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NAN PAO RESINS CHEMICAL CO., LTD.

2020 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, 2021

Notice to readers

This English version annual report is a translation of the Chinese version. This translation is intended for reference only and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

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

	Spokesperson	Deputy Spokesperson
Name	Kun-Chin, Lin	Sen-Mao, Kuo
Job Title	Assistant Manager of Financial Management Division	Executive General Manager of Adhesives and Specialty Business Division
Telephone No.	(06)795-4766	(06)795-4766
E-mail	IR@nanpao.com	IR@nanpao.com

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

	Address	Telephone No.
Head Office	No. 12, Nanhaiyu, Nanhai Vil, 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
Plant Bao Li	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, Sec. 1, Chongqing S. Rd., Taipei City
Website:	http://www.ctbcbank.com/
Telephone No.	(02)6636-5566

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

Name of the CPA	Hung-Ju, Liao and Chi-Chen, Lee
Name of the Firm	Deloitte & Touche Taiwan
Address	13F, No. 189, Sec. 1, Yongfu Rd., Zhongxi Dist., Tainan City
Website:	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/>

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Chapter I LETTER TO SHAREHOLDERS

Dear Shareholders,

Looking back at 2020, at the beginning of the year, affected by the uncertain factors of the coronavirus disease, major economic forecasting agencies all predicted that the global economy is about to decline, which will bring many challenges to the operating environment. In the first and second quarter, the Company allocated production orders based on the epidemic situation on the area where each factory is located. The group also strictly implements cost control internally. The quick response of various measures enabled the Company rapidly increase production after demand begins to gradually recover.

In terms of footwear business, due to the complete construction of e-commerce channels for sports shoe brands, sales performance has gradually recovered from the third quarter. The Company was benefited from this trend and which also slowed down the impact of the epidemic on the Company's revenue. For construction materials, the development of new products has increased market share in the Australian, which has led to revenue growth.

The Company's overall profit performance is flat. The stable product prices and the decline in raw material prices have a positive impact on profitability. Even in a year with substantial macro headwinds, the Company commits to innovation. A rich pipeline of new products is emerging from R&D work, which was expected to usher the Company into its next stage of sustained, robust top line growth. Here is a report on the operating conditions and future prospects of the Company and its subsidiaries in 2020 as follows:

I. Review of Business Performance in 2020

1. Results of business plan

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

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

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

2. Budget Implementation: The Company did not release financial forecasts, so there is no analysis data of budget implementation.

3. Analysis of Financial Revenue and Expenditure and Profitability

Unit : NT\$1,000 ; %

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

4. Research and Development

The Company is active in industry-university cooperative research, pursuing continuously growth and innovation improvement, and annually invests 2% to 4% of the revenue on R&D costs, for the training and specialization of the qualified personnel. The R&D expenses in 2020 was 3.22% of the revenue. The chemists and engineers of the Company overcome difficulties and strive for more the latest innovations to develop the high value added of new products. The Company grows the competitive advantages, creates the new value for the enterprise, and aims at “environment-protection, energy-saving and carbon reduction” as the most recent research directions. The research foundation bases on the applications of high polymer and synthesis and develop the new products and technologies of the environmental friendly products. The mid-long term goal is to integrate research resources and core abilities of the group, aiming at biomass polyurethane foam, fluoride-free water repellent and proprietary formable thermoset carbon fiber composite material. The Company devote in developing innovative manufacturing processes and materials to drive the Company towards sustainable operation, focus on upgrading the products to contribute on slow down global warming and environmental impacts, cutting carbon emission from the manufacturing processes and the wastes towards to a better living place.

II. Outline of 2020 Business Plan

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

1. In terms of footwear business, the Company will continuously gain the market share amongst global and Mainland China athletic footwear brands, and will target domestic brands in India and South Asia, in order to increase our material percentage of the whole athletic footwear products.
2. In terms of other business, the Company plans to establish manufacturing plants in South Asia, and robust growth in hotmelt sales for non-woven, white goods and other applications. In addition, the Company intends to break through to clients in large volume consumer goods markets, and establish sales channels for our innovative products such as carbon fiber composite, nano coating and pressure sensitive adhesives.

3. Besides to shift towards less product types and longer, high volume production runs to achieve higher gross margins on a sustained basis internally, the Company will also continue to invest in R&D, and systematically search to apply existing core technology to new product opportunities. Externally, the Company targets channel or MFG players in US, EMEA and India areas for geographic expansion, also focuses young companies with new and green technologies to horizontal and vertical extension of existing business lines.

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

In the future prospect in 2021, although facing the economy uncertainty, the Company will stand on the business corner stone of “leading, integrity, teamwork and efficiency” as guideline to build the business, and will implement corporate governance and corporate social responsibility on managing, manufacturing, environmental protecting and society caring, also stick with the quality policy of “quality first, technological leadership and service oriented”. The Company continuously pursues technology innovations and pays attention on changes of the trends of national and international laws and regulations, in order to minimize the impact from external unfavorable factors to sustain the business growth and profit.

Facing the future development of the world, it is inevitable to move towards a circular economy. The Company has broken through the problem of polyester products and shoe fabrics that cannot be recycled in adhesives and coatings, and invested in the development of shoe fabrics and PET bottle polyester recycling technology to avoid waste of resources and environmental pollution. The Company cooperates with a leading research team, selects appropriate strategic alliances with excellent manufacturers, jointly develops strategic products with brand owners, and applies for patent protection of the developed technologies and products, so as to obtain intellectual property rights to deploy and maintain the enterprise competitiveness.

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

Chapter II COMPANY PROFILE

I. Date of Incorporation: October 2, 1963.

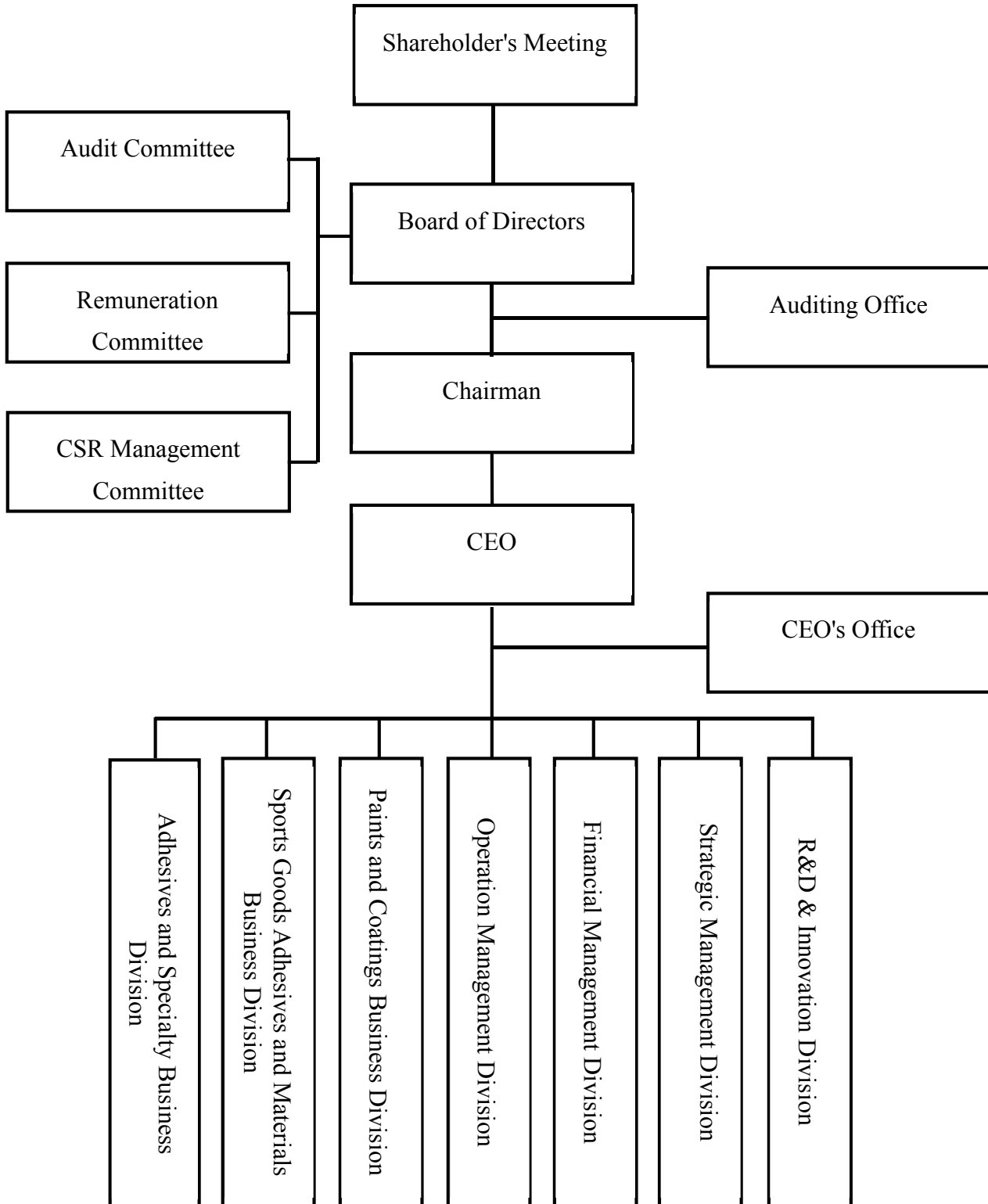
II. Company History

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, Co., Ltd.
1991	Produced polyester resin for powder-based coatings.
1992	Produced reinforcing resin for water-based leather.
1993	Established Fuqing Nan Pao Resins Co., Ltd.
1994	Established P.T Indo Nan Pao Resins Chemical Co., Ltd. Produced water-based sealants.
1995	Received SGS Yarsley ISO9002 certification. Produced water-based polyurethane resin for dyeing and finishing industry.
1996	Established Nan Pao Resins (China) Co., Ltd.
1997	Produced footwear water-based adhesives.
1998	Produced triphenyl-free adhesives. Produced fireproof coatings.
1999	Established Nan Pao Resins (Vietnam) Enterprise Ltd. Received SGS ISO14001 certification Produced footwear water-based processing adhesives and water-based coatings for plastics.
2000	Received OHSAS 18001 Occupational Safety and Health Management System certification.
2003	Received SGS Yarsley ISO 9001:2000 certification. Received ISO 9001:2000 certification from Bureau of Standards, Metrology and Inspection, MOEA. Produced transfer powder coatings and electronic solder-resistant coatings. Group spin-off: Nan Pao Technology Co., Ltd., Nan Pao International Biotech Co., Ltd., and Nan Pao Industrial Co., Ltd. were divested in order for the Group to focus on the core business in chemical engineering.
2004	Established Nan Pao Resins (Fo Shan) Co., Ltd.
2005	Nan Pao updated trademark. Business divisions were formed within the Group.
2006	Established Nan Pao Social Welfare Foundation. Established Nan Pao Electronic Material Co., Ltd.

Year	Important Events
2007	Established Nan Pao Chemical Co., Ltd. Produced reactive PU hot melt adhesive and non-chrome water-based metal anti-fingerprint surface treatment agent.
2008	Received "2008 Outstanding Institution for Professional Training" from Workforce Development Agency, Ministry of Labor. 815 Latex Paints received "Green Building Materials Labeling" from the Ministry of Interior. Established ITLS International Development Co., Ltd.
2009	Water Based PVAc received "Green Building Materials Labeling" from the Ministry of Interior. Established Nan Pao Application Material Co., Ltd.
2010	Established Foshan Nan Pao Advanced Materials Co., Ltd. Established Progroups Technology Co. Ltd. Invested in Biorich Biotechnology Co., Ltd.
2011	Established Nan Pao Resins (Dongguan) Co., Ltd. Established Nan Pao Resins Chemical Philippines, Inc.
2012	Nan Pao 815 Friendly Home Paint received "Green Building Materials Labeling" from the Ministry of Interior. Established Nan Pao Resins India Pvt., Ltd.
2013	Nan Pao Water-Based Adhesive received "Carbon Footprint Label" from the Environmental Protection Agency, the Executive Yuan. Established Nan Pao Advanced Materials Limited. Established NP Australia Pty Ltd.
2014	M&A of Prince Pharmaceutical Co., Ltd. M&A of RLA Holdings Pty., Ltd. Established Nan Pao Materials Vietnam Co., Ltd. (Binh Duong Plant in southern Vietnam) Taiwan Hot-melt Adhesives Factory was certified with the National Green Productivity and Green Factory Certification.
2015	Established Nan Pao Advanced Materials Co., Ltd. and entered the optical adhesive market Established NanTong Nan Pao Resins Materials Co., Ltd.
2016	ITLS was renamed ITLS International Development Co., Ltd. Established Nan Pao Advanced Materials Vietnam Co.,Ltd. (Ninh Binh Plant in northern Vietnam) PSA factory completed.
2017	IPO and registration on Emerging Stocks on Taipei Exchange authorized by Taipei Exchange (GreTai Securities Market). Water-based PU was certificated with the ISO/TS14067 inspection statement. Nan Pao Materials Vietnam Co., Ltd has been awarded LEED Gold certification by the U.S. Green Building Council. Established Nan Pao (KunShan) Electronic Commerce Co., Ltd.
2018	Established Nan Pao Resins (Yunan) Co., Ltd. 105G Eco Friendly adhesive certificated Green Labels both in Taiwan and Singapore. Obtained approval for public offering of stock to be listed on the Taiwan Stock Exchange Corporate.
2019	Officially certificated the "Best Voted Glue Potion Supplier" at Nike's first WHQ Campus Global Chemical Conference Officially certificated with AS9100:D Quality Management Systems standard for aerospace. Established Nan Pao Resins (HK) Limited. Established Nan Pao Philippines Export Inc.
2020	Established Nanpao New Materials (Huaian) Co., Ltd. Established Nanpao Fine Materials Co., Ltd.

Chapter III CORPORATE GOVERNANCE REPORT

I. Organizational System (I) Organizational structure



(II) Business Activities of Main Division

Division	Main 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 operating; 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 ensuring 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 and coordinating all operation and management tasks for the coating business to achieve relevant revenue and profitability goals and ensure effective organizational operation and future continued growth
Sports Goods Adhesives and Materials Business Division	Establishing development strategies and coordinating all operation and management tasks for the footwear business to achieve relevant revenue and profitability goals and ensure effective organizational operation and future continued growth
Adhesives and Specialty Business Division	Establishing development strategies and coordinating all operation and management tasks for the adhesive business to achieve relevant revenue and profitability goals and ensure effective organizational operation and future continued growth
Auditing Office	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, General Manager, Deputy General Manager, and the supervisors of each division

(I) Directors and Supervisors

1. Information on Directors:

April 19, 2021

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding while Elected		Shareholding Current		Spouse or Minor Shareholding		Shareholding held through Nominees		Education and Experience	Other Position	Directors, Supervisors, or other managers who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Taiwan, R.O.C.	Cheng-Hsien, Wu	Male	20200616	3 years	20140627	441,808	0.37	409,123	0.34	158,400	0.13	—	—	M.S. in Applied Chemistry, National Tsing Hua University; Bachelor of Chemistry, National Tsing Hua University; Adhesive Business Executive General Manager and General Manager of Nan Pao Resins Chemical Co., Ltd.	Note 1	None	None	None
Director	Taiwan, R.O.C.	Pou Chien Enterprise Co., Ltd.	—	20200616	3 years	20081212	10,920,248	9.06	10,920,248	9.06	—	—	—	—	—	—	None	None	None
	Taiwan, R.O.C.	Nai-Yung, Tsai	Male	20200616	3 years	20191129	—	—	—	—	—	—	—	—	LuKang Junior High School; Deputy General Manager of Global Supply Chain Management Head Office, Pou Chen Corporation	Note 2	None	None	None
Director	Taiwan, R.O.C.	Guang Rong Investment Ltd.	—	20200616	3 years	20140627	8,868,132	7.36	8,868,132	7.36	—	—	—	—	—	—	None	None	None
	Taiwan, R.O.C.	Ming-Hsien, Hsu	Male	20200616	3 years	20140627	483,211	0.40	483,211	0.40	121,554	0.10	—	—	M.S. in Industrial Engineering, National Cheng Kung University; Bachelor of Business Management, National Sun Yat-sen University; Deputy General Manager of Nan Pao Resins Chemical Co., Ltd. ; Chief Executive Officer of Nan Pao Resins Chemical Co., Ltd.	Note 3	None	None	None
Director	Taiwan, R.O.C.	Guang Rong Investment Ltd.	—	20200616	3 years	20140627	8,868,132	7.36	8,868,132	7.36	—	—	—	—	—	—	None	None	None
	Taiwan, R.O.C.	Ying-Lin, Huang	Male	20200616	3 years	20200616	4,695,936	3.89	4,709,936	3.91	—	—	—	—	M.S. in Applied Chemistry, Waseda University; Chief Executive's Office Special Assistant of Nan Pao Resins Chemical Co., Ltd.	Note 4	None	None	None

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding while Elected		Shareholding Current		Spouse or Minor Shareholding		Shareholding held through Nominees		Education and Experience	Other Position	Directors, Supervisors, or other managers who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	Taiwan, R.O.C.	Yun, Chen	Male	20200616	3 years	20171212	—	—	—	—	—	—	—	—	Ph.D. of Synthetic Chemistry, Faculty of Engineering, University of Tokyo, Japan; M.S. of Macromolecule, National Tsing Hua University; Bachelor of Industrial Chemistry, Tung Hai University; Professor/Dean/ Distinguished Professor of National Cheng Kung University	—	None	None	None
Independent Director	Taiwan, R.O.C.	Yung-Cheng, Chiang	Male	20200616	3 years	20171212	—	—	—	—	—	—	—	—	Bachelor of Law, Soochow University; Judge of Taiwan Kaohsiung District Court; Judge of Taiwan High Court Kaohsiung Branch Court; Attorney of Cheng Bang & Cheng Yang Joint Law Firm	Note 5	None	None	None
Independent Director	Taiwan, R.O.C.	Yi-Hsi, Lee	Male	20200616	3 years	20171212	—	—	—	—	—	—	—	—	Ph.D. and M.S. of Department of Finance, National Sun Yat-sen University; Bachelor of Operating and Management, Tung Hai University; Assistant Professor at Department of Financial Engineering and Actuarial Mathematics, Soochow University; Assistant Professor at Finance Department, National Kaohsiung University of Science and Technology; Adjunct Assistant Professor at Department of Finance, National Sun Yat-sen University; General Manager of Zhi Fang Financial Consultant Co., Ltd.; Deputy CEO, Block Chain Lab, FinTech Center at College of Commerce, National Cheng Chi University; Deputy CEO, Open Financial Innovation Lab, FinTech Center at College of Commerce, National Cheng Chi University; Advisor at Global Capital Market Division of CTBC Bank	Note 6	None	None	None

