	238,080	1,143,846	268,940	874,906	1,598,416	54,907	76,726	Note 2
Nanpao Chenghong New Material Technology Co., Ltd.	22,772	28,841	5,085	23,756	12,560	803	949	Note 2
PT. Indo Nan Pao Resins Chemical	12,544	608,865	238,560	370,305	906,247	91,745	71,442	Note 2
All Saints Enterprises Limited	297,600	428,753	0	428,753	0	(81)	(2,027)	Note 2
Great Mount Enterprises Limited	38	424,395	5	424,389	0	(25)	(1,950)	Note 2
Nan Pao Resins (China) Co., Ltd.	297,600	874,878	450,653	424,225	1,110,325	(1,970)	(1,925)	Note 2
Fuqing Nan Pao Investment Limited	148,502	191,908	0	191,908	0	(63)	14,044	Note 2
Wealth Castle Development Limited	38	191,621	188	191,433	0	(239)	14,104	Note 2
Fuqing Nan Pao Resins Co., Limited	135,706	212,132	22,012	190,120	344,942	18,013	14,339	Note 2
Thai Nan Pao Investments Limited	157,192	161,006	0	161,006	223,204	36,907	45,793	Note 2

Name of business	Amount of capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit (Loss)	Net Gain (Loss) of the Investee (After tax)	Earnings per share (After tax)
Thai Nanpao Resins Chemical Co., Limited	194,504	141,247	42,740	98,507	151,028	4,585	8,210	Note 2
PHYMED BIO-TEC CO., LTD.	16,000	5,695	153	5,541	1,739	(412)	(431)	(0.27)
ITLS International Development Co., Ltd.	305,000	334,358	24,150	310,208	224,869	22,766	101,380	3.32
ITLS Holding Pte. Ltd.	535,677	160,414	0	160,414	0	(8,689)	84,672	Note 2
ITLS-TWA Australia Pty. Ltd.	139,116	828	0	828	0	(11)	(2)	Note 2
ITLS (Malaysia) SDN. BHD.	23,830	18,701	131	18,570	0	(549)	(204)	Note 2
PT. ITLS Indonesia	59,130	34,551	9,353	25,198	29,559	1,050	3,320	Note 2
ITLS Vietnam Co., Ltd.	113,106	90,785	6,504	84,281	20,065	(8,253)	(12,627)	Note 2
ITLS-Rich (S) Pte. Ltd.	5,565	7,908	2,772	5,136	27,167	(1,997)	(1,930)	Note 2
ITLS-SB SDN. BHD.	14,665	24,096	4,156	19,940	51,844	(1,899)	1,109	Note 2
Nan Pao Electronic Material Company	40,000	54,394	11,224	43,170	34,886	3,103	1,825	0.46
Nan Pao Chemical Company Ltd.	150,000	176,168	46,343	129,824	18,584	(3,353)	(40,518)	(2.70)
Biorich Biotechnology Co., Ltd.	112,383	20,329	13,586	6,743	31,625	(26,231)	(26,446)	(2.35)
Nan Pao Application Material Co., Ltd.	2,000	9,996	100	9,896	0	(795)	(2,158)	
Nan Pao Resins India Pvt. Ltd.	14,497	37,805	15,662	22,142	66,443	1,721	1,725	Note 2
Prince Pharmaceutical Co., Ltd.	290,580	637,979	89,883	548,096	156,389	18,638	(15,978)	(0.57)
Nan Pao Advanced Materials Co., LTD.	5,000	13,562	7,064	6,498	24,013	3,559	2,848	5.70
Nanpao Advanced Materials Vietnam Co., Ltd.	379,098	389,916	15,144	374,772	0	(5,245)	(4,629)	Note 2

Note 1: the amount of balance for the aforementioned overseas companies are stated as of the exchange rate on December 31, 2017; income statement figures are stated as of the average exchange rate throughout 2017.

Note 2: Is not a shares limited company; hence EPS is not applicable.

For Consolidated Financial Statement of Affiliated Companies: please see Attachment 1.

Affiliated Report: None.

1. Private placement of securities of the most recent year up to the publication date of this Report: None.

Holding or disposal of this company's shares by a subsidiary company in the last year, up to the publication date of this Report: None.

Other items that must be included: None.

2. Events in the most recent year till the publication date of this Report which have material impact on shareholders' rights and interests or securities prices according to Item 3-2, Article 36 of the Securities and Exchange Act:

Non