- Note 1: Corporate Director Representative and Chairman of ITLS International Development Co., Ltd. and Nan Pao Application Material Co., Ltd.; Director of Nan Pao Overseas Holdings Ltd.; Nan Pao Group Holdings Ltd.; Treasure Wealth (HK) Ltd.; Greatwill Materials (HK) Ltd.; Ongoing Profits Ltd.; Rising Sun Associate Ltd.; Nan Pao Resins (Vietnam) Enterprise Ltd.; Goldford Investments Ltd.; Nan Pao Resins (Holdings) Ltd.; Eastlion Enterprises Ltd.; Nan Pao Resins (Dongguan) Co. Ltd.; Nan Pao Resins Development Ltd.; Dongguan Jiaqin Electronics Ltd.; NP Australia Pty. Ltd.; RLA Polymers Pty. Ltd.; RLA Polymers (M) SDN. BHD.; Nanpao Advanced Investment Co., Ltd.; Nantong Nanpao Resins Materials Co., Ltd.; Nan Pao (KunShan) Electronic Commerce Co., Ltd.; Nan Pao Resins (Yunan) Co., Ltd.; Nan Pao Resins (HK) Limited; Profit Land Ltd.; Nan Pao Materials Vietnam Co.,Ltd.; Nan Pao Resins (Foshan) Co., Ltd.; All Saints Enterprises Ltd.; Nan Pao Resins (China) Co., Ltd.; Fuqing Nan Pao Investment Ltd.; Fuqing Nan Pao Resins Co., Ltd.; Thai Nan Pao Investments Ltd.; Thai Nanpao Resins Chemical Co., Ltd.; ITLS Holding Pte. Ltd.; Nan Pao Advanced Materials Vietnam Co., Ltd.; Nan Pao Philippines Export Inc.; Director and Corporate Director Representative of Nan Pao Resins Chemical Philippines, Inc.; Director and Supervisor of PT. Indo Nan Pao Resins Chemical Co., Ltd.; Supervisor of PT. ITLS Indonesia.
- Note 2: Deputy General Manager of Global Supply Chain Management Headquarters of Pou Chen Corporation; Corporate Director Representative of Evermore Chemical Industry Co., Ltd.; Chang Yang Material Corp.; Limao Digital Printing Co., Ltd.
- Note 3: Director of Greatwill Materials (HK) Ltd.; Ongoing Profits Ltd.; Rising Sun Associate Ltd.; Nan Pao Resins (Vietnam) Enterprise Ltd.; Nan Pao Resins Chemical Philippines, Inc.; Goldford Investments Ltd.; Nan Pao Resins (Holdings) Ltd.; Eastlion Enterprises Ltd.; Nan Pao Resins (Dongguan) Co. Ltd.; Nan Pao Resins Development Ltd.; Nan Pao Materials Vietnam Co.,Ltd.; Nan Pao Resins International Ltd.; Nanpao Advanced Investment Co., Ltd.; Nantong Nanpao Resins Materials Co., Ltd.; Nan Pao (KunShan) Electronic Commerce Co., Ltd. ; Nan Pao Resins (HK) Limited; Giant Profit Development Ltd.; All Saints Enterprises Ltd.; Nan Pao Resins (China) Co., Ltd.; Fuqing Nan Pao Investment Ltd.; Wealth Castle Development Ltd.; Fuqing Nan Pao Resins Co., Ltd.; Thai Nan Pao Investments Ltd.; Thai Nanpao Resins Chemical Co., Ltd.; Nan Pao Advanced Materials Vietnam Co., Ltd.; Nanpao New Materials (Huaian) Co., Ltd.; Supervisor of Foshan Nan Pao Advanced Materials Co., Ltd.; Dongguan Jiaqin Electronics Co., Ltd.; Nan Pao Resins (Yunan) Co., Ltd.; Nan Pao Resins (Foshan) Co., Ltd.
- Note 4: Corporate Director Representative and Chairman of Sheng Lin Investment Ltd. ; Sheng Bao Investment Co., Ltd. ; Nan Pao Electronic Material Co., Ltd.; Director of Greatwill Materials (HK) Ltd.; Goldford Investments Ltd.; Nan Pao Resins (Holdings) Ltd.; Eastlion Enterprises Ltd.; Nan Pao Resins Development Ltd.; Nan Pao Resins International Ltd.; Profit Land Ltd.; Giant Profit Development Ltd.; Great Mount Enterprises Ltd.; Fuqing Nan Pao Investment Ltd.; Wealth Castle Development Ltd.; ITLS Holding Pte. Ltd.; Corporate Director Representative of APOGEE OPTOCOM CO., LTD. ; Opulence Optronics Co., Ltd.; ASIAANALYTICS TAIWAN LTD.; Biorich Biotechnology Co., Ltd.
- Note 5: Corporate Director Representative of Nan-Ho Industrial Co., Ltd.; MINCHALI METAL INDUSTRY CO., LTD. ; Independent Director of Long Da Construction & Development Corporation. ; Taiwan Secom Co., Ltd.; Top High Image Corp.
- Note 6: Supervisor of Du Dong Technology Co., Ltd. °

Table 1: Major shareholders of institutional shareholders

April 19, 2021

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

Table 2: Major shareholders of the major institutional shareholders

April 19, 2021

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 19, 2021

Name	Condition	Has more than 5 years of work experience and the following professional qualifications			Independence Criteria (Note)												Currently serving as an independent director of other public companies	
		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 business	A judge, prosecutor, lawyer, accountant, or other professional or technician related to the Company's business that must undergo national examinations and obtain a specialized license	Having work experience in business administration, legal affairs, finance, accounting, or any other business related to the Company's business	1	2	3	4	5	6	7	8	9	10	11	12		
Cheng-Hsien, Wu			✓				✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Pou Chien Enterprise Co., Ltd. Representative: Nai-Yung, Tsai			✓				✓			✓	✓		✓	✓	✓			0
Guang Rong Investment Ltd. Representative: Ming-Hsien, Hsu			✓				✓			✓	✓	✓	✓	✓	✓			0
Guang Rong Investment Ltd. Representative: Ying-Lin, Huang			✓				✓			✓	✓	✓	✓	✓	✓			0
Yun, Chen	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Yung-Cheng, Chiang		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Yi-Hsi, Lee	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	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 an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. (The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds in accordance with domestic or local regulations.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not the managers as item 1 or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of the person as item 2 & 3.
- (5) Directors, supervisors, or legal shareholders who are not directly holding more than 5% of the company's total issued shares, holding the top five shares, or appointing representatives as company directors or supervisors in accordance with Article 27, paragraph 1 or 2 of the Company Law Employee (but if the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, it is not limited to this)

- (6) More than half of the shares that are not on the board of directors of the company or have voting rights are the directors, supervisors or employees of other companies controlled by the same person (but if it is the company or its parent company, subsidiary or subsidiary of the same parent company (The independent directors established by the laws or local laws and regulations of the country serve concurrently with each other, this is not the case)
- (7) Directors (directors), supervisors (supervisors) or servants of other companies or organizations who are not the same person or spouse with each other and are the same person or spouse (Or independent directors set up by subsidiaries of the same parent company in accordance with this law or local national laws and regulations serve concurrently, not subject to this limit)
- (8) Directors (directors), supervisors (supervisors), managers or shareholders holding more than 5% of a specific company or organization that does not have financial or business dealings with the company (but if a specific company or organization holds 20% of the company's total issued shares Above, not more than 50%, and the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations concurrently serve each other, not limited to this)
- (9) Professionals, sole proprietorships, partnerships, business owners of companies or institutions that do not provide audits for companies or related companies or business, legal, financial, accounting and other related services that have not received more than NT\$ 500,000 in cumulative compensation in the past two years Partners, directors (directors), supervisors (supervisors), managers and their spouses. However, members of the Compensation Committee, Public Takeovers Review Committee, or M&A Special Committee performing their functions and powers in accordance with the relevant laws and regulations of the Securities Exchange Act or the Corporate M&A Act are not limited to this.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (11) Not been a person of any conditions defined in Article 30 of the Company Law.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(II) Information on the Management Team

April 19, 2021

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse or Minor Shareholding		Shareholding held through Nominees		Education and Experience	Other Position	Managers who are spouses or within two degrees of kinship		
					Sares	%	Sares	%	Sares	%			Title	Name	Relation
CEO	Taiwan R.O.C.	Ming-Hsien, Hsu	Male	20161215	483,211	0.40	121,554	0.10	—	—	M.S. in Industrial Engineering, National Cheng Kung University; Bachelor of Business Management, National Sun Yat-sen University; Deputy General Manager of Nan Pao Resins Chemical Co., Ltd.	Note 1	None	None	None
Executive General Manager of Sports Goods Adhesives and Materials Business Division	Taiwan R.O.C	Chao-Chian, Tsai	Male	20170101	159,293	0.13	—	—	—	—	EMBA of National Sun Yat-sen University; Bachelor 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	Yi-Fa, Tsai	Male	20140401	32,464	0.03	—	—	—	—	Bachelor 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	Sen-Mao, Kuo	Male	20170101	77,616	0.06	—	—	—	—	M.S. in Chemical Engineering, National Cheng Kung University; Bachelor of Industrial Chemistry, National Taiwan University of science and Technology; Assistant Manager in Adhesives and Specialty Business Division, Nan Pao Resins Chemical Co., Ltd.; Deputy General Manager in Adhesives and Specialty Business Division, Nan Pao Chemical Co., Ltd.	Note 4	None	None	None
General Manager of Operation Management Division	Taiwan, R.O.C.	Yi-Jen, Fang	Male	20160401	11,809	0.01	—	—	—	—	EMBA of National Sun Yat-sen University; 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.; Assistant Manager in Sport Goods Adhesives and Materials Business Division	None	None	None	None

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse or Minor Shareholding		Shareholding held through Nominees		Education and Experience	Other Position	Managers who are spouses or within two degrees of kinship		
					Sares	%	Sares	%	Sares	%			Title	Name	Relation
R&D Deputy General Manager of R&D & Innovation Division (R&D Officer)	Taiwan, R.O.C.	Yong-Ching, Shen	Male	20160401	25,500	0.02	—	—	—	—	Ph.D. in Applied Chemistry, National Chiao Tung University; M.S. in Chemistry, National Tsing Hua University; Bachelor of Chemistry, National Chung Hsing University; Deputy Researcher, Full-time Researcher, Supervisor, Deputy Head of Industrial Technology Research Institute (ITRI); Visiting Scholar in Sheffield University	Note 5	None	None	None
R&D Deputy General Manager in Sports Goods Adhesives and Materials Business Division	Taiwan, R.O.C.	Sen-Pei, Hung	Male	20101001	38,564	0.03	—	—	—	—	M.S. in Chemical Engineering, Chung Yuan Christian University; Bachelor of Chemical Engineering, Chung Yuan Christian University; R&D Manager in Sports Goods Adhesives and Materials Business Division, Nan Pao Resins Chemical Co., Ltd.; R&D Assistant Manager in Sports Goods Adhesives and Materials Business Division	None	None	None	None
Deputy General Manager of Paints and Coatings Business Division	Taiwan, R.O.C.	Zhi-Wei, Chen	Male	20190125	—	—	—	—	—	—	Bachelor of Chemical Engineering, Feng Chia University; Commerce General Manger, Brunner Mond Taiwan., Ltd; Commerce General Manger, AkzoNobel Taiwan., Ltd	None	None	None	None
Assistant Manager of Overseas Sales Division	Taiwan, R.O.C.	Chin-Fu, Hsu	Male	20191111	278,666	0.23	3,000	0.00	—	—	EMBA of National Sun Yat-sen University; Manager of Adhesive Business Division, Nan Pao Chemical Co., Ltd.	None 6	None	None	None
Assistant Manager of Footwear Production Dept. in Operation Management Division	Taiwan, R.O.C.	Ming-Ding, Tsai	Male	20191111	9,500	0.01	—	—	—	—	Bachelor of Chemical Engineering, National Cheng Kung University; Manager of Footwear Production Department in Operation Management Division	None	None	None	None
Polyester Polyol Technology Assistant Manager of R&D & Innovation Division	Taiwan, R.O.C	Yan-Cheng, Chen	Male	20181108	7,000	0.01	—	—	—	—	M.S. in Chemical, Chun -Yuan University; Bachelor of Chemical, Chun -Yuan University; R&D Manager at Eternal Materials Co., Ltd.	None	None	None	None

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse or Minor Shareholding		Shareholding held through Nominees		Education and Experience	Other Position	Managers who are spouses or within two degrees of kinship		
					Sares	%	Sares	%	Sares	%			Title	Name	Relation
Q&A Assistant Manager of R&D & Innovation Division	Taiwan, R.O.C	Zhi-Cheng, Lin	Male	20181108	—	—	—	—	—	—	M.S. in Chemical Engineering, National Cheng Kong University; Bachelor of Chemical, Chun -Yuan University; General Manager, Chia-Wang Technology Ltd.; Manufacturing Assistant Manager and QC Director, AOI(Ning-Bo) branch; Manufacturing Deputy Director and R&D Assistant General Manager, AOI(Shiang-Mao) branch; Senior Supervisor of Adhesive Technical Management, Nan Ya Plastics Co. Ltd.	None	None	None	None
Assistant Manager in Financial Management Division (Company Secretary and Accounting Officer)	Taiwan, R.O.C.	Kun-Chin, Lin	Male	20160503	15,120	0.01	—	—	—	—	Bachelor of Accounting, Soochow University; Team Leader in Ernst & Young Taiwan; Manager and Spokesperson in Administration Dept., Mildex Optical Inc.; CFO in Tai Shih Fu Enterprise Co., Ltd.; CFO in Mirada Hwa Tai Co. Ltd.	Note 7	None	None	None
Assistant Manager in HR Dept. of Strategic Management Division	Taiwan, R.O.C.	Hui-Fen, Lee	Female	20160401	25,883	0.02	—	—	—	—	EMBA of Preston University; General Administration Branch ,National Taipei University of Business; HR Manager at Flextronics International (Taiwan) Ltd.; Recruitment Manager at Vishay General Semiconductor Taiwan Ltd.	Note 8	None	None	None
Assistant Manager in Business Development Dept. of Strategic Management Division	Taiwan, R.O.C.	Yuan-Yang, Luo	Male	20180412	17,280	0.01	—	—	—	—	Bachelor 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
Assistant Manager in IT Dept. of Strategic Management Division	Taiwan, R.O.C.	Pei-Yi, Kuo	Male	20210325	3,460	0.00	—	—	—	—	Graduate Institute of Automation and Control, National Taiwan University of Science and Technology; Department of Control Engineering,National Chiao Tung University; IT Manager, Nan Pao Resins Chemical Co., Ltd.	None	None	None	None

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse or Minor Shareholding		Shareholding held through Nominees		Education and Experience	Other Position	Managers who are spouses or within two degrees of kinship		
					Sares	%	Sares	%	Sares	%			Title	Name	Relation
Deputy Manager of Auditing Office (Audit Officer)	Taiwan, R.O.C.	Chi-Feng Tu	Male	20160321	12	0.00	—	—	—	—	M.S. in of Human Resource Management, NSYSU; Bachelor of Accounting, Shih Chien University; Divisional Head, Administrative Department., Juoku Technology Ltd.; Associate Audit Manager, Nan Pao Resins Chemical Co., Ltd.	None	None	None	None

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

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

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

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

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

Note 6: Director of Nan Pao Resins India Pvt Ltd.

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

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

III. Remuneration paid to Directors, Supervisors, General Managers and Deputy General Managers

(I) Remuneration to Directors and Supervisors during the most recent fiscal year (2020)

1. Remuneration paid to Directors (range of remuneration with name disclosure)

Unit: NT\$1,000

Title	Name	Director's remuneration								Ratio of total remuneration (A+B+C+D)		Relevant remuneration received by directors who are also employees								Ratio of total remuneration (A+B+C+D+E+F+G) to net income		Compensation paid to directors from an invested company other than the company's subsidiary
		Salary (A)		Pension (B)		Remuneration (C)		Allowance (D)				Salary, bonus, and special fees (E)		Pension (F)		Employee compensation (G)						
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
Chairman	Cheng-Hsien, Wu																					
Director	Pao Chien Enterprise Co., Ltd. Representative: Nai-Yung, Tsai																					
	Guang Rong Investment Ltd. Representative: Ming-Hsien, Hsu	-	-	-	-	19,100	19,100	-	-	1.56%	1.56%	10,818	10,818	407	407	2,117	-	2,117	-	2.66%	2.66%	-
	Representative: (Note 1) Ying-Lin, Huang																					
	Representative: (Note 2) Chi-Lin, Liu (Relieved of duty)																					
Independent Director	Representative: (Note 2) Kuo-Jung, Chang (Relieved of duty)																					
	Yun, Chen (Note 3)	540	540	-	-	900	900	-	-	0.12%	0.12%	-	-	-	-	-	-	-	-	0.12%	0.12%	-
	Yung-Cheng, Chiang (Note 3)																					
	Yi-Hsi, Lee (Note 3)																					

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

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

Note 1: The Company has elected independent directors on June 16, 2020, the new representative have took office.

Note 2: The Company has elected independent directors on June 16, 2020, the former representative have relieved of duty.

Table of remuneration ranges

Remuneration range	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\$ 1,000,000	Cheng-Hsien, Wu/ Yun, Chen/ Yung-Cheng, Chiang/ Yi-Hsi, Lee	Cheng-Hsien, Wu/ Yun, Chen/ Yung-Cheng, Chiang/ Yi-Hsi, Lee	Yun, Chen/ Yung-Cheng, Chiang/ Yi-Hsi, Lee	Yun, Chen/ Yung-Cheng, Chiang/ Yi-Hsi, Lee
Between 1,000,000 NT\$ (inclusive) to 2,000,000 NT\$ (exclusive)	-	-	Chi-Lin, Liu/ Ying-Lin, Huang	Chi-Lin, Liu/ Ying-Lin, Huang
Between 2,000,000 NT\$ (inclusive) to 3,500,000 NT\$ (exclusive)	Pao Chien Enterprise Co., Ltd.	Pao Chien Enterprise Co., Ltd.	Pao Chien Enterprise Co., Ltd.	Pao Chien Enterprise Co., Ltd.
	-	-	Kuo-Jung, Chang	Kuo-Jung, Chang
Between 3,500,000 NT\$ (inclusive) to 5,000,000 NT\$ (exclusive)	-	-	Cheng-Hsien, Wu	Cheng-Hsien, Wu
Between 5,000,000 NT\$ (inclusive) to 10,000,000 NT\$ (exclusive)	-	-	Ming-Hsien, Hsu	Ming-Hsien, Hsu
Between 10,000,000 NT\$ (inclusive) to 15,000,000 NT\$ (exclusive)	-	-	-	-
Between 15,000,000 NT\$ (inclusive) to 30,000,000 NT\$ (exclusive)	Guang Rong Investment Ltd.	Guang Rong Investment Ltd.	Guang Rong Investment Ltd.	Guang Rong Investment Ltd.
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	10 persons	10 persons

2. Remuneration of Supervisors

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

(II) Remunerations to General Managers and Deputy General Managers during the most recent fiscal year (2020) (range of remuneration with name disclosure)

Unit: NT\$1,000

Title	Name	Salary (A)		Pension (B)		Bonuses and Allowances (C)		Employee's compensation (D)				Proportion of NIAT after summing up the four items of A, B, C, and D		Compensation paid to general manager and deputy general manager from an invested company other than the company's subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Shares	Cash	Shares			
CEO	Ming-Hsien, Hsu	12,885	12,885	1,506	1,506	8,622	8,622	2,692	-	2,692	-	2.11%	2.11%	-
Executive General Manager of Sports Goods Adhesives and Materials Business Division	Chao-Chian, Tsai													
Executive General Manager of Paints and Coatings Business Division	Yi-Fa, Tsai													
Executive General Manager of Adhesives and Specialty Business Division	Chi-Yuan, Hsu (Note)													
Executive General Manager in Adhesives and Specialty Business Division	Sen-Mao, Kuo													
General Manager of Operation Management Division	Chung-Yuan, Hung (Note)													
General Manager of Operation Management Division	Yi-Jen, Fang													
General Manager of Financial Management Division	Chi-Lin, Liu (Note)													
Deputy General Manager of Paints and Coatings Business Division	Yu-Jen, Chen (Note)													
Deputy General Manager of Paints and Coatings Business Division	Zhi-Wei, Chen													
R&D Deputy General Manager of R&D & Innovation Division	Yong-Ching, Shen													
Deputy General Manager of R&D Innovation Division	Ping, Wang													

Note : Chi-Yuan, Hsu resigned on Mar.26th, 2020; Chung-Yuan, Hung resigned on Dec. 24th, 2020; Chi-Lin, Liu resigned on Jan. 31st, 2020; Yu-Jen, Chen resigned on Jan. 31st, 2020; Wang, Ping resigned on Mar.31th, 2021.

Table of remuneration ranges

Remuneration Range	Name of the General Manager and Deputy General Manager	
	The Company	All companies listed in the financial report
Less than NT\$ 1,000,000	Yu-Jen, Chen / Yi-Jen, Fang	Yu-Jen, Chen / Yi-Jen, Fang
Between 1,000,000 NT\$ (inclusive) to 2,000,000 NT\$ (exclusive)	Zhi-Wei, Chen / Chi-Lin, Liu / Chi-Yuan, Hsu	Zhi-Wei, Chen / Chi-Lin, Liu / Chi-Yuan, Hsu
Between 2,000,000 NT\$ (inclusive) to 3,500,000 NT\$ (exclusive)	Sen-Mao, Kuo / Yi-Fa, Tsai / Chung-Yuan, Hung / Yong-Ching, Shen	Sen-Mao, Kuo / Yi-Fa, Tsai / Chung-Yuan, Hung / Yong-Ching, Shen
Between 3,500,000 NT\$ (inclusive) to 5,000,000 NT\$ (exclusive)	Chao-Chian, Tsai / Pin, Wang	Chao-Chian, Tsai / Pin, Wang
Between 5,000,000 NT\$ (inclusive) to 10,000,000 NT\$ (exclusive)	Ming-Hsien, Hsu	Ming-Hsien, Hsu
Between 10,000,000 NT\$ (inclusive) to 15,000,000 NT\$ (exclusive)	-	-
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	12 persons	12 persons

(III) Distribution of employees' compensation paid to officers during the most recent fiscal year (2020)

December 31, 2020 / Unit: NT\$1,000

	Title	Name	Stock amount	Cash amount	Total	Ratio of total amount to net income
Managerial officers	CEO	Ming-Hsien, Hsu				
	Executive General Manager of Sports Goods Adhesives and Materials Business Division	Chao-Chian, Tsai				
	Executive General Manager of Paints and Coatings Business Division	Yi-Fa, Tsai				
	Executive General Manager of Adhesives and Specialty Business Division	Sen-Mao, Kuo				
	Deputy General Manager of Paints and Coatings Business Division	Zhi-Wei, Chen				
	R&D Deputy General Manager of R&D & Innovation Division	Yong-Ching, Shen				
	Deputy General Manager of R&D Innovation Business Division	Ping, Wang				
	Assistant Manager in Sports Goods Adhesives and Materials Business Division	Yi-Jen, Fang	-	7,585	7,585	0.62%
	Assistant Manager of Overseas Sales Division	Chin-Fu, Hsu				
	R&D Assistant Manager in Sports Goods Adhesives and Materials Business Division	Sen-Pei, Hung				
	Assistant Manager of Footwear Production Dept. in Operation Management Division	Ming-Ding, Tsai				
	Q&A Assistant Manager of R&D & Innovation Division	Zhi-Cheng, Lin				
	Polyester Polyol Technology Assistant Manager of R&D & Innovation Division	Yan-Cheng, Chen				
	Assistant Manager of Financial Management Division	Kun-Chin, Lin				
	Assistant Manager of HR Dept. of Strategic Management Division	Hui-Fen, Lee				
Assistant Manager in Business Development Dept. of Strategic Management Division	Yuan-Yang, Luo					

Note: As of the date of publication of this Report, the 2020 employee remuneration distribution has not been resolved; hence, the distribution is calculated based on the ratio of last year's actual distribution.

- (IV) Analysis of the total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

I. Analysis of ratio of total remuneration to net income after taxes:

Title	2019		2020	
	Ratio to net income after taxes (%)		Ratio to net income after taxes (%)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Director	2.98	2.98	2.78	2.78
Supervisor	-	-	-	-
General and Deputy General Managers	2.97	2.97	2.11	2.11

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

- II. Remuneration 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

According to Article 25 of the Company's Articles of Incorporation, the Company allocates no more than 3% of directors' compensation before the distribution of remuneration to employees and directors from the pretax profit of the year.

2. General Managers and Deputy General Managers

Remunerations for CEO, general managers and deputy general managers include salaries, bonuses, and employee remuneration. 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 remuneration is in compliance with Article 25 of the Company's Articles of Incorporation, the Company allocates 2% to 6% of employees' remuneration before the distribution of remuneration to employees and directors from the pretax profit of the year.

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

IV. Implementation of Corporate Governance

(I) Operation of the Board of Directors

The Board of Directors convened 6 meetings during the recent fiscal year (2020). Attendance of directors and supervisors is as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance Rate (%) (Note 1)	Remarks (Note 2)
Chairman	Cheng-Hsien, Wu	7	0	100	Re-elected on June 16, 2020
Director	Pou Chien Enterprise Co., Ltd. Representative: Nai-Yung, Tsai	7	0	100	Re-elected on June 16, 2020
Director	Guang Rong Investment Ltd. Representative: Ming-Hsien, Hsu	7	0	100	Re-elected on June 16, 2020
Director	Guang Rong Investment Ltd. Representative: Ying-Lin, Huang	4	0	100	New-elected on June 16, 2020
Director	Guang Rong Investment Ltd. Representative: Chi-Lin, Liu	3	0	100	Relieved of duty on June 16, 2020
	Representative: Kuo-Jung, Chang	3	0	100	
Independent Director	Yun, Chen	7	0	100	Re-elected on June 16, 2020
Independent Director	Yung-Cheng, Chiang	7	0	100	Re-elected on June 16, 2020
Independent Director	Yi-Hsi, Lee	7	0	100	Re-elected on June 16, 2020

Note 1: Attendance rate rate (%) shall be calculated basing on the number of Board meetings convened and attendance in person during the term of service.

Note 2: The Company elected 3 independent directors on December 12, 2017. The independent directors formed the Audit Committee, and the supervisors were terminated on the day of the election.

Other matters to be specified:

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

1. Matters prescribed under Article 14-3 of the Securities and Exchange Act.

Meeting Dates	Contents of resolutions	Opinions of independent directors
20200117	<ol style="list-style-type: none"> 1. The Company's proposal to appoint financial officer. 2. The Company's proposal to invest and establish a new plant in Bangladesh. 3. The Company's proposal to invest and establish a new plant in India. 4. The Company's proposal to provide endorsements or guarantees for subsidiaries. 5. The Company's proposal to provide letter of support 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.

Meeting Dates	Contents of resolutions	Opinions of independent directors
20200326	<ol style="list-style-type: none"> 1. The amendment of the Company's 2020 internal audit plan. 2. The Company's proposal of 2019 business report and financial statements. 3. The Company's proposal of 2019 earnings distribution plan. 4. The Company's proposal of 2019 "Statement on Internal Control System". 5. The amendment of the Company's "Financial statement preparation process management operations ". 6. The amendment of the Company's "R&D cycle ". 7. The Company's proposal to provide endorsements or guarantees for subsidiaries. 8. The Company's proposal to provide letter of support 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.
20200511	<ol style="list-style-type: none"> 1. The Company's proposal to provide endorsements or guarantees for subsidiaries. 2. The Company's proposal to provide letter of support 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.
20200811	<ol style="list-style-type: none"> 1. The Company's proposal to provide endorsements or guarantees for subsidiaries. 2. The Company's proposal to provide letter of support 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.
20201111	<ol style="list-style-type: none"> 1. The Company's proposal for changing of auditors. 2. The Company's proposal to cancel endorsements or guarantees for subsidiaries. 3. The Company's proposal to provide letter of support 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.
20201217	<ol style="list-style-type: none"> 1. The Company's proposal of 2021 Business Plan. 2. The Company's proposal of 2021 internal audit plan. 3. The Company's proposal to invest in Australia. 4. The Company's proposal to cancel letter of support 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. Except for the matters mentioned in the preceding paragraph, matters resolved by the Board of Directors, to which an independent director has a dissenting or qualified opinion that is on record or stated in a written statement : None.

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

Date	Contents of resolutions	Name of director	Reason for Recusal
20200117	The Company's proposal of 2019 performance-based bonuses for managers.	Cheng-Hsien, Wu / Ming-Hsien, Hsu / Chi-Lin, Liu / Kuo-Jung, Chang	Abstained from voting as the above directors also serve as managers concurrently
20200326	The Company's proposal of promotion and the salary adjustment for managers.	Cheng-Hsien, Wu / Ming-Hsien, Hsu / Chi-Lin, Liu / Kuo-Jung, Chang	Abstained from voting as the above directors also serve as managers concurrently
20200811	The Company's proposal of remuneration for independent director.	Yun, Chen / Yung-Cheng, Chiang / Yi-Hsi, Lee	Abstained from voting as the above directors are independent directors

III. Evaluation of Board of Directors

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Content of Evaluation
Implemented once every year	January 1, 2020 to December 31, 2020	Performance evaluation of board of directors, board members and functional committees	Internal self-assessment by the board of directors, the board members and the functional committee	【 Summary on Performance Evaluation of Board for 2020 】

【 Summary on Performance Evaluation of Board for 2020 】

1. For corporate governance implementation and enhance the functions of the Company's board of directors, the Company formulates the " Procedures for Performance Evaluation of Directors and Manager", which stipulates that the board of directors should implement an internal evaluation of board performance on a annual practice, calculate the performance according to individual execution conditions and report the evaluation performance to the latest board meeting.

2. The results of the 2020 annual performance from internal evaluation are as follows:

(1) Evaluation aspects

A. The company sets the measurement items for the performance evaluation of the board of directors, including the following five aspects:

- a. Participation in the company's operations
- b. Improving the quality of the board's decision-making
- c. Board composition and structure
- d. Director selection and continuous training
- e. Internal control

B. The measurement items for the performance evaluation of board members (self-assessment) include the following six aspects:

- a. Mastering the company's goals and tasks
- b. The awareness of duties of the directors
- c. The degree of participation in the Company's operations
- d. Internal relationship management and communication
- e. Professional and continuous training of directors
- f. Internal control

- C. The company sets the measurement items for the performance evaluation of the functional committees, including the following five aspects:
- a. The degree of participation in the Company's operations
 - b. The awareness of duties of the functional committees
 - c. The decision-making quality of the functional committees
 - d. The composition and election of the functional committees
 - e. Internal control.

The measurement aspects for the performance evaluation of the board of directors shall be based on the operation and needs of the Company to determine whether the content that is suitable, and the remuneration committee shall periodically review and make suggestions.

- (2) Evaluation results : The evaluation items of the board of directors, the functional committee and the self-assessment of the board members during the period are all in effective operation, and the evaluation results has been report to the board meeting on March 25, 2021.

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

1. The Company's board of directors convened 7 times of the board meeting in 2020, which meets the requirements on "Rules of Procedure for Board of Directors Meetings". The attendance rate of all directors is 100%, and the significant board resolutions was disclosure on the Company's website.
2. The Board of Directors of the Company has established two functional committees, namely the Audit Committee and the Remuneration Committee, to assist the Board of Directors in performing its supervisory duties. In order to improve the participation of directors in the Company's operation and strengthen the level of corporate governance, the Company added a "CSR Management Committee" in 2020 (comprised by at least three directors, more than half of the independent directors participate, and members independently select an independent director to serve as the convener and chairman of the meeting). The duty is to review the policy of corporate social responsibility, to strategic planning and supervise the implementation of annual plans of corporate social responsibility and to review the corporate social responsibility reports ... etc. The constitution of each committee is approved by the board of directors, and its activities and resolutions are regularly reported to the board of directors.
3. In order to establish good corporate governance of the Company, assist directors to perform their duties and enhance the effectiveness of the board of directors, the Company passed the appointment of Kun-Chin, Lin, Assistant Manader of Financial Management Division as corporate governance officer on board of directors meeting of January 17, 2020 in accordance with the " Directions for Compliance Requirements for the Appointment and Exercise of Powers of the Boards of Directors of Listed Companies ". Corporate governance officer is responsible for handling in a legal manner affairs related to the meetings of the board of directors and shareholders' meeting, production of minutes of the meetings of the board of directors and shareholders' meeting, assistance for directors in assuming their offices and continual traning, undertaking continuing provision of data needed by directors in the execution of their duties, and assistance fordirectors in legal compliance.
4. To protect directors and managerial officers from risks when performing their duties, the Company has already purchased liability insurance for directors and managerial officers.
5. The Company has appointed dedicated personnel in charge of disclosing the Company's information and updating the Company's website information to continuously enhance information transparency.

(II) Operations of the Audit Committee participation in the Board meeting

The Audit Committee of the Company was established on December 12, 2017, to replace the supervisory, consists of three independent directors, with the purpose of assisting the Board of Directors in supervising the quality and integrity of the Company in accounting, audit, financial reporting and financial control. The Audit Committee's primary responsibilities include the following:

- (1) Adoption or amendment of internal control systems in accordance with Article 14-1 of the Securities and Exchange Act.
- (2) Evaluation of the effectiveness of internal control systems.
- (3) Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and provision of endorsements or guarantees for others.
- (4) Items involving the interests of directors.
- (5) Major assets or derivative trading.
- (6) Major loaning of funds and provision of endorsements or guarantees.
- (7) Offering, issuance or private placement of equity securities.
- (8) Appointment, dismissal and compensation of CPAs.
- (9) Appointment and dismissal of finance, accounting and internal audit managers.
- (10) Annual financial reports and semi-annual financial reports.
- (11) Other major items required by other companies or the competent authority.

The Audit Committee had convened 6 meeting during the most recent fiscal year (2020) with the following attendance from the independent directors:

Title	Name	Attendance in person	Attendance by proxy	Attendance Rate (%)	Remarks
Independent Director	Yun, Chen	6	0	100	Re-elected on June 16, 2020
Independent Director	Yung-Cheng, Chiang	6	0	100	Re-elected on June 16, 2020
Independent Director	Yi-Hsim Lee	6	0	100	Re-elected on June 16, 2020

Other matters to be specified:

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

1. Matters prescribed under Article 14-5 of the Securities and Exchange Act.

Meeting Date	Session	Contents of resolutions	Opinions of independent directors
20200117	The 15 th meeting of 1 st term	<ol style="list-style-type: none"> 1. The Company's proposal to appoint financial officer. 2. The Company's proposal to invest and establish a new plant in Bangladesh. 3. The Company's proposal to invest and establish a new plant in India. 4. The Company's proposal to provide endorsements or guarantees for subsidiaries. 5. The Company's proposal to provide letter of support for subsidiaries. 	The Audit Committee stated no objection; the above proposals have been passed submitted to the Board of Directors for resolution.

Meeting Date	Session	Contents of resolutions	Opinions of independent directors
20200326	The 16 th meeting of 1 st term	<ol style="list-style-type: none"> 1. The amendment of the Company's 2020 internal audit plan. 2. The Company's proposal of 2019 business report and financial statements. 3. The Company's proposal of 2019 earnings distribution plan. 4. The Company's proposal of 2019 "Statement on Internal Control System". 5. The amendment of the Company's "Financial statement preparation process management operations". 6. The amendment of the Company's "R&D cycle". 7. The Company's proposal to provide endorsements or guarantees for subsidiaries. 8. The Company's proposal to provide letter of support for subsidiaries. 	The Audit Committee stated no objection; the above proposals have been passed submitted to the Board of Directors for resolution.
20200511	The 17 th meeting of 1 st term	<ol style="list-style-type: none"> 1. The Company's proposal to provide endorsements or guarantees for subsidiaries. 2. The Company's proposal to provide letter of support for subsidiaries. 	The Audit Committee stated no objection; the above proposals have been passed submitted to the Board of Directors for resolution.
20200811	The 1 st meeting of 2 nd term	<ol style="list-style-type: none"> 1. The Company's proposal to provide endorsements or guarantees for subsidiaries. 2. The Company's proposal to provide letter of support for subsidiaries. 	The Audit Committee stated no objection; the above proposals have been passed submitted to the Board of Directors for resolution.
20201111	The 2 nd meeting of 2 nd term	<ol style="list-style-type: none"> 1. The Company's proposal for changing of auditors. 2. The Company's proposal to cancel endorsements or guarantees for subsidiaries. 3. The Company's proposal to provide letter of support for subsidiaries. 	The Audit Committee stated no objection; the above proposals have been passed submitted to the Board of Directors for resolution.
20201217	The 3 rd meeting of 2 nd term	<ol style="list-style-type: none"> 1. The Company's proposal of 2021 Business Plan. 2. The Company's proposal of 2021 internal audit plan. 3. The Company's proposal to invest in Australia. 4. The Company's proposal to cancel letter of support for subsidiaries. 	The Audit Committee stated no objection; the above proposals have been passed submitted to the Board of Directors for resolution.

2. Except for the matters in the preceding paragraph, matters not approved by the Audit Committee but approved by at least two thirds of all directors: None.

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

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

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

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

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

2. The independent directors and internal auditing officer have good communication, and independent directors have no other suggestions. Communication issues in 2020 are showed as follows.

Date and Communication Channel	Communication Items	Communication Result
20200326 Audit Communication Meeting	1. Structure and members of audit department 2. Audit planning and audit result.	Independent directors have no other suggestions.
20200326 Board of Director	1. Audit result and improvement tracking. 2. Audit information declaration. 3. Annual self-assessment of internal control.	Independent directors have no other suggestions.
20200511 Board of Director	1. Audit result and improvement tracking. 2. Audit information declaration.	Independent directors have no other suggestions.
20200811 Board of Director	1. Audit result and improvement tracking. 2. Audit information declaration.	Independent directors have no other suggestions.
20201111 Board of Director	1. Audit result and improvement tracking. 2. Adherence to the Ethical Corporate Management	Independent directors have no other suggestions.
20201111 Audit Planning Meeting	1. Audit result and improvement tracking. 2. Annual audit plan of 2021.	Independent directors have no other suggestions.

3. The independent directors and certified public accountants have good communication, and independent directors have no other suggestions. Communication issues in 2020 are showed as follows.

Date and Communication Channel	Communication Items	Communication Result
20200326 Audit Summary Stage Communication Meeting	Summary of 2019 audit items: 1. Group auditing scope and method. 2. Identification of significant risk and reaction 3. Key audit matters of statutory and consolidated financial statements.	Independent directors have no other suggestions.
20200326 Audit Committee/ Board of Director	Audit summary of 2019 statutory and consolidated financial statements.	Independent directors have no other suggestions.
20200511 Audit Committee/ Board of Director	Review summary of 2020Q1 consolidated financial statements.	Independent directors have no other suggestions.
20200811 Audit Committee/ Board of Director	Review summary of 2020Q2 consolidated financial statements.	Independent directors have no other suggestions.
20201111 Audit Committee/ Board of Director	Review summary of 2020Q3 consolidated financial statements.	Independent directors have no other suggestions.
20201219 Audit Planning Stage Communication Meeting	Summary of 2021 audit items: 1. Group auditing scope and method. 2. Identification of significant risk and reaction 3. Key audit matters of statutory and consolidated financial statements.	Independent directors have no other suggestions.

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

Assessed items	State of operations			Discrepancy with “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary	
1. Does Company follow “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies” to establish and disclose its corporate governance practices?	✓		The Company has formulated Corporate Governance Code of Practice and has been approved by the Board on April 12, 2018, which is also accordance with “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies”. In order to comply with the development trend of international corporate governance and respond to social and international concerns, the Company will continue to amend the code and related content, and posted on the Market Observation Post System and the Company’s website.	No significant discrepancy
2. Shareholding Structure & Shareholders’ Rights				
(1) Does the Company establish an internal operating procedure to deal with shareholders’ suggestions, concerns, disputes and litigations, and implement based on the procedure?	✓		(1) The Company has established a spokesperson and the deputy spokesperson system which handles shareholders’ suggestions or disputes. We handle shareholders’ suggestions, questions, problems, and litigations in accordance with relevant procedures.	No significant discrepancy
(2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders?	✓		(2) The Company is aware of substantial shareholders and their identities, also discloses such information in accordance with the law.	No significant discrepancy
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	✓		(3) The Company has formulated “Subsidiary Monitoring Work Procedures” and “Instructions for Related Party Transactions”, and has clear personnel, assets and financial management rights and responsibilities with related companies. The Company regularly checks the accounts and internal control systems of affiliated companies, and establishes appropriate risk control and firewall mechanisms.	No significant discrepancy
(4) Does the Company establish internal rules against insider trading on undisclosed information?	✓		(4) The Company has followed the “Procedures for the Prevention of Insider Trading” and “Code and Standards of Ethical Conduct” to prevent the Company’s insiders from using information that has not been disclosed on the market to purchase and sell securities.	No significant discrepancy
3. Composition and Responsibilities of the Board of Directors				
(1) Does the Board develop and implement a diversified policy for the composition of its members?	✓		(1)I. In line with the policy of membership diversification for the board of directors, as stipulated in the "Corporate Governance Code of Practice." Include but not restrict the following two standards: 1. Basic condition: gender, age, nationality and culture ;	No significant discrepancy

Assessed items	State of operations			Discrepancy with “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary	
			<p>2. Professional knowledge and skill: professional background (such as law, accounting, industry, finance, marketing and technology), professional skills and industrial experience.</p> <p>3. Management target: The members of the board of directors include at least one female director; the director who concurrently serves as the manager of the company does not exceed one third of the number of directors; no more than two of the directors have a relationship within the scope of spouse or second degree kinship.</p> <p>II. The nomination and election of members of the Company’s Board of Directors is conducted in accordance with the Articles of Association, wherein a candidate nomination system is adopted. In addition to the evaluation of the education background and work experience of candidates, stakeholders' opinions are also taken into consideration in accordance with “Regulations Governing Election of Directors” and “Corporate Governance Code of Practice”, in order to ensure the diversity and independence of members of the Board of Directors.</p> <p>III. The Company follows the diversified policy of the current Board of Directors (Note 1) that comprises 7 directors (including 3 independent directors). Each term is 3 years and can be re-elected. The directors who have extensive experience on industrial technology and expertise in areas such as finance, accounting, legal and management. The attendance rate of the board meeting in 2020 reaches at 100.00%. The members monitored and understood the execution of business plans effectively.</p> <p>IV. Among the board members of the company, two of them have employee status (accounting for 28.57%); one of them have manager status (accounting for 14.29%); independent directors account for 42.86% (the term of three independent directors is 4~ 6 years); two directors are over 70 years old, three directors are between 60 and 69 years old, one is between 40 and 49 years old, and one is under 30 years old; no board members have relatives within the second class. The Company pays attention to gender equality in the composition of the board of directors. The goal of female directors is more than one. It is expected that one female director will be added to the next board of directors to achieve the goal.</p>	
(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		(2)The Company has resolved by the Board of Directors to establish the Remuneration Committee on June 19, 2017 and the Audit Committee on October 17, 2017. In order to set up a good management system, strengthen a management mechanism, commit to corporate social responsibility and implement sustainability, the Company has further resolved by the Board of Directors to establish the “Corporate Social Responsibility Management Committee” on March 26th, 2020.	No significant discrepancy

Assessed items	State of operations			Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and the reasons
	Yes	No	Summary	
(3) Has the company established and implemented methods for assessing the performance of the Board of Directors, conducted performance evaluation annually, presented the performance evaluation results to the Board of Directors, and used the results as reference for individual director remuneration and re-election nomination?	✓		(3) 1.The Company has resolved by the Board of Directors to establish the "Regulations Governing Performance Evaluation of Directors and Managers" on April 5, 2017, which is in accordance with Article 37 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies". From 2017, the relevant self-assessment questionnaire is distributed and filled out after the yearend, and the evaluation result is reported to the Board of Directors. 2. In addition, an external professional independent organization or an external team of experts and scholars should perform the evaluation every three years, and write an external evaluation analysis report on the performance evaluation of the board of directors, board members and functional committees. 3. The "Board Performance Evaluation" in 2020 was carried out by the stock affairs unit in the form of "Board Internal Self-evaluation", and the "Board Performance Evaluation Results" was reported at the March 25, 2020 board meeting. All evaluation items reached the evaluation indicators and scores standard, the score ranges from 90 to 100 points, and the Company's 2020 board of directors has a good operational performance. 4. The "Board Performance Evaluation Results" for each year will be provided to the "Remuneration Committee" as a reference for individual directors' remuneration and nomination for renewal.	No significant discrepancy
(4) Does the Company regularly evaluate its external independence of CPAs?	✓		(4) The Company evaluates the independence and competency of the auditors on an annual basis, the evaluation results will be confirmed by the Audit Committee and be reported to the Board of Directors. The stock affairs unit completes the 2020 evaluation for the independent auditors Hung-Ju, Liao, Chun-Chi, Kung and Chi-Chen, Lee of Deloitte & Touche (Note 2), Three of them are in compliance with the Company's assessment criteria for independence and competency, and are fully qualified. The evaluation result was reported to the Audition Committee and the board on March 25, 2021.	No significant discrepancy
4. Does the Company appoint a suitable number of designated personnel and supervisor to be in charge of corporate governance related affairs (including but not limited to furnishing information required for business execution by directors and supervisors, assisting directors and supervisors with legal	✓		I. For implementation of corporate governance, the Company has resolved by Board of Directors on January 17, 2020 to appoint the Assistant Manager of Financial Management Division Kun-Chin, Lin, who has more than three years of experience of corporate governance related affairs in a public company, as a corporate governance officer, and assigned two personnel to handle corporate governance related affairs. Corporate governance officer is responsible for handling in a legal manner affairs related to the meetings of the board of directors and shareholders' meeting, production of minutes of the meetings of the board of directors and shareholders' meeting, assistance for directors in assuming their offices and continual traning, undertaking continuing provision of data needed by	No significant discrepancy

Assessed items	State of operations			Discrepancy with “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary	
compliance, handling matters relating to board meetings and shareholders meetings according to laws, processing company registration and change of registration, and producing minutes of board meetings and shareholders'			<p>directors in the execution of their duties, and assistance for directors in legal compliance. in addition, the Company Secretary will also be responsible for matters regarding the boarding meetings and shareholder meetings and relevant affairs.</p> <p>II. The implementation of corporate governance related affairs in 2020 is expected to be reported on May, 10 2021 of board meeting which includes:</p> <p>(1) Handle board meeting related matters according to law: notify all directors to attend and provide meeting materials seven days before the board meeting; if directors have interests in meeting matters with themselves or the legal person they represent, they will be reminded in advance to avoid interest; Distribute the minutes of each board meeting within 20 days after the meeting.</p> <p>(2) Handle matters related to regular shareholder meetings in accordance with the law: register the date of the shareholders meeting every year, prepare and report meeting notices, proceedings manuals and proceedings before the deadline; and handle company change registration after the company's articles of association or directors are re-elected.</p> <p>(3) Perform regular board performance appraisal in accordance with the company's "Directors and Managers' Performance Appraisal Measures": At the end of each year, collect information about board activities, distribute and fill out relevant self-evaluation questionnaires, and record the evaluation results report and send it to the board Report review and improvement.</p> <p>(4) Assisting directors in compliance with various laws and codes of practice: assisting in arranging directors' refresher courses every year, and providing directors with information needed to perform their business from time to time, so that directors can understand the latest legal developments related to operating the company; the board of directors invites certified accountants to attend at least twice a year Communicate with directors on the impact of annual reports, semi-annual reports, international financial reporting standards, securities control laws, and tax regulations updates.</p> <p>(5) Leading "Corporate Governance Evaluation": based on the evaluation index items of the "Corporate Governance Evaluation" of the Taiwan Stock Exchange Co., Ltd., review and set various goals of corporate governance, and regularly track the implementation and results of the authority and responsibility units of the various corporate governance projects.</p> <p>(6) Dealing with investor relations related matters: providing information on shareholder meetings, major announcements, financial statements, financial and business briefings, and being invited to participate in domestic and foreign investment forums.</p>	

Assessed items	State of operations			Discrepancy with “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary	
			(7)The head of corporate governance selects courses related to the implementation of business based on the "Keys for the Implementation of Advanced Education for Directors and Supervisors of Listed Companies", and has completed 12 hours of training from his appointment on January 17, 2020 to December 31, 2020, and the situation of the training is disclosed. Company website.	
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), and properly respond to stakeholders’ concerns on corporate social responsibilities?	✓		I. The Company attaches great importance to stakeholders’ to issues and communication channels (Note 3). It has smooth communication channels with stakeholders in various fields such as employees, customers, suppliers, investors, local communities, NGOs and competent authorities. Regular/irregularly publish information or communicate directly with stakeholders, respect and maintain their legitimate rights and interests, and implement corporate governance integrity and transparency. The communication status with stakeholders in 2020 will be reported to the board of directors on May 10, 2021. II. A CSR section has also been established on the Company’s website to appropriately address material topics of concern for our stakeholders, and the Company has also appointed responsible person as the channel to respond to inquiries.	No significant discrepancy
6. Does the Company appoint a professional stock agency for its Shareholders’ meetings?	✓		The Company has commissioned the Transfer Agency of CTBC Bank to handle affairs relevant to the Shareholders’ Meeting. Stock Affairs Agent: Stock Affairs Agency Department of China Trust Commercial Bank (Tel: 02-6636-5566, Address: 5th Floor, No. 83, Section 1, Chongqing South Road, Zhongshan District, Taipei City).	No significant discrepancy
7. Information Disclosure				
(1) Does the Company have a corporate website to disclose financial information and the status of corporate governance?	✓		(1) The Company has set up a company’s website which discloses finance, business, and corporate governance information. The URL of the company's website is: www.nanpao.com	No significant discrepancy
(2) Does the Company have other information disclosure channels (e.g. building an English version website, appointing designated people to handle information collection and disclosure, appointing spokespersons, webcasting investor conferences)?	✓		(2) The Company has established an English website 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 also disclosed on the Company’s website.	No significant discrepancy

Assessed items	State of operations			Discrepancy with “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary	
(3) Does the company publicly disclose its annual financial report at the end of the accounting year within the prescribed time limit, and publicly disclose its Q1, Q2, and Q3 financial reports and monthly operation status ahead of the prescribed time limit?	✓		(3) The company publishes and declares annual financial reports within three months on March 26, 2021, which was in accordance with Article 36 of the Securities Exchange Law. The first, second, and third quarter financial reports and monthly operating conditions were announced within the time limit specified in the preceding Regulations. For the disclosure of the above information, please refer to the Market Observation Post System and Company website.	No significant discrepancy
8. Is there any other important information to facilitate a better understanding of the Company’s corporate governance practices (e.g., including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights and directors’ training, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing liability insurance for directors):	✓		<p>I. In order to safeguard employees' benefits, labor union has been established, on top of regular labor management meeting, as a bridge of communications with employees.</p> <p>II. The company set up committee of employees’ welfare as early as 1975, in charge of pushing various welfare measures and planning series of measures caring caring for employees’ families, so as helping employees build a harmonious familial relationship and improve their health, so as to enhance their performance.</p> <p>III. The Company has set up a unit dedicated to periodic disclosure the company’s major business information, boosting information transparency, as well as a feedback mechanism for accepting suggestions of investors on the company’s development, in addition to active participation in investor conference, so that investors can have firm grip on the company current business status and development planning.</p> <p>IV. In order to achieve the goal of sustainable development of the supply chain, the Company ensures that suppliers meet social and ethical standards in the process of providing products and services, understand and abide by the law, and actively respond to environmental protection and social issues. In 2020, the suppliers were required to sign the "Supplier Code of Ethical Conduct" and "Environmental Protection Requirements Commitment" as one of the criteria for supplier selection. In addition, in order to manage the source of raw materials, the suppliers are also encouraged to sign the "RSL Restricted Substances List". To ensure compliance with Nanbao Resin's requirements for restricted substances.</p> <p>V. To uphold the rights of stakeholders, they can express their suggestions and complaints via telephone, fax or e-mail, which will be handled by designated staffers, and employees are also encouraged to report violation of laws or regulations via dedicated mailbox.</p> <p>VI. In 2020, all the directors of the company engaged in advanced study with hours meeting the requirements of “Directions for the Implementation of Countinuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies,” with total study time reaching 63 hours, on top of total study time of 58 hours for managers.</p>	No significant discrepancy

Assessed items	State of operations			Discrepancy with “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary	
			<p>VII.The Company has dedicated to the establishment of a complete risk-management system, actively taking into account all the risks which may occur in the company’s operation and assuring compliance by the company with related laws and regulations. Meanwhile, assure continuing effectiveness of the company’s internal control system via auditing system. Various auditing tasks by the auditing department ascertain the effectiveness of the company’s internal control system, as shown in the low risk of various environmental indicators in 2020.</p> <p>VIII.In order to provide customers and customers with a full range of services and guarantees, the company’s technical service department has assembled professionals with rich technical experience to accumulate solutions of technical problems for a long time, and establish a complete big data database that can provide customers with professional technical services nearby; in terms of customer privacy protection, the business information, transaction data, or any data related to customer privacy they provide are sorted and archived by dedicated personnel, and personal information management is implemented to comply with the personal data protection law Regulations.</p> <p>IX.The company has taken out liabilities insurance for directors covering possible liabilities related to their responsibilities during their tenure since 2017. Report on the insurance, including insurance amount (US\$8 million), coverage (all the directors), premium rate, and insurance period (2020) was delivered at the meeting of the board of directors on November 11, 2020.</p>	
<p>9. Please explain the improvement of the Company’s corporate governance evaluation results released by the Corporate Governance Center of the Taiwan Stock Exchange Corporation in the past year, and propose priorities and measures for criteria that have not been improved:</p> <p>(1) Improved situation:</p> <p>(I) Starting from 2020, the Company simultaneously declare major messages in English.</p> <p>(II) In 2020, all directors will complete their training in accordance with the "Key Points for Implementation of the Training of Directors and Supervisors of Listed Companies"</p> <p>(III) On January 17, 2020, the board of directors approved the establishment of a corporate governance officer, and the operation status was disclosed on the company's website and annual report.</p> <p>(IV) The board of directors approved the establishment of a "Corporate Social Responsibility Management Committee" on March 26, 2020, and the operation status was disclosed on the company's website.</p> <p>(2) Priorities and measures for strengthening:</p> <p>(I) In order to actively implement the policy of diversified directors and achieve management goals, the Company planned to elect a female director when the next director is re-elected.</p> <p>(II) In order to improve the performance of the board of directors, the Company proposed to appoint an external professional independent organization to perform the performance evaluation of the board of directors, board members and functional committees in 2021.</p> <p>(III) In order to facilitate foreign institutions to obtain relevant information of the company, the Company planned to upload the English version of the annual financial report 16 days before the meeting of the shareholders' meeting.</p>				

Note 1 : Implement the policy of diversification in the board

Name	Diversified core abilities	Basic Component							Skills					
		Gender	Nationality	Part-time employees of the company	Concurrently serves as the company's manager	Age				Independent directors' tenure	Industry Knowledge	Financial	Accounting	Legal
						Under 30	40-49	60-69	Above 70					
Cheng-Hsien, Wu		Male	Taiwan, R.O.C.					✓		✓				
Guang Rong Investment Ltd. Representative: Ming-Hsien, Hsu		Male	Taiwan, R.O.C.	✓	✓			✓		✓				
Guang Rong Investment Ltd. Representative: Ying-Lin, Huang		Male	Taiwan, R.O.C.	✓		✓				✓				
Pou Chien Enterprise Co., Ltd Representative: Nai-Yung, Tsai		Male	Taiwan, R.O.C.				✓			✓				
Yun, Chen		Male	Taiwan, R.O.C.				✓		✓	✓				
Yung-Cheng, Chiang		Male	Taiwan, R.O.C.				✓		✓				✓	
Yi-Hsi, Lee		Male	Taiwan, R.O.C.			✓			✓		✓	✓		

Note 2 : Assessment table of independence and adaptability of Certified Public Accountant

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

Note 3 : Materiality issues and the communication channels

Stakeholders	Topics of Concern from Stakeholders	Channals and Frequency	Methods of Communication and Response
Employee	<ul style="list-style-type: none"> ✓ Increase the operating performance and policy ✓ Enhance safety and health management ✓ Workplace well-being ✓ Complete the employee career planning 	<ul style="list-style-type: none"> ✓ E-bulletin board(in real time) ✓ Bi-weekly meeting(bi-weekly) ✓ Toolbox meeting(weekly) ✓ Union meeting(every season) ✓ Labor conference(every season) ✓ Employee welfare committee(every season) ✓ Email (in real time) 	<ul style="list-style-type: none"> ✓ Managers shares the current situation of business operating and technology development ✓ Establish a complete rotation policy, encourage the employees to accept the new challenges ✓ Set up a emergency response team and regularly practice the responses ✓ Bi-annual heath checks for all employess ✓ Actively provide workplace support measures for disabled employees, and hire the Ministry of Labor to hold the 18th Golden Exhibition Award "Excellent Deeds"
Customer	<ul style="list-style-type: none"> ✓ Innovative products and services ✓ Customer management ✓ Circular economic and product life cycle ✓ Information safety and customer privacy 	<ul style="list-style-type: none"> ✓ Email and phonecalls(in real time) ✓ Questionnaire (every year) ✓ CSR report(every year) ✓ Customer service email(info@nanpao.com) (in real time) ✓ Sales representatives(in real time) ✓ Inno fair(every year) 	<ul style="list-style-type: none"> ✓ Participate in the annual Innovation Fair ✓ There were no record that shows the customer complaints or privacy inva sion in 2020 ✓ Won the best adhesive supplier award in Nike’s WHQ Campus Global Chemistry Conference in 2019 and 2020 ✓ Obtained bluesign certification to become bluesign® SYSTEM PARTNER ✓ Annual customer satifation survey and visit
Supplier	<ul style="list-style-type: none"> ✓ Code of business conduct and ethics ✓ Product quality ✓ Safety and health management ✓ Wastes management 	<ul style="list-style-type: none"> ✓ CSR questionnaire(every year) ✓ Supplier questionnaire (irregular) ✓ Service mailbox(info@nanpao.com) (irregular) 	<ul style="list-style-type: none"> ✓ Establish the supplier evaluation mechanism, require the code of conduct and ethics commitment from suppliers ✓ Before the suppliers starting the high risk operations, describe the safety procedures and precautions thoroughly
Investor	<ul style="list-style-type: none"> ✓ Financial performance ✓ Risk management ✓ Climate change 	<ul style="list-style-type: none"> ✓ Shareholders meeting/Institutional investor conference(every year) ✓ Company annual reports, seasonal reports and CSR reports (every year) ✓ Roadshow(every year) ✓ Web page for investors(monthly) 	<ul style="list-style-type: none"> ✓ Annual shareholder meeting for the operating and developing report ✓ Uploading annual and seasonal report in time ✓ Actively participate in investor briefings, at least once a quarter ✓ Collecting the comments from investors and reporting to the top management and the board
Local commnity & NGO	<ul style="list-style-type: none"> ✓ Community communication ✓ Donations ✓ Charity events 	<ul style="list-style-type: none"> ✓ CSR reports(every year) ✓ Officail website(in real time) ✓ Charity programs(in real time) 	<ul style="list-style-type: none"> ✓ Nan Pao Charity Foundation completed the management procedure with the Social Welfare Bureau ✓ Held a beach cleanup event with the community ✓ Held a blood donation event in the neiborhood ✓ Funding the afterschool lessons in elementary schools in the neiborhood for years ✓ Total accumulated donation: NT\$60.84 million
Competent Authority	<ul style="list-style-type: none"> ✓ Corporate governance ✓ Transparent disclosure ✓ Energy and climate change 	<ul style="list-style-type: none"> ✓ Official letters and visiting(irregular) ✓ Public communication platform(irregular) ✓ Thematic meetings-Sucg as conference ,lectures and other meetups (irregular) 	<ul style="list-style-type: none"> ✓ Completing corporate governance evaluation ✓ Disclose the company relevant information in annual report, CSR report and on the websites ✓ Established the climate rish adjustment system to decrease the losses from the nature disasters since 2018 ✓ Change the CSR report to the sustainability report, and adopt the GRI and SASB structure at the same time

(IV) Composition, duties, and operational status of the Remuneration Committee

1. Information on the members of the Remuneration Committee

Title (Note 1)	Name	Criteria			Stature of independence (Note 2)										Number of the Remuneration Committee memberships concurrently held in other public companies	Remarks		
		Has more than 5 years of work experience and the following professional qualifications	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	Has professional experience of business administration, legal affairs, finance, accounting, or any other business related to the Company's businesses	1	2	3	4	5	6	7	8	9			10	
Independent Director	Yun, Chen	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Yung-Cheng, Chiang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Yi-Hsi, Lee	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	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 an employee of the company or any of its affiliates;
- (2) Not a director or supervisor of the company or any of its affiliates;
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding (1) subparagraph, or of any of the above persons in the preceding subparagraphs (2) and (3);
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law
- (6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;
- (7) Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent);
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;
- (9) Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NTD500,000";
- (10) Not been a person of any conditions defined in Article 30 of the Company Law.

2. The duties of the Remuneration Committee are as follows:
- (1) Regularly review Remuneration 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 and managerial officers.
 - (3) Routinely evaluate the effectiveness of directors and managerial officers in achieving their objectives, and develop individual compensation packages.
3. Operation of the Remuneration Committee
- (1) There are three members in the Remuneration Committee of the Company.
 - (2) The term of current committee members: From June 16, 2020, to June 15, 2023. The Remuneration Committee convened 4 meetings during the most recent fiscal year (2020) with the following qualifications and attendance from members:

Title	Name	Attendance in person	Attendance by proxy	Attendance Rate (%)	Remarks
Committee Chair	Yun, Chen	4	0	100	
Member	Yung-Cheng, Chiang	4	0	100	
Member	Yi-Hsi, Lee	4	0	100	

Other matters to be specified:

1. If the Board of Directors rejects or amends the suggestions submitted by the remuneration committee, there shall be elaborated with the meeting dates, sessions, contents of resolutions, resolution adopted by the Board of Directors and actions taken by the Company in response to the Remuneration Committee's opinions: None.
2. If any member has expressed opposition or reservation with respect to the resolution of the Remuneration Committee and there was a written record or written statement, there shall be elaborated with the meeting dates, sessions, contents of resolutions, the opinions of all members of the Remuneration Committee and actions taken in response to the member's opinions: None.
3. Discussion and resolutions adopted by the Remuneration Committee in 2020:

Meeting Dates	Session	Contents of resolutions	The opinion of the Remuneration Committee
20200117	The 10 th meeting of 2 nd term	The Company's proposal of 2019 performance-based bonuses for managers.	The Remuneration Committee stated no objection; the above proposals have been passed submitted to the Board of Directors for resolution.
20200326	The 11 th meeting of 2 nd term	The Company's proposal of the promotion and salary adjustment for the Company's managers.	The Remuneration Committee stated no objection; the above proposals have been passed submitted to the Board of Directors for resolution.
20200811	The 1 st meeting of 3 rd term	The Company's proposal of 2019 employee bonus distribution plan for managers.	The Remuneration Committee stated no objection; the above proposals have been passed submitted to the Board of Directors for resolution.
20201217	The 2 nd meeting of 3 rd term	<ol style="list-style-type: none"> 1. The Company's proposal of 2019 employee bonus distribution plan for managers. 2. The Company's proposal of the promotion and salary adjustment for the Company's managers. 	The Remuneration Committee stated no objection; the above proposals have been passed submitted to the Board of Directors for resolution.

(V) Corporate Social Responsibility Implementation Status

Assessment Item	Implementation Status		Summary	Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Root Causes		
	Yes	No				
1. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?	✓		The Company is led by the CSR work implementation team, and regularly refers to the internationally accepted report compilation guidelines for analysis of major issues every year. Through research reports, documents and inspections after communicating with important internal and external stakeholders, the content and priority of each issue are determined, and integrate the risk checklists put forward by various departments, conduct risk assessments and put forward corresponding strategic suggestions. The chairman of the board will review and report to the "Corporate Social Responsibility Management Committee" and formulate an annual work plan.	No significant discrepancy		
			Major issues		Risk assessment project	Risk management strategy
			Environment		Environmental protection and Ecological conservation	1. Develop biodegradable products to reduce environmental impact. 2. Complete environmental footprint analysis of water-based PU dispersion (including packaging) by LCA technology, and obtain ISO 14067 verification statement. 3. Promote the acquisition of the "Supplier Code of Ethics", "Environmental Protection Requirements Commitment", and "RSL Restricted Substances List" signed by suppliers.
			Society		Occupational safety	1. Establish a "Safety and Health Committee" and formulate an "Occupational Safety and Health Policy" to fully implement occupational safety and health management. 2. Regular safety meetings are held to discuss the improvement of various audit deficiencies and prevent occupational accidents. 3. Obtained Occupational Health and Safety Management System Certification.
		Product safety	All raw materials and product inspections are performed in accordance with the national CNS inspection standards, and all products are in compliance with safety standards and RoHs hazardous substances restriction directive standards.			

Assessment Item	Implementation Status				Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Root Causes	
	Yes	No	Summary			
			Major issues	Risk assessment project	Risk management strategy	
			Corporate Governance	Socioeconomic and Statute compliance	<ol style="list-style-type: none"> 1. Through the implementation of internal control mechanisms, to ensure that all personnel and operations of the company actually comply with relevant laws and regulations. 2. Apply for patents for R&D products to protect the company's rights and interests. 	
				Strengthen the functions of directors and implement directors' responsibilities	<ol style="list-style-type: none"> 1. Assist in arranging training courses for directors. 2. Provide information necessary for directors to perform their duty from time to time. 3. Insuring directors' liability insurance for directors. 	
				Stakeholder communication	<ol style="list-style-type: none"> 1. Analyze important issues that stakeholders care about every year. 2. Establish a smooth communication channel with stakeholders. 3. The company's website has a special area for stakeholders, and a dedicated person will respond. 4. Report the communication with stakeholders to the board of directors regularly every year. 	
2. Does the Company have a dedicated (or ad-hoc) CSR organization with Board of Directors authorization for senior management, which reports to the Board of Directors?	✓		The company's board of directors approved the establishment of a "Corporate Social Responsibility Management Committee" on March 26, 2020. The members of the committee are composed of three or more directors, of which more than half should be independent directors. The committee members shall select an independent director as the convener and chairman of the meeting. , The convener of this session is independent director Yun, Chen. Regular meetings are held every year. There is a CSR work implementation team and a project secretary. The committee is responsible for overseeing the implementation of CSR goals, tracking the implementation of CSR policies, and regularly reporting the implementation results to the board of directors. In addition, summarizes the company's relevant performance, and prepares and publishes annual corporate social responsibility reports The performance of corporate social responsibility in the most recent year is expected to be reported to the board of directors on May 10, 2021.			No significant discrepancy

Assessment Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Root Causes												
	Yes	No	Summary													
3. Environmental Topic																
(1) Has the Company set an environmental management system designed to industry characteristics?	✓		<p>(1)1. To comprehensively fulfill occupational safety and health management, the Company established the Safety and Health Committee in 2001. The committee is the highest-ranking organization of reviewing and discussing safety and health management and is chaired by the chief manager of each production site in turn. Members of the Safety and Health Committee include occupational safety and health personnel, business department managers, supervisory personnel, occupational safety and health engineers and technicians, medical personnel related to employee safety services, and employee representatives. These members are responsible for drafting, negotiating, and supervising matters related to the environment, safety, and health at each production site, and the committee regularly convenes once in every quarter. Moreover, the biweekly safety meeting for the factories follows up the safety auditing defects to prevent occupational accidents.</p> <p>2. In order to in response to international trend, the Company has obtained ISO14001 Environmental Management System and ISO50001 Energy Management System certification, and implemented OHSAS18001 the Health and Safety Management System since 2000, and further be conveted to ISO45001 in 2020.</p> <table border="1"> <thead> <tr> <th>Certification</th> <th>Certificated Date</th> <th>Effective Date</th> </tr> </thead> <tbody> <tr> <td>ISO14001 Environment Management System</td> <td>20201214</td> <td>20201214~20231214</td> </tr> <tr> <td>ISO50001 Energy Management System</td> <td>20191116</td> <td>20191116~20221116</td> </tr> <tr> <td>ISO45001 Health and Safety Management System</td> <td>20201209</td> <td>20201209~20231209</td> </tr> </tbody> </table> <p>3. The Company has established the Energy Management Review Team, which meets regularly to review energy consumption, sets the directions for the implementation of energy conservation, and continuously tracks the performance of energy conservation projects. The Company has also established the relevant rules and regulations in line with the directions of the policies set forth by the Energy Management Review Team so that the team can implement its tasks, and provides the team with detailed information required for the relevant projects. The Bao-I factory set up am Energy Performance Measurement and Monitor System, it uses electronic sighboard to show the real-time data for the energy monitor and abnormal alarm. It includes 35 different performance data such as production, environmental protection and other data index.</p>	Certification	Certificated Date	Effective Date	ISO14001 Environment Management System	20201214	20201214~20231214	ISO50001 Energy Management System	20191116	20191116~20221116	ISO45001 Health and Safety Management System	20201209	20201209~20231209	No significant discrepancy
Certification	Certificated Date	Effective Date														
ISO14001 Environment Management System	20201214	20201214~20231214														
ISO50001 Energy Management System	20191116	20191116~20221116														
ISO45001 Health and Safety Management System	20201209	20201209~20231209														

Assessment Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Root Causes																								
	Yes	No	Summary																									
(2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	✓		<p>(2)1. The Company considers the product life cycle into the product development to reduce the environmental impact, including co-developing products with customers, raw materials production and delivery, hazardous substances management in the manufacturing processes, pollution prevention, energy and resources consumption reduction, also requires the suppliers to committee themselves to the environmental protection to continuously reduce the environmental footprint of products. In response to the increasing threats from global climate change, the Company investigates green house gas emission every year and actively develop in circular economy measuring innovation in products to analyze the impact on products for carbon emission reduction so that enhance the abilities in the industry.</p> <p>2. The Company completed the environment footprint analyze of water-based PU dispersions by using LCA technology and certificated ISO14067 verification statement. Thro ugh the assessment, the major environmental impact of water-based PU dispersion comes from the raw materials acquisition, the raw materials are Polyester polyol, acetone, butanone, hexamethylene diisocyanate (HDI) and fuel oil for boilers. In order to reduce the environmental impacts from raw materials, the Company recycles the acetone and butanone from water-based PU manufacturing processe; the recycled acetone goes back to the manufacturing processes. In 2020, the solvent recovery rate of acetone and methyl ethyl ketone is 73%.</p> <p style="text-align: center;">Recycle Unit: metric tons</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th rowspan="2">Major environmental impact RM of water-based PU</th> <th colspan="2">2018</th> <th colspan="2">2019</th> </tr> <tr> <th>Solvent recovery</th> <th>CO2e reduction</th> <th>Solvent recovery</th> <th>CO2e reduction</th> </tr> </thead> <tbody> <tr> <td>Acetone</td> <td>3,758</td> <td>6,839</td> <td>3,513</td> <td>6,394</td> </tr> <tr> <td>Butanone</td> <td>1,173</td> <td>3,695</td> <td>1,123</td> <td>3,540</td> </tr> <tr> <td>Total</td> <td>4,931</td> <td>10,534</td> <td>4,636</td> <td>9,934</td> </tr> </tbody> </table> <p>3. In the other hand, the Company has gradually replaced heavy oil from 2018, which is the fuel used in steam boilers, with natural gas to reduce GHG emissions, and the fuel used in all steam boilers were replaced with natural gas in 2019, not only reduces energy demand, but also greatly reduces the generation of air pollution sources. And it significantly reduced the emission of SOx, NOx and TSP.</p>	Major environmental impact RM of water-based PU	2018		2019		Solvent recovery	CO2e reduction	Solvent recovery	CO2e reduction	Acetone	3,758	6,839	3,513	6,394	Butanone	1,173	3,695	1,123	3,540	Total	4,931	10,534	4,636	9,934	No significant discrepancy
Major environmental impact RM of water-based PU	2018		2019																									
	Solvent recovery	CO2e reduction	Solvent recovery	CO2e reduction																								
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Butanone	1,173	3,695	1,123	3,540																								
Total	4,931	10,534	4,636	9,934																								
(3) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?	✓		<p>(3)At the end of 2020, it is planned to introduce the "TCFD Climate-Related Financial Impact Assessment" and invite experts to conduct TCFD-related education and training to the management team. It is also planned to start the formal introduction of the TCFD project from 2020 to 2021, assess the risks and opportunities caused by climate change to operations, and put forward corresponding strategic suggestions. The chairman will formulates an annual work plan after reviewing the TCFD project, and report to the Corporate Social Responsibility Management Committee.</p>	No significant discrepancy																								

Assessment Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Root Causes																																				
	Yes	No	Summary																																					
(4) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?	✓		<p>(4)1. In 2009, the Company introduced the Greenhouse Gas (GHG) Inventory and established a GHG Inspection Team. Relevant operating procedures have been standardized into Greenhouse Gas Inventory Management Procedures, and we can effectively understand the Company's GHG emissions through GHG inspection results. In 2012, carbon footprint check was introduced to inspect the carbon emissions during the operation activities throughout each product cycle, including the raw material stage, the material transportation stage, and the production stage. This helps us to calculate the carbon footprint of our products and to receive SGS carbon footprint inspection assurance for Reasonable Assurance Certification. The Company also complies with ISO 14064-1 standard for greenhouse gas investigation.</p> <p>2. In response to global climate change, the Company conducts GHG emissions inspect operations, and the scope can be divided into direct greenhouse gas emissions (Scope 1) and indirect greenhouse gas emissions (Scope 2).</p> <p style="text-align: center;">Emission Unit: metric tons</p> <table border="1"> <thead> <tr> <th>Scope of inventory audit</th> <th>2019</th> <th>2020</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Scope 1 (CO2e): (Gasoline + Diesel + Liquefied Natural Gas (LNG) + Liquefied Petroleum Gas (LPG) + Heavy Oil)</td> <td>5,570</td> <td>5,068</td> <td>-9.01%</td> </tr> <tr> <td>Scope 2 (CO2e): (Electric Power)</td> <td>8,494</td> <td>8,308</td> <td>-2.19%</td> </tr> <tr> <td>Total emissions = Scope 1 + Scope 2</td> <td>14,064</td> <td>13,376</td> <td>-4.89%</td> </tr> </tbody> </table> <p>3. The air pollutants emitted are primarily VOCs, TSP, SOx and NOx, where the sources of pollution can be from manufacturing, operating boilers, and effluent treatment processes. To effectively reduce air pollution and emissions, the Company has reinforced the availability of machinery, and actively monitored concentrations of all flue gas emissions to ensure that the emitted concentrations can meet regulatory standards. All the manufacturing factories do not produce, input, output or exhaust any ozone depleting substances (ODS).</p> <p style="text-align: center;">Emission Unit: metric tons</p> <table border="1"> <thead> <tr> <th>Pollution</th> <th>2019</th> <th>2020</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>VOCs</td> <td>69.10</td> <td>62.49</td> <td>-9.57%</td> </tr> <tr> <td>TSP</td> <td>0.20</td> <td>0.15</td> <td>-25.00%</td> </tr> <tr> <td>SOx</td> <td>0.40</td> <td>0.008</td> <td>-98.00%</td> </tr> <tr> <td>NOx</td> <td>2.60</td> <td>3.24</td> <td>24.62%</td> </tr> </tbody> </table> <p>4. In the greenhouse gas emission inspection, it is found that the emissions are mainly based on energy use. Therefore, the Company also actively conducts energy management to promote carbon emission</p>	Scope of inventory audit	2019	2020	%	Scope 1 (CO2e): (Gasoline + Diesel + Liquefied Natural Gas (LNG) + Liquefied Petroleum Gas (LPG) + Heavy Oil)	5,570	5,068	-9.01%	Scope 2 (CO2e): (Electric Power)	8,494	8,308	-2.19%	Total emissions = Scope 1 + Scope 2	14,064	13,376	-4.89%	Pollution	2019	2020	%	VOCs	69.10	62.49	-9.57%	TSP	0.20	0.15	-25.00%	SOx	0.40	0.008	-98.00%	NOx	2.60	3.24	24.62%	No significant discrepancy
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			<p>reduction. The Company's 2020 renewable energy power generation capacity totaled 1,036,327 (kw), a total reduction of approximately 549 tons of carbon dioxide emissions, which is equivalent to the annual carbon absorption of 1.4 Daan Forest Parks.</p> <p style="text-align: right;">Emission unit: metric tons</p> <table border="1"> <thead> <tr> <th></th> <th>2019</th> <th>2020</th> <th>(%)</th> </tr> </thead> <tbody> <tr> <td>Reduced CO2e emissions</td> <td>499</td> <td>549</td> <td>10.02%</td> </tr> </tbody> </table> <p>5. The Company implemented the reuse and recycle measures to optimize water consumption. Due to that MBR film treatment units are installed at the rear end of the effluents treatment, water quality is maximized after treatment, thereby improving the reuse of the effluents in the plants and increase the water circulation rate. The recycled water is used as a secondary water to refill the cooling pool. Each treatment unit and effluents, in addition to subjecting to self-inspection and self-monitoring made by dedicated personnel at regularly intervals, are also sampled and sent to an external inspection agency for inspection.</p> <p style="text-align: right;">Emission Unit: metric tons</p> <table border="1"> <thead> <tr> <th>Water resources</th> <th>2019</th> <th>2020</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Tap water</td> <td>93,816</td> <td>85,630</td> <td>-8.73%</td> </tr> <tr> <td>Recycled water</td> <td>9,944</td> <td>6,874</td> <td>-30.87%</td> </tr> <tr> <td>Rainfall</td> <td>733</td> <td>495</td> <td>-32.47%</td> </tr> <tr> <td>Total</td> <td>104,493</td> <td>92,999</td> <td>-11.00%</td> </tr> </tbody> </table> <p>6. Most of the waste generated by the Company are waste solvents and resins that are produced during the manufacturing process. In order to achieve sustainable resource reuse, the principle of waste treatment is to prioritize reuse in the factory process to reduce the use of raw materials. The Company strives to reuse waste solvents after distillation and recovery, which greatly reduces the output of waste solvents and reduces considerable waste clearing costs.</p> <p style="text-align: right;">Emission Unit: metric tons</p> <table border="1"> <thead> <tr> <th>Wastes</th> <th>2019</th> <th>2020</th> <th>Reduction (%)</th> </tr> </thead> <tbody> <tr> <td>General business wastes</td> <td>948</td> <td>1,046</td> <td>10.34%</td> </tr> <tr> <td>Hazardous business wastes (outsourcing)</td> <td>1,934</td> <td>3,504</td> <td>84.28%</td> </tr> <tr> <td>Total</td> <td>2,882</td> <td>4,610</td> <td>59.96%</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Waste produced per ton of product</th> <th>2019</th> <th>2020</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Total waste (kg)/product (metric tons)</td> <td>19.9</td> <td>18.3</td> <td>-6.52%</td> </tr> </tbody> </table>		2019	2020	(%)	Reduced CO2e emissions	499	549	10.02%	Water resources	2019	2020	%	Tap water	93,816	85,630	-8.73%	Recycled water	9,944	6,874	-30.87%	Rainfall	733	495	-32.47%	Total	104,493	92,999	-11.00%	Wastes	2019	2020	Reduction (%)	General business wastes	948	1,046	10.34%	Hazardous business wastes (outsourcing)	1,934	3,504	84.28%	Total	2,882	4,610	59.96%	Waste produced per ton of product	2019	2020	%	Total waste (kg)/product (metric tons)	19.9	18.3	-6.52%	
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Assessment Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Root Causes
	Yes	No	Summary	
4. Social Topic				
(1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	✓		(1) The company complies with and supports the labor standards of the “Universal Declaration of Human Rights” , "United Nations Global Covenant" and “International Labor Organization” has formulated and implemented human rights declarations, including providing a safe and healthy working environment, and preventing unlawful discrimination. Ensure equal job opportunities, avoid child labor, prohibit forced labor, and assist employees to maintain their health and work-life balance.	No significant discrepancy
(2) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	✓		(2) The Company values cares about employee welfare and work safety, and established the Employee Welfare Committee in 1975 to handle employees’ benefit and welfare measures. The Company also formulate comprehensive retirement methods that comply with laws and regulations. On top of the compensation, the Company offers incentive bonus by not only referring to the Company's overall operational performance, future business risks and development trends of the industry, but also taking into account an individual employee's performance achievement rate and degree of contribution to Company performance, in order to offer reasonable remuneration which has a positive correlation with business performance.	No significant discrepancy
(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	✓		(3) 1. In order to enhance employee’s awareness of safety and health, occupational disasters and labor protection, the Company set up a safety and health management mechanism, regularly holds educational trainings and the safety and health hazard prevention. 2. The Company annually conduct on-site in each plant area to ensure that they can immediately respond for accidents, mitigate the effects of personnel injury, property loss and production interruption caused by this emergency, and control the impact of disaster damage and post-disaster recovery situation. 3. In order to effectively manage and confirm the normal operation of equipment in each plant area, the company introduced a mobile inspection management system in 2019, replacing traditional paper with a tablet to conduct plant and equipment safety inspections in an electronic way to grasp the inspection dynamics in real time and reduce the risk of abnormalities. Probability, analysis and report output can also be performed through inspection records to achieve the purpose of effective control and management. 4. The company hires full-time labor health service nurses and establishes a health center, providing first aid and emergency treatment, one-on-one health consultation, and employee health management, with professional nurses guide employees of correct health concepts. Occupational medicine specialists are also hired to provide monthly on-site services to identify and improve work hazards. In addition, the company arranges health checkups for all employees every two years, and performs hierarchical management of health checkups based on employee health checkup reports. Individual exceptions and recheck notices are issued, and signed a special contract with the hospital for medical preferential treatment.	No significant discrepancy

Assessment Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Root Causes
	Yes	No	Summary	
			<p>5. A special health checkup is arranged by occupational health and safety personnel. An occupational doctor will evaluate the tiered results and undertake comprehensive tiered management. Individual health instructions will be provided for employees who require tier-2 management or above, and the occupational doctor will provide consulting service and educational training in order to prevent occupational diseases.</p> <p>6. The Company holds free physical checks and lectures for all employees, all the security rooms equipped with blood pressure measuring machine, the on site nurse follow-up the abnormal physical check cases. The Company has established an automatic external cardiac defibrillator (AED) at the guard's office in each plant to prevent emergencies in the plants. And we also regularly arrange educational training.</p>	
(4) Has the Company established effective career development training plans?	✓		<p>(4)1. The company's education and training system is divided into three categories, education and training for new recruits, professional and management according to their functions, so that the classification achieves the purpose of systematically training the professional required by each position and rank.</p> <p>2. The company provides diverse and enriched learning channels and developmental resources according to individual working needs, performance evaluation results, and career developmental needs. These resources include on-the-job training, classroom training, work coaching, the mentorship system, job rotation, and more. We conduct research for the employee competency and cultivation plan and require department managers to inspect the deficiencies in functionalities and employee skills based on job profiles and the talent development plan. This will help promote effective resource utilization, as well as systematically cultivate talent and establish talent and technical knowledge database, creating more value for the Organization.</p>	No significant discrepancy
(5) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set polices to protect consumers' rights and consumer appeal procedures?	✓		<p>(5)1. The company's raw materials and product inspection standards are implemented in accordance with the national CNS inspection standards, and all products comply with safety standards and adopt RoHs hazardous substances restriction directive standards. At the same time, biodegradable products are developed to reduce environmental impact.</p> <p>2. The Company's technical service department has assembled professionals with rich technical experience to accumulate solutions of technical problems for a long time, and establish a complete big data database. If a customer experiences any difficulty in using a product and reports back to our Sales Department, the technical service team will immediately take charge and proceed with the needed support. And organize technical seminars quarterly to actively solve customers' technical issues.</p> <p>3. In terms of customer privacy protection, the Company has dedicated personnel to file any information provided by customers that may have to do with their confidentiality. Internally, any access to customer information needs to be approved and authorized. No grievances related to damages to customer privacy or loss of customer information were received in 2020.</p>	No significant discrepancy

Assessment Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Root Causes
	Yes	No	Summary	
			4. Customers of the company can use the customer service mailbox on the company website, annual surveys of stakeholders and customer satisfaction visits, or provide feedback directly to business personnel to protect their rights.	
(6) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?	✓		(6)1. The Company requires the suppliers to sign the CSR statement to assure the suppliers comply with the CSR and moral standard, and proactively respond to the environmental protection issues. The purchasing department also assesses the suppliers on environment, labor, human-rights and social relevant impacts. Through good communication channels and regular meetings, control and supervise supplier behavior and work conditions. 2. In 2020, the suppliers are encouraged to sign the "Supplier Code of Ethical Conduct", "Environmental Protection Requirements Commitment" and "RSL Restricted Substances List" as one of the criteria for supplier selection, and reaches more than half of the suppliers to sign the statements.	No significant discrepancy
5. Does the Company refer to international reporting rules or guidelines to publish CSR Report to disclose non-financial information of the Company? Has the said Report acquire 3rd certification party verification or statement of assurance?	✓		The company prepares CSR reports with reference to the internationally accepted guidelines for preparation of reports (GRI Standards). The CSR Report can be reviewed and downloaded on the website, however which is yet to be verified by the relevant certification bodies.	No significant discrepancy
6. If the company has established its corporate social responsibility code of practice according to "Listed Companies Corporate Social Responsibility Code of Practice," please describe the operational status and differences: None.				
7. Other important information to facilitate better understanding of the company's implementation of corporate social responsibility: (1)The CSR Management Committee pass a sustainable policy on March 26 th , 2019 as follows : <ul style="list-style-type: none"> ● Robust Governance – In response to an ever-changing business environment, Nan Pao uphold the consistent cautious policy, we adhere to the integrity management principle for a sustainable performance by planning a long-term integration business policy. ● People & Society – Build a long-term partnership relationship with customers and the society; take human-rights, labor interests, safe workplace, anti-corruption and support local community into account. ● Sustainable Environment – Value the sustainable environment, commit to decrease the environmental impact from manufacture and proactively build a safe and healthy workplace. ● Green Chemistry – Utilize R&D ability to develop environmental and circular economy product, and strictly manage hazardous chemicals. (2) The community participation of education and charity please refers to the CSR report on chapter six. (3)The company's corporate social responsibility related operational information is disclosed in the corporate social responsibility section of the company's website on https://tw.adhesivegluemaker.com/crs.aspx/				

(VI) Ethical corporate management at the Company and related implementation

Assessment Item	Implementation Status			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. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
(1) Does the company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	✓		(1) The Company has formulated “Procedures for Ethical Management and Guidelines for Conduct” and “Methods and Code of Conduct” to clearly demonstrate the policy and methods of ethical management on April 5, 2017 board meeting. In addition, the Board of Directors and the management also actively fulfill the promise to ethical management policy. The enactment of “Procedures for Ethical Management and Guidelines for Conduct” and “Methods and Code of Conduct” has been disclosed on the Company’s website.	No significant discrepancy
(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	✓		(2) The Company has formulated Ethical Operational Policy and Methods and Code of Conduct, which have already covered the preventive measures for each paragraph of Article 7 Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies". The company has also set up Integrity management promotion unit affiliated to the board of directors, regularly analyzes and evaluates business activities with a high risk of dishonesty in the business scope, and formulate a plan to prevent dishonesty against bribery, providing illegal political contributions, improper charitable donations or sponsorships, providing or accepting unfair interests, infringing business secrets, engaging in unfair competition, and damaging the rights and interests of interested parties.	No significant discrepancy
(3) Whether the company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?	✓		(3) The Company has established Procedures for Ethical Management and Guidelines for Conduct on April 5th, 2017, which is clearly stipulated that directors, managers, employees, assignees and persons with substantial control capabilities should strictly prohibit dishonest behavior, The Company also implements such principles to the employees through the Employee Handbook, internal promotion, communication platforms, and regular educational training. The company encourages internal and external personnel to report unethical conduct, and clearly stipulates the reporting channels and punishments in the "Procedures for Ethical Management and Guidelines for Conduct".	No significant discrepancy

Assessment Item	Implementation Status			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
2. Ethic Management Practice				
(1) Whether the company has assessed the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?	✓		(1) 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 is reviewed by the legal unit, and 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 significant discrepancy
(2) Whether the company has set up a unit which is dedicated to promoting the company's ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?	✓		(2) The Company has assigned Financial Management Division under the board of directors, which is responsible for the promotion of the integrity management policy and prevention plan, as well as reporting implementation results to the Board of Directors on a annual basis. The implementation of ethical corporate management in 2020 was reported to the Board of Directors on August 11, 2020.	No significant discrepancy
(3) Whether the company has established policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	✓		(3) The Company's "Procedures for Ethical Management and Guidelines for Conduct" and "Methods and Code of Conduct" and "Code of Ethical Conduct" have clearly stipulates that all employees can not receive improper benefits, to avoid damage on company rights. If any violation of the integrity regulations is found, the Company can follow the "Internal and External Reporting Methods" which provide grievance channels.	No significant discrepancy
(4) To implement relevant policies on ethical conducts, has the company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically?	✓		(4) To fulfill ethical management in practice, the Company has already established an effective accounting system and internal control system, and internal auditors will regularly inspect the condition of compliance.	No significant discrepancy
(5) Does the company provide internal and external ethical conduct training programs on a regular basis?	✓		(5) The company conducts decree education and advocacy for directors, managers and employees at least once a year. The Company has conducted a 2 hour "Inside Shareholder Equity Declaration Notice" on February 21, 2020 for directors, managers and employees, and the course content includes the confidentiality of important information, as well as the reasons for the formation of insider transactions, the identification process and the explanation of transaction examples. In addition, relevant internal training courses are planned every year to improve the awareness by employees of legal compliance to reduce the risk of business activities breaking the law.	No significant discrepancy

Assessment Item	Implementation Status			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
3. Implementation of Complaint Procedures				
(1) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	✓		(1) The Company has clearly defined a whistleblowing and incentive system in the “Procedures for Ethical Management and Guidelines for Conduct” and on the “Employee Handbook”. The grievance and whistleblowing mailbox: audit@nanpao.com has also been established, in which designated personnel will be handed over to the supervisor of the Audit Office for verification and tracking.	No significant discrepancy
(2) Whether the company has established standard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?	✓		(2) The company has established standard operating procedures for the investigation of the reporting matters, and the specialized unit accepts and investigates the misconduct, and keeps the identity of the reporter and the content of the report confidential.	No significant discrepancy
(3) Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	✓		(3) The company’s standard operating procedures for the investigation of reported matters clearly stipulate that the informant or the personnel participating in the investigation and its content will be protected from unfair treatment or retaliation.	No significant discrepancy
4. Information Disclosure				
Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System (“MOPS”)?	✓		The Company has disclosed the contents of the Code of Integrity Management on the Company's website and Market Observation Post System, and disclosed the implementation in the annual report and the Company's website.	No significant discrepancy
5. If the company has established corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any discrepancy between the policies and their implementation.: None				
6. Other important information to facilitate better understanding of the company’s corporate conduct and ethics compliance practices (e.g., review the company’s corporate conduct and ethics policy). 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 board of directors approved the amendment of the "Procedures for Ethical Management and Guidelines for Conduct " on December 17, 2020.				

- (VII) If the Company sets up corporate governance practice and related bylaws, the Company shall disclose how these can be searched:
The Company has established “Corporate Governance Code of Practice” and relevant regulations, and such regulations have been disclosed on the Company website for investors, investors can also find the information on the website of <http://mops.twse.com.tw>, the relevant regulations are also been disclosed on the Company’s website.
- (VIII) Other important information that could facilitate the understanding of corporate governance could be disclosed:
1. The 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 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.

(IX) Implementation of Internal Control System

1. Statement of Internal Controls

Nan Pao Resins Chemical Co., Ltd.
Statement of the Internal Control System

Date: March 25, 2021

This Statement of Internal Control System is issued based on the self-assessment of the Company for the year 2020:

1. The Company is clearly aware that establishing, implementing, and maintaining the internal control system is the responsibility of the Company's Board of Directors and the managers. The Company has already implemented this system in place. The objectives of ICS include achieving various objectives in business benefits and efficiency (including profitability, performance, and protection of assets and safety), ensuring the reliability, timeliness, transparency, and regulatory compliance of reporting, and providing reasonable assurance.
2. The internal control system has inherent constraints, and no matter how comprehensive its design may be, an effective internal control system is only capable of providing adequate assurance for achieving the above-mentioned objectives. Moreover, the effectiveness of the internal control system may be altered from changes in the environment and under different situations. Hence, the Company's internal control system has been implemented with a self-monitoring system, in which the Company will immediately undertake rectification measures once a deficiency has been identified.
3. The Company assesses for the effectiveness of the internal control system's design and practices through the effectiveness of internal control system, as stated in the "Protocols and Measures for the Establishment of Internal Control System in Publicly Listed Companies" (hereinafter referred to as "the Protocols"). "The Protocols" determines the effectiveness of internal control system by separating internal control system into five compositions through management control processes, including 1. control environment, 2. risk evaluation, 3. control procedures, 4. information and communication, and 5. supervision. Each composition further includes various items. Please see "the Protocols" for the aforementioned items.
4. The Company has already adopted the above-mentioned internal control system evaluation to assess the design and effectiveness of the internal control system in practice.
5. Based on the above assessment, the Company has assessed that the internal control system (covering monitoring and management of its subsidiaries) as of December 31, 2020 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 25, 2021, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Nan Pao Resins Chemical Co., Ltd.

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

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

(X) 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.

(XI) Major 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	Major resolutions	Implementation status
20200616 Annual General Meeting	(I) Acknowledged matters: (1) Acknowledgment of the 2019 business report and financial statements (2) Acknowledgment of the 2019 earnings distribution	※ The proposal was approved by the participating Shareholders with 97.85% approved percentage. 1. The proposal was approved by the participating Shareholders with 97.85% approved percentage. 2. The ex-dividend trading date was set on August 10, 2020. Cash dividends totaled NT\$723,424,680 (NT\$6 per share) has been distributed on August 31, 2020.
	(II) Election matters: Board of Directors election (Includes independent directors)	1. Seven directors (including three independent directors) are elected for a term of three years from June 16, 2020 to June 15, 2023. 2. The newly appointed director was approved and registered by the Department of Commerce, Ministry of Economic Affairs on July 07, 2020 with Letter No. 10901123320.
	(III) Other Proposals: To remove the non-competition restriction on Board of Directors	※ The proposal was approved by the participating Shareholders with 92.26% approved percentage.

2. Board of Directors

Date	Major resolutions
20200117	1. Approved the Company's proposal of 2019 performance-based bonuses for managers. 2. Approved the Company's proposal of donation to the affiliate "Nan Pao Social Welfare Foundation". 3. Approved the Company's proposal of appointment of Company Secretary. 4. Approved the Company's proposal of appointment of Financial Officer. 5. Approved the Company's proposal to invest and establish a new plant in Bengal. 6. Approved the Company's proposal to invest and establish a new plant in India. 7. Approved the Company's proposal to provide endorsements or guarantees for subsidiaries. 8. Approved the Company's proposal to provide letter of support for subsidiaries. 9. Approved the Company's proposal to apply for loan facilities from banks.

Date	Major resolutions
20200326	<ol style="list-style-type: none"> 1. Approved the Company's proposal of salary adjustment and promotion for managers. 2. Approved the Company's proposal to amend 2020 internal audit plan. 3. Approved the Company's proposal of 2019 business report and financial statements. 4. Approved the Company's proposal of 2019 earnings distribution plan. 5. Approved the Company's proposal of 2019 employee and director's bonus distribution plan. 6. Approved the Company's proposal of 2019 "Statement on Internal Control System". 7. Approved the Company's proposal to amend "Financial statement preparation process" of Management Cycle". 8. Approved the Company's proposal to amend internal control system of "R&D cycle". 9. Approved the Company's proposal to formulate "CSR Management Committee Charter". 10. Approved the Company's proposal to provide endorsements or guarantees for subsidiaries. 11. Approved the Company's proposal to provide letter of support for subsidiaries. 12. Approved the Company's proposal of Board of Directors election. 13. Approved the Company's proposal of list of candidates of directors (include independent directors) 14. Approved the Company's proposal to remove the non-competition restriction of the Company's managers. 15. Approved the Company's proposal to remove the non-competition restriction of Board of Directors. 16. Approved the Company's proposal of the matters related to conven 2020 Annual General Meeting and shareholders' proposals. 17. Approved the Company's proposal of the matters related to list of candidates of directors (include independent directors).
20200511	<ol style="list-style-type: none"> 1. Approved the Company's proposal to provide endorsements or guarantees for subsidiaries. 2. Approved the Company's proposal to provide letter of support for subsidiaries. 3. Approved the Company's proposal to apply for loan facilities from banks.
20200616 (temporary)	<ol style="list-style-type: none"> 1. Approved the Company's proposal of Chairman election.
20200811	<ol style="list-style-type: none"> 1. Approved the Company's proposal of the third term Remuneration Committee appointment. 2. Approved the Company's proposal of remuneration of Independent Directors. 3. Approved the Company's proposal to provide endorsements or guarantees for subsidiaries. 4. Approved the Company's proposal to provide letter of support for subsidiaries. 5. Approved the Company's proposal to apply for loan facilities from banks.
20201111	<ol style="list-style-type: none"> 1. Approved the Company's proposal of donation to the affiliate "Nan Pao Social Welfare Foundation". 2. Approved the Company's proposal for changing of auditors. 3. Approved the Company's proposal to cancel endorsements or guarantees for subsidiaries. 4. Approved the Company's proposal to provide letter of support for subsidiaries. 5. Approved the Company's proposal to apply for loan facilities from banks.

Date	Major resolutions
20201217	1. Approved the Company's proposal of 2021 Business Plan. 2. Approved the Company's proposal of 2021 internal audit plan. 3. Approved the Company's proposal to invest in Australia. 4. Approved the Company's proposal to formulate "Risk Management Policies and Procedures". 5. Approved the Company's proposal to formulate "Measures for the Administration of Business Secrets". 6. Approved the Company's proposal to amend "Procedures for Ethical Management and Guidelines for Conduct". 7. Approved the Company's proposal to cancel letter of support for subsidiaries. 8. Approved the Company's proposal to apply for loan facilities from banks.

(XII) 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.

(XIII) 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:

Title	Name	On Board Date	Date of dissolution	Reason
General Manager of Financial Management Division (Financial Officer)	Chi-Lin, Liu	20060301	20200131	Retirement

V. Information on CPA Professional Fees

Accounting firms Title	Name of the CPA		Audit period	Notes
Deloitte & Touche Taiwan	Hung-Ju, Liao	Chun-Chi, Kung	20200101~20200930	
Deloitte & Touche Taiwan	Hung-Ju, Liao	Chi-Chen, Lee	20201001~20201231	

Unit: NT\$1,000

Fee range		Professional charge	Audit charge	Non - Audit charge	Total
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)				

- (I) 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:

Unit: NT\$1,000

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	Hung-Ju, Liao	5,800	0	0	0	2,415	2,415	20200101~20201231
	Chun-Chi, Kung							20200101~20200930
	Chi-Chen, Lee							20201030~20201231

Note: Other services include tax consultation NT\$240 thousand, transfer pricing NT\$1,515 thousand, and other fees NT\$660 thousand.

- (II) Having altered the CPA firm and the audit fee in the altering year is less than that in the previous year: None.
- (III) The audit fee is reduced by over 10% compared with the previous year: None.

VI. Replacement of the CPA:

- (I) Regarding the former accountants

Date of CPA replacement	After being approved by the board of directors on November 11, 2020, the accountant be replaced since Q4 2020		
Reasons and description of replacement	The replacement of the the Company's CPAs was due to internal adjustment.		
The commissioner or CPA terminates or declines the commission	Participants	CPA	Commissioner
	Status	N/A	N/A
	Commission was terminated on his/her initiative (Extension of) Commission was declined	N/A	N/A
Opinions and reasons for audit reports issued during the most recent two years, excluding those issued without reservations	N/A		
Any different opinion with the issuer?	Y		Accounting principles or practice
			Disclosure of financial reports
			Scope or steps of audits
			Others
	N	V	
	Explanation		
Other disclosures (matters to be disclosed pursuant to Sub-paragraph 1.4 to 1.7 Paragraph 6, Section 10 of the Guidelines)	N/A		

(II) Regarding the new accountant

Name of the firm	Deloitte & Touche Taiwan
Accountant name	Hung-Ju, Liao and Chi-Chen, Lee
Appointment date	After being approved by the board of directors on November 11, 2020, the accountant be replaced since Q4 2020
Pre-appointment consultations regarding the accounting treatment or accounting principles for specific transactions and opinions on the possible issuance of financial reports and the results thereof	N/A
Written opinions of new accountant stating different opinions to that of the previous accountants	N/A

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

VII. 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.

VIII. 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.

(I) 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	2020		From this year to up to April 19, 2021	
		Shares held Increase (decrease)	Increase (decrease) in equity pledges Increase (decrease)	Shares held Increase (decrease)	Increase (decrease) in equity pledges Increase (decrease)
Chairman	Cheng-Hsien, Wu	(32,685)	0	0	0
Director	Guang Rong Investment Ltd.	0	0	0	0
	Representative: Ming-Hsien, Hsu				
	Representative: Ying-Lin, Huang				
Director	Pou Chien Enterprise Co., Ltd.	0	0	0	0
	Representative: Nai-Yung, Tsai				
Independent Director	Yun, Chen	0	0	0	0
Independent Director	Yung-Cheng, Chiang	0	0	0	0
Independent Director	Yi-Hsi, Lee	0	0	0	0

Job Title	Name	2020		From this year to up to April 19, 2021	
		Shares held Increase (decrease)	Increase (decrease) in equity pledges Increase (decrease)	Shares held Increase (decrease)	Increase (decrease) in equity pledges Increase (decrease)
CEO	Ming-Hsien, Hsu	0	0	0	0
Executive General Manager of Sports Goods Adhesives and Materials Business Division	Chao-Chian, Tsai	0	0	0	0
Executive General Manager of Paints and Coatings Business Division	Yi-Fa, Tsai	0	0	0	0
Executive General Manager of Adhesives and Specialty Business Division	Chi-Yuan, Hsu Date of dissolution:20200326 (Note)	(6,000)	0	0	0
Deputy General Manager of Adhesives and Specialty Business Division	Sen-Mao, Kuo	0	0	0	0
General Manager of Operation Management Division	Chung-Yuan, Hung Date of dissolution:20201224 (Note)	(41,000)	0	0	0
General Manager of Operation Management Division	Yi-Jen, Fang	0	0	0	0
General Manager of Financial Management Division	Chi-Lin, Liu Date of dissolution: 20200131 (Note)	0	0	0	0
Deputy General Manager of Coatings Business Division	Yu-Jen , Chen Date of dissolution: 20200131 (Note)	0	0	0	0
R&D Deputy General Manager of R&D & Innovation Division	Yong-Ching, Shen	0	0	0	0
R&D Technical Deputy General Manager of Sports Goods Adhesives and Materials Business Division	Sen-Pei, Hung	0	0	0	0
Deputy General Manager of Paints and Coatings Business Division	Zhi-Wei, Chen	0	0	0	0
Deputy General Manager of Hot Melt Adhesive R&D Dept. in R&D & Innovation Division	Ping, Wang Date of dissolution: 20210331 (Note)	(14,651)	0	0	0
Assistant Manager of Overseas Sales Division	Chin-Fu, Hsu	0	0	(30,000)	0
Assistant Manager of Sports Goods Adhesives and Materials Business Division	Shih-Hao, Fang Date of dissolution: 20200301 (Note)	0	0	0	0
Assistant Manager of Footwear Production Dept. in Operation Management Division	Ming-Ding, Tsai	0	0	0	0
Polyester Polyol Technology Assistant Manager of R&D & Innovation Division	Yan-Cheng, Chen	2,000	0	0	0

Job Title	Name	2020		From this year to up to April 19, 2021	
		Shares held Increase (decrease)	Increase (decrease) in equity pledges Increase (decrease)	Shares held Increase (decrease)	Increase (decrease) in equity pledges Increase (decrease)
Q&A Assistant Manager of R&D & Innovation Division	Zhi-Cheng, Lin	0	0	0	0
Assistant Manager of Financial Management Division	Kun-Chin, Lin	9,000	0	0	0
Assistant Manager of HR Dept. in Strategic Development Division	Hui-Fen, Lee	(19,000)	0	0	0
Assistant Manager of Business Development Dept. in Strategic Development Division	Yuan-Yang, Luo	3,000	0	0	0
Assistant Manager of IT Dept. in Strategic Development Division	Pei-Yi, Kuo On board date: 20210305 (Note)	0	0	0	0

Note : Only information during their terms of office will be disclosed.

(II) 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, managers and shareholders with shareholding percentage exceeding 10%	Number of shares	Transaction price
Kuo-Jung, Chang	Gift	20200302	Chih-Kai, Chang	Father and son	15,000	149.00
Cheng-Hsien, Wu	Gift	20200507	Dai-Ying, Wu	Father and son	22,471	97.90
Cheng-Hsien, Wu	Gift	20200507	Yi-Lin, Wu	Father and son	10,214	97.90

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

IX. Relationship among the Top Ten Shareholders:

As of April 19, 2021 / 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	Ratio (%)	Number of shares	Ratio (%)	Number of shares	Ratio (%)	Title (or Name)	Relations	
Pou Chien Enterprise Co., Ltd.	10,920,248	9.06	-	-	-	-	None	None	
Representative: Nai-Yung, Tsai	-	-	-	-	-	-	None	None	
Ding-Feng Investment Co., Ltd.	10,637,947	8.85	-	-	-	-	None	None	
Representative: Guan-Jie, Fang	13,260	0.01	100	0.00	-	-	None	None	
Yue Dean Technology Corporation	10,285,000	8.53	-	-	-	-	None	None	
Representative: Hui-Chi, Wu	-	-	-	-	-	-	None	None	
Chuan-De Investment Co., Ltd.	10,060,298	8.34	-	-	-	-	None	None	
Representative: Wan-Hsin, Tu	-	-	-	-	-	-	None	None	
Guang Rong Investment Ltd.	8,868,132	7.36	-	-	-	-	None	None	
Representative: Ming-Hsien, Hsu	483,211	0.40	121,554	0.10	-	-	None	None	
Representative: Ying-Ling, Huang	4,709,936	3.91	-	-	-	-	None	None	
CTBC Entrusted Custodian Investment Account of Growth Machine Development Co., Ltd.	7,826,523	6.49	-	-	-	-	None	None	
Pao-Wang Investment Co., Ltd.	7,476,068	6.20	-	-	-	-	None	None	
Representative: Ding-Chiang, Chou	-	-	-	-	-	-	None	None	
Fubon Life Assurance Co., Ltd.	6,023,000	5.00	-	-	-	-	None	None	
Representative: Ming-Hsing, Tsai	-	-	-	-	-	-	None	None	
Ying-Lin, Huang	4,709,936	3.91	-	-	-	-	None	None	
Lan-shi-ta Investment Co., Ltd.	2,114,773	1.75	-	-	-	-	None	None	
Representative: Yu-Ting, Xiao	-	-	-	-	-	-	None	None	

X. 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, 2020 / Units: 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	Ratio (%)	Number of shares	Ratio (%)	Number of shares	Ratio (%)
Nan Pao Overseas Holdings Ltd.	73,300,502	100.00	-	-	73,300,502	100.00
Ongoing Profits Ltd.	1,560,000	32.18	3,287,546	67.82	4,847,546	100.00
Progroup Technology Co., Ltd.	459,950	91.99	-	-	459,950	91.99
Nan Pao Materials Vietnam Co., Ltd.	Note 2	100.00	Note 2	-	Note 2	100.00
Profit Land Ltd.	983,333	73.75	350,000	26.25	1,333,333	100.00
PT. Indo Nan Pao Resins Chemical Co., Ltd.	2,756,250	49.00	1,040,625	18.50	3,796,875	67.50
All Saints Enterprises Ltd.	5,452,549	54.53	4,547,451	45.47	10,000,000	100.00
Fuqing Nan Pao Investment Ltd.	4,990,000	100.00	-	-	4,990,000	100.00
Thai Nan Pao Investments Ltd.	5,282,000	100.00	-	-	5,282,000	100.00
Phymed Bio-Tec Co., Ltd.	600,000	100.00	-	-	600,000	100.00
ITLS International Development Co., Ltd.	30,500,000	100.00	-	-	30,500,000	100.00
Nan Pao Electronic Material Co., Ltd.	4,000,000	100.00	-	-	4,000,000	100.00
Nan Pao Chemical Co., Ltd.	15,000,000	100.00	-	-	15,000,000	100.00
Biorich Biotechnology Co., Ltd.	391,462	57.10	-	-	391,462	57.10
Nan Pao Application Material Co., Ltd.	200,000	100.00	-	-	200,000	100.00
Nan Pao Resins India Pvt. Ltd.	3,000,000	100.00	-	-	3,000,000	100.00
Prince Pharmaceutical Co., Ltd.	16,767,305	50.51	-	-	16,767,305	50.51
Nan Pao Advanced Materials Co., Ltd.	350,000	70.00	-	-	350,000	70.00
Nanpao Advanced Materials Vietnam Co., Ltd.	Note 2	100.00	Note 2	-	Note 2	100.00
Nan Pao Philippines Export Inc.	25,750	100.00	-	-	25,750	100.00
Nanpao Fine Materials Co., Ltd.	1,375,000	55.00	-	-	1,375,000	55.00
Total Acrylic Polymer Industry (TAPI) Corporation	1,500,000	30.00	-	-	1,500,000	30.00

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

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

Chapter IV CAPITAL OVERVIEW

I. Source of Capital Stock

(I) Source of capital shares

1. Types of shares

April 30, 2021 / Unit: Shares

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

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

April 30, 2021

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

3. Reporting system: Not applicable.

(II) Shareholder structure

April 19, 2021

Shareholder structure	Government institutions	Financial institutions	Other corporations	Foreign institutions and foreigners	Natural persons	Total
Quantity						
Number of Shareholders	0	7	50	89	1,788	1,934
Shareholding (shares)	0	8,539,353	67,683,787	21,297,496	23,050,144	120,570,780
Percentage	0.00%	7.08%	56.14%	17.66%	19.12%	100.00%

(III) Diffusion of Ownership (Common Shares)

1. Ordinary shares:

April 19, 2021 / Unit: People; Shares

Shareholder Ownership (Unit: Share)	Number of shareholders	Shares held	Shareholding Percentage
1-999	400	43,965	0.04%
1,000-5,000	1,044	1,905,564	1.58%
5,001-10,000	171	1,320,255	1.10%
10,001-15,000	58	747,087	0.62%
15,001-20,000	40	699,429	0.58%
20,001-30,000	33	838,593	0.70%
30,001-40,000	40	1,415,814	1.17%
40,001-50,000	9	416,683	0.35%
50,001-100,000	44	3,388,158	2.81%
100,001-200,000	42	6,110,209	5.07%
200,001-400,000	20	5,888,444	4.88%
400,001-600,000	10	4,700,887	3.90%
600,001-800,000	5	3,789,185	3.14%
800,001-1,000,000	3	2,763,800	2.29%
1,000,001 shares and more	15	86,542,707	71.77%
Total	1,934	120,570,780	100.00%

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

(IV) 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 19, 2021 / Unit: Shares

Name of substantial shareholders	Shares held	Shareholding Percentage
Pou Chien Enterprise Co., Ltd.	10,920,248	9.06%
Ding-Feng Investment Co., Ltd.	10,673,947	8.85%
Yue Dean Technology Corporation	10,285,000	8.53%
Chuan-De Investment Co., Ltd.	10,060,298	8.34%
Guang Rong Investment Ltd.	8,868,132	7.36%
CTBC Entrusted Custodian Investment Account of Growth Machine Development Co., Ltd.	7,826,523	6.49%
Pao-Wang Investment Co., Ltd.	7,476,068	6.20%
Fubon Life Assurance Co.,Ltd.	6,023,000	5.00%
Ying-Lin, Huang	4,709,936	3.91%
Lan-shi-ta Investment Co., Ltd.	2,114,773	1.75%

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

Unit: NT\$1,000; Shares

Item	Year		2019	2020	As of the current April 30, 2021 (Note2)
	Dividend per share per share	Max		184.00	166.00
Min			105.00	93.80	150.00
Average			151.09	137.57	158.20
Net value per share	Before issuance		80.79	85.15	-
	After issuance		74.79	78.15 (Note1)	-
Earnings per share	Weighted average		120,902	120,932	-
	Earnings per share		10.19	10.12	-
Dividend per share Dividend	Cash dividend		6	7 (Note1)	-
	Stock grants	-	-	-	-
		-	-	-	-
	Cumulative unpaid dividends		-	-	-
Return on Investments Analysis	Price/Earnings Ratio(Note3)		14.83	13.59	-
	Price/Dividend Ratio(Note4)		25.18	19.65	-
	Cash Dividend Yield Rate(Note5)		3.97%	5.09%	-

Note 1: The 2020 earnings distribution plan was approved by the Board of Directors on March 25, 2021, and is pending for resolution from the Shareholders' Meeting.

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

Note 3: Price/earnings ratio = Average closing price per share for the current year/Earnings per share.

Note 4: Price/dividend ratio = Average closing price per share for the current year/Cash dividend per share.

Note 5: Cash dividend yield = Cash dividend per share/Average closing price per share for the current year.

(VI) 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 2020 earnings distribution plan:

On March 25, 2021, the Board of Directors had approved the resolution for the distribution of net income for 2020 and proposes to distribute cash dividend of NT\$7 for each share based on the outstanding 120,570,780 shares at the time of resolution. Ex-dividend date will be established upon resolution from the General Shareholders' Meeting.

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

(VIII) Compensation for employees, directors, and supervisors

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

Pursuant to Article 25 of the Company's Articles of Incorporation, the Company allocates 2% to 6% of employees' remuneration and no more than 3% of directors' compensation before the distribution of remuneration to employees and directors from the pretax profit of the year.

2. Estimate of Employee Remuneration and Directors' Remuneration:

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

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

C. There is no difference between the actual allotment amount and the estimated amount.

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

A. Recommended Distribution of Employee and Directors' Remuneration:

(Unit: NT\$1,000)

Employee Bonus – in Cash	\$42,000
Employee Bonus – in Stock	0
Directors' Remuneration	20,000

No Difference from the number estimation

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

4. Actual distribution of compensation to employees and directors:

Unit: NT\$1,000

	Amount reresolved by the Board of Directors	Amount reported to the Shareholders' Meeting
Employee Bonus - Cash	42,000	42,000
Directors' Remuneration - Cash	20,000	20,000
Total	62,000	62,000

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

(IX) Status of Shares Buyback: None.

II. Status of Corporate Bonds: None.

III. Status of Preferred Stocks: None.

IV. Status of GDR/ADR: None.

V. Status of Employee Stock Option Plan: None.

VI. New Employee reserved share rights handing: None.

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

VIII. Implementation of Budget Decisions: None.

Chapter V BUSINESS OPERATIONS OVERVIEW

I. Service Content

(I) Business Scope

1. Main Businesses

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

2. Proportion of Revenue from Major Products

Unit: NT\$1,000

Item	2019		2020	
	Operating revenue	Proportion of Revenue (%)	Operating revenue	Proportion of Revenue (%)
Adhesives	12,487,929	72.97	11,146,318	71.67
Coatings	1,794,592	10.49	1,546,681	9.95
Others	2,831,025	16.54	2,858,345	18.38
Total	17,113,546	100.00	15,551,344	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, Hot-melt adhesives and PSA for automotive interior lamination, PSA and structural adhesives for electronic optoelectronics and food packaging, particle board for plastic suction, building materials, yellow latex adhesive, polyurethane adhesive, finger joint adhesive, plywood glue, veneer plywood glue, furniture foam fitting adhesive, flexible packaging and medical materials adhesive, etc., sustainable development of decomposable biomass and recyclable materials	Industries including footwear, woodwork, construction and interior decoration, textile, sports and leisure, food packaging, car, electronic optoelectronics, and medical materials.
Coatings	Metal/Wood decorative coating and functional coating, interior/exterior wall decoration and waterproof coating, Environmentally friendly floor and building materials, food can coating, liquid and powder coatings for high-performance electronic products, interior decoration board material coating, metal component protection, and energy savings and thermal insulation	Industries including construction, waterproofing, corrosion protection, equipment, woodcrafts, furniture, hardware, car components, home appliances, sports equipment, food and drink

4. Projected new product development

No.	Items	New R&D technology or improvement project
1	Anti-hydrolysis water-based polyurethane adhesive for footwear application	One-component water-based adhesive has the good performance and anti-hydrolysis resistance as the two-component one
2	Environmentally friendly water-based NUV treatment agent	Environmentally friendly products; at the same time develop automatic spraying and brushing two systems
3	PUR adhesives for shoes lamination	Automatic spraying and high I.B.strength>3kg/cm、QUV>4.0
4	Development of Wuxi Catalyst Oily PU Shoe Adhesive	Polyols raw materials and PU synthesis are changed to non-tin catalysts, environmentally friendly products
5	Advanced Rubber Laminating Process Project	Applied to the rubber sole of shoes, it can omit the chemical and labor costs such as rubber treatment and gluing in the later stage
6	Environmentally friendly semi-aqueous cleaner	Environmentally friendly products; replace MEK used extensively in shoe factories
7	High performance carbon fibre composite materials	High NDT, high tensile strength, good flame retardance and short forming cycle time
8	Quick dry、bulky touch feeling for textile develop	Develop quick dry、bulky touch for textile with environmental-friendly materials
9	PUD foam coating for textile	Water-based environment friendly PU resin for coating functional textile to provide breathable comfortable performance
10	Fluoro-free and anti-siphon water repellent agent	Fluoro-free water repellent agent possess soft touch feeling, good laundry resistance, it can be applied to all kinds of textiles. (Such as webbing and laces)
11	PUR for fluorine-free water-repellent fabric lamination	PUR with excellent bonding strength especially for fluorine-free water-repellent fabric and wide applicability
12	Recycled polyester polyol and applications	Recycled polyester polyol from waste PET bottle, textile and upper polyester materials, and synthesis PU for textile treatment、insole and outsole of shoes applications
13	Solvent-free PSA for optical film application	Very high bonding strength (VHB) PSA
14	High constant load PSA for display application	Thin layer coating with high constant load adhesion PSA for display application
15	PSA for 5G equipment application	Low Dielectric constant optical PSA for 5G application
16	High heat-resistant flexible OCA	Foldable mobile phone application
17	PUR adhesives for Electronics assembly	PUR for 3C electronics products assembly、seal、reinforcing and comply with RoHS & REACH
18	Hot melt adhesive for automobile interior packaging	Hot-melt adhesive for automobile interior packaging
19	Water-based PUD for automotive artificial leather	Water-based PUD for binder and skin layer for artificial leather of automobile
20	Solvent-free thick-coating PU coating, epoxy floor coating and waterproofing elastic coating	Solvent-free PU topcoat and epoxy flooring with environmental protection, low VOC, formaldehyde-free, fast curing, high strength, long-term weather resistance performance

No.	Items	New R&D technology or improvement project
21	Anti-pollution and anti-graffiti powder coating	Good solvent resistance, and easily clean coating for whiteboard application
22	High elastic performance waterproof coating and primer	High performance and improvement climate and construction adaptability waterproof coating system
23	Formaldehyde-free D3 wood glue	PVAc with good water resistance and formaldehyde-free
24	PUR adhesive for PVC foam frame/plastics plates lamination	Solvent free, setting & curing fast which can increase productivity of PVC frame
25	Waterborne wood coating resin /Green heat insulation coating	Water-based primer and topcoat resin, Low-VOC, high-reflective and high heat blocking insulation coating
26	Environment friendly coating for 3C electronics and hardware parts applications	Water-based coating, powder coating and nano coating for electronics, metal and retail parts applications
27	ECO-friendly and Cr-free treatment and adhesive for metal	Cr-free corrosion resistance coatings for the extruded aluminum / adhesive for electrical steel sheet
28	Solvent-free 2K PU adhesive for flexible package	Solvent-free PU adhesive for flexible packaging matched FDA regulation.
29	Water base can coating for food packaging	Environmental Friendly lower VOC and free formaldehyde can coating to replace solvent base products
30	Bio-based can interior coatings	Bio-based BPA-free epoxy coatings
31	Medicated patch adhesive	Medicated patch adhesive for patch application
32	Reactive hot melt glue for freezer handle application	Reactive PUR glue for freezer handle application
33	Fluorine-free water repellent for natural fiber	The cotton cloth is made of fluorine-free water repellent, soft to the touch, washable, and natural fiber is used
34	Highly transparent PI material	High transparency, low yellowing index, high Td, soft electronic material application
35	Resins for digital printing	Wear-resistant and washable
36	Bio-PUD for textile coating	Abrasion and alcohol resistance
37	Transparent conductive ITO film with glass UV glue	Three-dimensionality, adhesion
38	Edge banding glue for medical examination	Solvent-free, shorten the medical examination process
39	Carbon fiber material recycling (carbon fiber)	Reuse of carbon fiber materials, development of forged carbon fiber materials
40	Biomass carbon fiber material (carbon fiber)	The resin contains biomass components such as lignin, and further uses natural fibers such as flax
41	PUR for woodworking cladding	High material applicability, high initial force, can be applied to curved surfaces
42	PUD (air bag) primer for fabric coating	Can be applied to fabric flame-retardant coating, with good resistance to tortuosity and abrasion

(II) Industry Overview

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

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

Source: IEK, Industrial Technology Research Institute (June 2020)

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

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

1. Current state and development of the industry

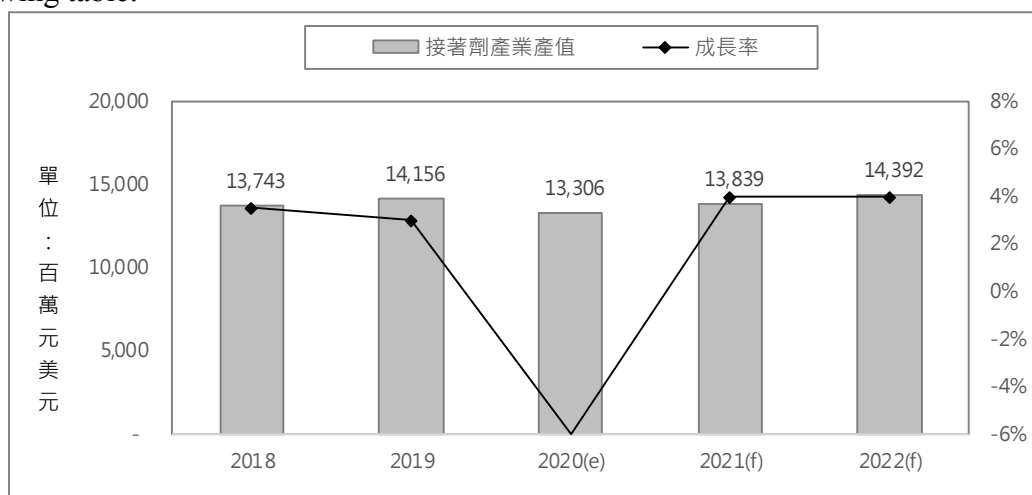
(1) Adhesive Industry Overview

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. Adhesives can be widely used in textiles, packaging, shoemaking, construction, papermaking, woodworking, aerospace, automotive, electronics, metallurgy, machining, medical and health industries, and become a key supporting industry.

In the global adhesive products, functional products such as weather resistance, temperature resistance and light hardening, and environmentally friendly products with low VOC emissions, solvent-free, and recyclable are the trend of future technological development. In 2019, the scale of the global adhesive industry had increased to US\$14,156 million, however global consumer demand was affected by the US-China trade war. Although it has shown growth, it has gradually slowed down. The demand of downstream industries has grown slowly, and product quotations have remained stable, the market size had only grown by 3.0%

compared with 2018. Outline of 2020, under the influence of the COVID-19 epidemic, the application of plastics for medical products and the improvement of plastic packaging for delivery products are conducive to the market demand for adhesives in these industries, but the demand for adhesives in other industries is more negative. In addition, negotiations for oil-producing countries to cut production broke down, lowering oil prices and the average selling price of adhesives worldwide. On the whole, the negative factors for the development of the global adhesive market are still greater than the positive factors. Therefore, the scale of the global adhesive market will show a decline in 2020.

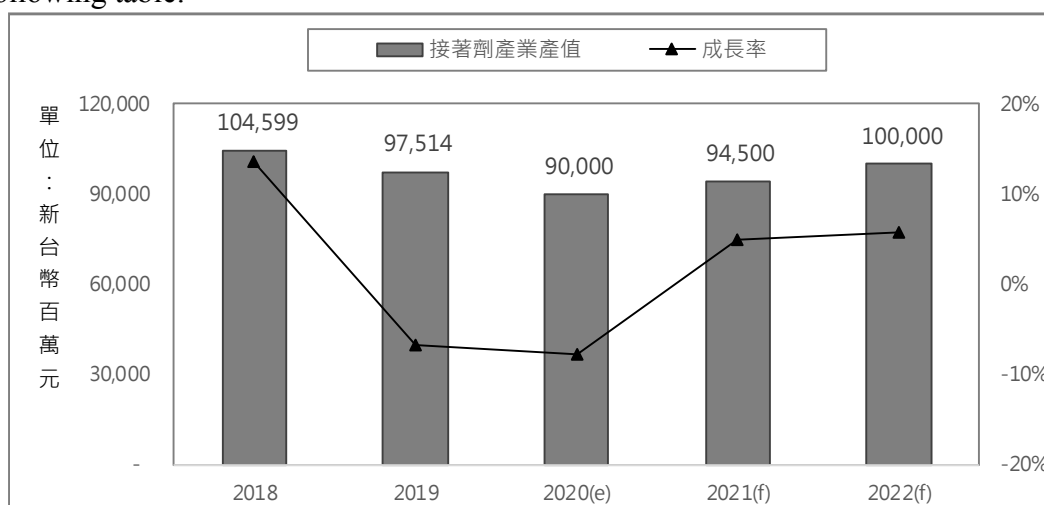
The trend analysis of global adhesive industry output value from 2018 to 2022 is shown in the following table:



Source: IEK, Industrial Technology Research Institute (June 2020)

According to the statistical data of IEK in 2020, the output value of Taiwan's adhesives in 2019 is NT \$ 97,514 million, a decrease of 6.8% compared with 2018. Looking forward to 2020, the US-China trade conflict will continue to affect global economic development. The COVID-19 epidemic and the decline in international oil prices will further affect the demand and quotation of adhesives. It is expected that the output value of adhesives in Taiwan will continue to decline.

The trend analysis of Taiwan adhesive industry output value from 2018 to 2022 is shown in the following table:



Source: IEK, Industrial Technology Research Institute (June 2020)

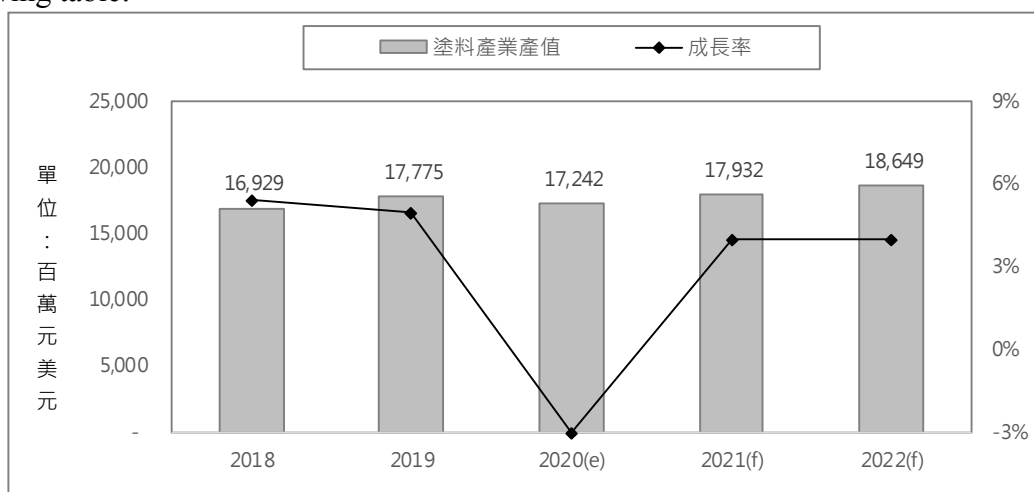
Nan Pao is the leading manufacturer of PVAc adhesives in Taiwan and is renowned for the 815 water-based emulsion paint in the industry. In the past, Nan Pao primarily relied on itself for research and development and mainly focused on PU resin, water-based PVAc, EVA, and acrylic epoxy, powder coating, 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. The main research and development project investment fields include high-performance shoe glue, functional textile glue, sanitary product glue, building material hot melt glue, flexible packaging material glue and optical pressure sensitive glue, etc.

(2) Coating Industry Overview

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

The global coating development trend has always focused on energy and environmental protection. How to make humans and the ecology with a healthier and safer environment by reducing the use of petrochemical raw materials, preventing the production of GHG and abnormal climate change on earth, is the development goal of the coating industry. In terms of product development trends, energy and environmental issues continue to influence the Company's product development strategies for coatings. Therefore, emphasis on low carbon emissions, reduction of VOC and saving materials remain the keypoint to product development. According to statistics provided by IEK in 2020, the global coatings market will reach US\$17,775 million in 2020, mainly due to the growth of demand in the construction industry, the development of the automobile industry, the increase in urban population, the increase in household consumption expenditure and the improvement of economic conditions. It is expected to reach US\$18,649 million by 2022, with a compound annual growth rate of 2.4% from 2019 to 2022. The Asia-Pacific region has always been the fastest-growing region in the global coatings market, and accounts for 57% of the global market which has led the global coatings market. The main reason is that the leading large manufacturers in the world set up branches and factories in this region in order to get close to and seize market share. And continue to invest through joint ventures and license agreements. In addition, the European and North American markets have dropped to 36%.

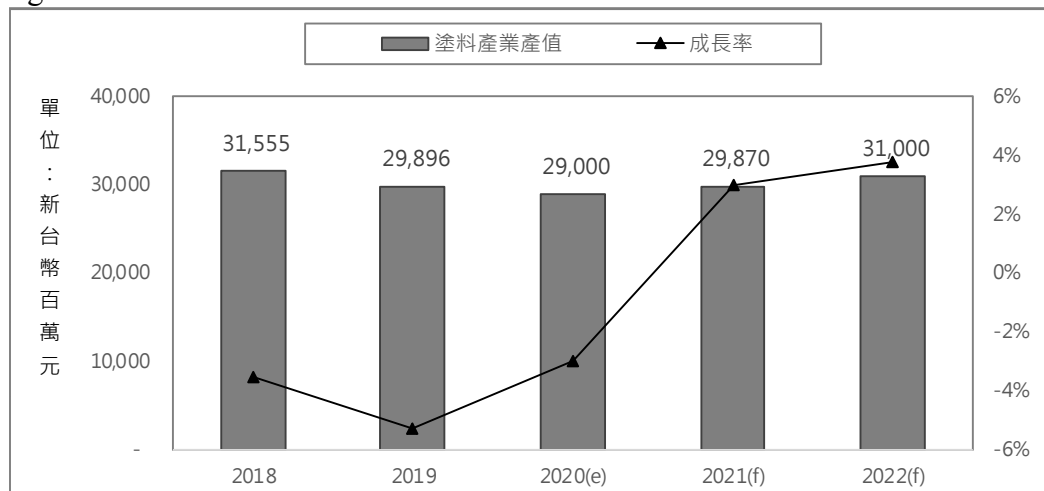
The trend analysis of global coating industry output value from 2018 to 2022 is shown in the following table:



Source: IEK, Industrial Technology Research Institute (June 2020)

According to statistics provided by IEK in 2019, the domestic market for Taiwan's coatings industry has been experiencing a decline since 2016. In the coatings export market, the largest importer of Taiwan coatings is still Mainland China. With the improvement of production technology and quality among coatings manufacturers of Mainland China in recent years, coatings manufacturers in Taiwan have also improved their own quality and technologies. Even so, the total output of Taiwan's coatings in 2019 is still showing a downward trend, which is 22,004 metric tons less than in 2018, a decrease of 5.6% on growth rate. The total output value was NT\$ 29,896 million, a decrease of 5.3% compared with the same period in 2018.

The trend analysis of Taiwan coating industry output value from 2018 to 2022 is shown in the following table:



Source: IEK, Industrial Technology Research Institute (June 2020)

Strategically, the Company will streamline the product portfolio and focus on producing eco-friendly coating products and developing specialized chemicals and materials to offer high value-added products and comprehensive services. The Company's product development directions include water-based industrial coatings, energy-saving coatings, functional coatings, low-toxicity/safety coatings, bio-based coatings, high-performance coatings, functional and smart coatings, etc.

In terms of technological development, functional coatings, such as self-healing, antibacterial and thermal insulation capacity, are the main trends, which can improve the efficiency of resources and raw materials and reduce energy consumption. In the future, under the restrictions of environmental protection policies in each country, increasing application of eco-friendly water-based coatings and solvent-free coatings to buildings, as well as rising demand for functional coatings such as energy saving, fire retardant, and self-cleaning coatings for various industrial products, including vehicles and steel, are the driving force for the expansion of the coatings market.

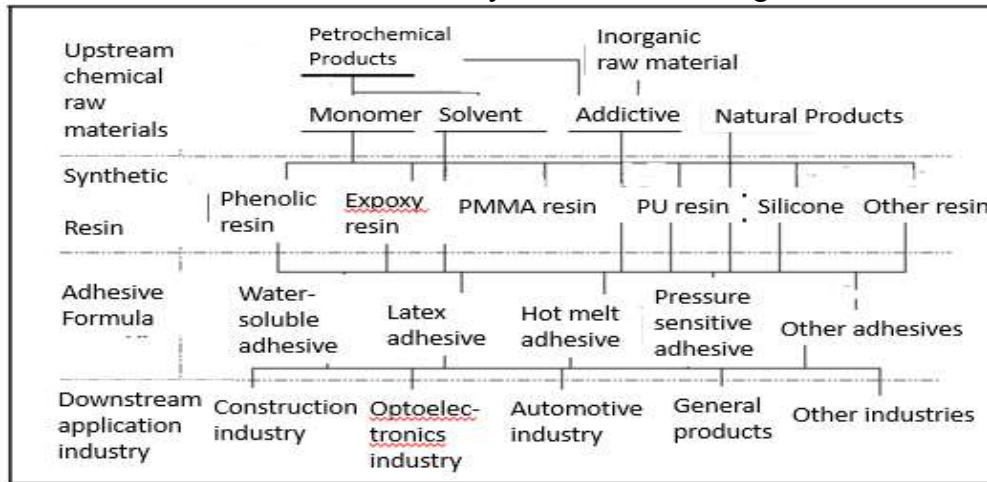
2. Correlation with Upstream, Midstream, and Downstream Sections of the Industry

(1) Adhesive Industry

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

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

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



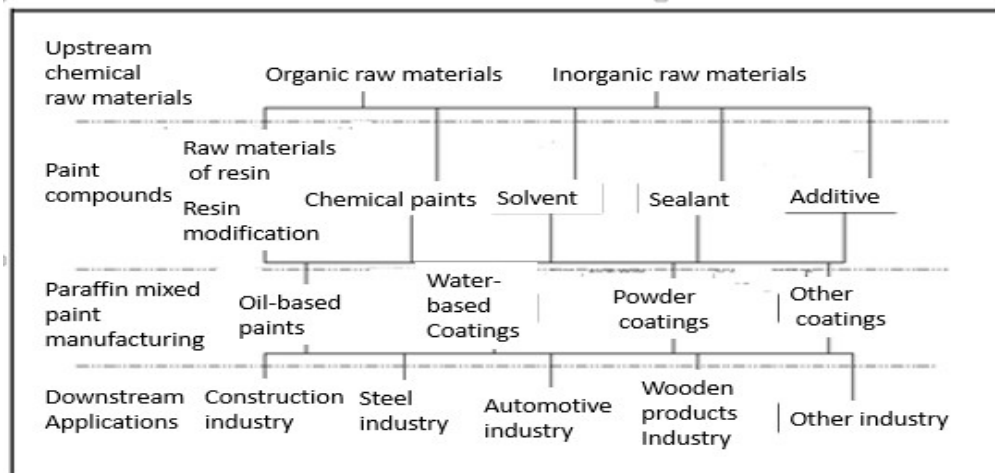
Source: IEK, Industrial Technology Research Institute (June 2020)

(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; IEK, Industrial Technology Research Institute (June 2020)

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 is hot-melt pressure-sensitive adhesives. Compared with hot-melt adhesives that are not viscous at room temperature, hot-melt pressure-sensitive adhesives are hot-melt adhesives that can form effective adhesives at room temperature and apply light pressure. If hot-melt pressure-sensitive adhesive is compared with general solvent-based pressure-sensitive adhesives, solvent-free environmental protection is the advantage of hot-melt pressure-sensitive adhesives. If compared with water-sensitive pressure-sensitive adhesives, which are also environmentally friendly products, it dries quickly and does not need for emulsifiers also greatly increases the chances of using hot-melt pressure-sensitive adhesives. Common applications of hot-melt pressure-sensitive adhesives include packaging products, sanitary products, adhesive labels, medical supplies, textile products, and special-purpose pressure-sensitive adhesive products. Improving the temperature resistance of the product and developing the application of the product in health care are the application trends of this product. International major manufacturers such as Henkel and 3M have all invested in the development of this product.

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 developed low-solvent and water-based adhesives to comply with environmental trends and to maintain our competitive advantage.

(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, downstream application manufacturers have focused on high-durability coatings, which can not only reduce the number of coating maintenance and the use of coatings. Among them, acrylic resin has good weather resistance due to its low unit price, so it is most commonly used in architectural coatings. Polyurethane resin coatings have better weather resistance than acrylic resins, but the price is higher, and they are most commonly used in metal finishes such as factory pipelines, ships, etc., can also be applied to high-end wood coatings. In recent years, many researches have focused on replacing the organic components in coatings with inorganic components, using the high wear resistance and high light resistance of inorganic materials in the coating to maintain durability for more than 20 years. In addition, in order to improve the efficiency of coatings, nanotechnology is used to allow the pigments to have a higher surface area, which can increase the coverage and brightness, and reduce the use of pigments. Or use flakes to give pigments more reflective areas, such as iron oxide pigments, and use flake technology to increase the coverage rate, which is also a developmental objective of the coatings market.

(3) Forward-Looking Production Project

A. Carbon fiber composite material

Due to the increasing global demand for lightweight products, the application of high-strength carbon fiber reinforced composite materials across fields has gradually increased. In consideration of environmental protection, cost and regulatory requirements, manufacturers in the automotive and aerospace fields have begun to think about high-value carbon fiber composites they need to recycle. More and more famous international manufacturers such as automobile manufacturers, aircraft manufacturers, and important manufacturers in the composite material industry chain have joined the R&D layout of carbon fiber composite recycling. At the same time, the carbon fiber composite material industry chain is also the emergence of carbon fiber recycling companies allows high-value carbon fibers to be more sustainable in cross-field applications.

Under the trend of future material development needs, research institutions in various countries have conducted research on lightweight material recycling solutions. After the use of carbon fiber composite materials, fiber separation, recycled carbon fiber applications, and waste calorific value applications are all carbon fiber composite materials technical options for sustainable development. As carbon fiber composites are used in cross-domain applications in the role of "high-performance materials", large-scale R&D programs of international research institutions have also successively invested resources to establish the current application flow of carbon fiber composite materials and the current status and potential of recycling, and use as an important basis for subsequent technological development and commercial feasibility.

In addition to the development of carbon fiber recycling technology and potential applications, the companies participating in the project cover the recycling application industry chain, from carbon fiber recycling technology manufacturers, material manufacturers, carbon fiber composite processing manufacturers, terminal application manufacturers, etc. Manufacturers of the upstream, midstream and downstream industry chains jointly solve technical and business model challenges and accelerate the development of sustainable application technologies for carbon fiber and its composite materials.

The carbon fiber composite material developed by the Company expands the application field of carbon fiber composite material by improving the material strength of carbon fiber composite material, simplifying post-processing procedures, improving processing yield and finished product processability. In 2020, a carbon fiber processing and application plant was established in Huaian, China, that can not only be close to the market, but also meet customer needs. If the Company establish its own supply chain of synthetic resin, it can effectively reduce costs.

B. Biomass products

The development of biomass raw materials is one of the ways to replace petroleum in the future. With the investment in the science and technology project of the Ministry of Economic Affairs, the biomaterials have achieved good research and development results. In particular, the greenhouse effect and carbon reduction issues have caused much controversy in petrochemical products. , Petroleum is almost completely imported, and reducing the use of petrochemical raw materials is not only the focus of domestic development, but also the development focus of the global coatings industry, and bio-based coatings is one of them.

However, due to the higher technical level of bio-based coatings, it is more difficult to completely replace the coating components with bio-based materials, usually partial replacement. Currently, the more widely used bio-based materials include cellulose, starch, monosaccharides, vegetable oils, and medium in wood. Lignin and so on.

After biochemicals have overcome obstacles such as the source of biomaterials and production technology, the market is another severe test. At present, most biochemicals made from biomass materials still enter the original petrochemical chemical market. Except prices must compete with the original products and become the main decisive factor for consumers to purchase products made from biochemicals, it is still necessary for countries or regional markets to face the continuous regulation of high-carbon footprint products in laws and regulations.

The Company uses the lignin extracted from the waste liquid produced by the paper industry to develop biomaterials. It has the characteristics of high hardness and low backlash elasticity, which can be well used on insoles.

C. Fluorine-free water repellent material products

In recent years, there has been increased awareness of environmental protection, major textile producers, garment factories, and footwear factories have begun to develop fluorine-free, environmentally-friendly products to produce non-toxic, environmentally-friendly functional clothing and fabrics. Fluorine-free water-repellent treatment for textiles are also the current 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. In response to international environmental requirements, Nan Pao has invested in the development of environmentally-friendly fluorine-free water repellent treatment.

The fluorine-free water repellent developed by our company does not contain APEO, but also does not contain any fluorine (PFCs) components. It achieves the excellent water repellent effect of fluorocarbon products. Because it does not contain fluorocarbon substances prohibited by ZDHC restrictions, it can reduce human body contact and environmental impact hazards, and the use of polymer synthesis technology and branched structure design, arrangement and self-organization and material crystallization and other characteristics, developed a polymer water repellent, and given special functional groups to make it bond with the fabric to achieve a good washing resistance effect. In addition, whether in the water or oily part, the initial water repellency is also quite competitive compared with the commercially available products.

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 Mainland China to inner Mainland 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 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 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.

(III) 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	2020	2021 Q1
Research and development expenses	500,030	121,062

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

Year	Technology or products
2016	Acrylic pressure sensitive adhesive for optics
2017	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
2018	Halogen-free flame-resistant epoxy thermosetting epoxy resin and fiber reinforced composite material
	High performance sealant (HPS) for hollow glass
	Water-based PU resin (PUD) for eco-friendly leather
	Membrane press adhesive (PUD)
	Water-based PU resin (PUD) for ink
	Water-based PU resin (PUD) for sealing tape
	UV coating for steel pipes
	Water-based hardener for woodenware
	Water-based PU adhesive for plasma
	Hydrolysis-resistant water-based PU adhesive for football shoes (NIKE certified)
	Materials for 3D printed shoes (PLA/TPU/TPE)
	Water-repellent materials for textiles/shoe cloths (water-based/Oil-based)
	Formaldehyde-free D3 woodwork adhesive
	Water-based rubber adhesive 105G (green building certificate obtained)
Water-based foam lamination for textiles	
PUD for full fabric bonding	

Year	Technology or products
2019	High performance water-based polyurethane adhesive(Both on automatic and manual application)
	Non-UV primer for EVA sole
	The water-based coating for outsole's painting
	The cleaner for the outsole's washing process
	The water-base primer (for soft leather) and the water-base UV-primer(for IP,IU midsole) on the automatic application
	Shock-absorbing/highly elastic material for shoes and sports protective gear
	Low melting temperature polyester yarn for upper and textile
	Adhesive for 2.9 Layer Laminated Fabric
	Fluoro-free and anti-siphon water repellent agent for textile, webbing and laces
	Water-based resin for skin layer in artificial leather / Anti-sticky water-based PUD
	Water based adhesive for brand high quality leather
	Water-based adhesive for security tape
	Carbon fibre composite materials for computer, communication, and consumer electronics housing and automotive industry
	Ultraviolet cured non-solvent coating for carbon steel application
	PUR adhesives for Electronics assembly
	PSA for explosion-proof film application
	Low pollution and heat-resistant protective film for PSA
	Adhesive for paper straws
	Woodworking PUR for assembly and profile wrapping
	Solvent-based PU adhesive for flexible package(high temperature retort)
	Long durable coating for PVC door panel
	Water based pool coating
	Low odor epoxy primer for concrete floor
Low odor coating for mineral surfaces protection	
Powder coating for aluminum magnesium alloy notebook casing	
High resin compatible powder coating for disc equipment	
Powder coating for wire-mesh works with easy label stick performance	
2020	Single-sided glue project (treatment agent, glue, etc.)
	Improved physical stability of water-based PU rubber for shoes
	Tin-free water-based hardener
	Water-based fluorine-free anti-siphon treatment agent for textile (non-woven fabric)
	PUD for Foam coating
	PUD for Light coating
	PUD for bag coating
	Heat-activated PUD
	PUD for bonding bicycle seat cushions
	Water-based acrylic resin for waterproof material
	UV bright oil for PVC buckle plate

Year	Technology or products
2020	Anti-slip glue in the filter carrying box
	PP/PS board matting UV HARD COAT for kitchen cabinets
	White glue for high-speed laminating paper
	Spraying type cigarette case glue
	Water-based mascara resin
	High initial strength PVC laminating glue
	(Carbon fiber) Carbon fiber materials are used in medical equipment
	Water-based PU clothing surface layer application
	Application of Water-based PU Clothing Binder Layer
	Hot melt butyl insulating glass sealant
	Reactive PU insulating glass sealant
	Water-based PU for fabric coating
	LPUR for runway mats
	Economical vacuum suction plastic
	Coated TPU/PUR for fabric bonding
Polyester polyol for 135 high temperature cooking type polyurethane composite adhesive	
Crystalline polyester polyol of reactive hot melt adhesive for automobile headlights	

(IV) Long-term and Short-term Development

1. Short-Term Development

(1) Marketing Strategy

- A. The Company will continuously gain the market share amongst Global and Mainland China athletic footwear brands, and will target domestic brands in India and South Asia, in order to increase our share of the athletic footwear BOM.
- B. The Company plans to establish manufacturing plants in South Asia, and robust growth in Hot Melt Glue sales for non-woven, white goods and other applications. In addition, the Company intends to break through to clients in large volume consumer goods markets.
- C. Establish sales channels for our innovative products such as carbon fiber composite, nano coating and pressure sensitive adhesives.
- D. Developing liquid coating channels and actively promote products with high quality and competitiveness. Cooperate with the expansion and maintenance of Taiwan's public engineering construction, and expand the water-based industrial coatings in Mainland China.
- E. Work with powder-based coating demand from local markets and provide services to existing markets, as well as cultivate new export orders from Latin America, Southeast Asia, the Middle East and North Africa.

(2) Production Policy

- A. Shift towards less product types and longer, high volume production runs to achieve higher gross margins on a sustained basis internally.
- B. Confirm production methods and establish effective and reasonable production operational standards to reduce the defect rate 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. The Company will also continue to invest in R&D, and systematically search to apply existing core technology to new product opportunities.

2. Long-term Business Development Plan

(1) Marketing Strategy

- A. Provide a customized total product solution to clients, including precision resin compound engineering and sophisticated spraying, automation and application support.
- B. The Company targets channel or MFG players in US, EMEA and India areas for geographic expansion, also focuses young companies with new and green technologies to horizontal and vertical extension of existing business lines.

(2) Production Policy

- A. The Company plans 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. Simplify production processing, enhance equipment yield rate and productivity to achieve professional production and to lower costs.

(3) Product Development Objectives

- A. Co-developing products with customers, hazardous substances management in the manufacturing processes, pollution prevention, energy and resources consumption reduction, also requires the suppliers to commit themselves to the environmental protection to continuously reduce the environmental footprint of products.
- B. Commit to improving resource efficiency and to the use of renewable materials with low environmental impact.

II. Market and Marketing Overview

(I) Market Analysis

1. Main product sales area

Unit: NT\$1,000

Region \ Year	2019		2020	
	Sum	%	Sum	%
Taiwan	2,416,552	14.12	2,369,732	15.24
Asia	12,602,356	73.64	11,119,345	71.50
Oceania	1,779,158	10.40	1,805,382	11.61
Others	315,480	1.84	256,885	1.65
Total	17,113,546	100.00	15,551,344	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, Mainland China, and Vietnam), and we have also established a sound reputation.

According to the IEK 2019 Specialized Chemistry Industry Annual Overview from the ITRI, the global adhesive and coating product estimates in 2020 were US\$13,306 million and US\$17,242 million respectively. The Company's global adhesive and coating market shares are 2.76% and 0.30% respectively.

3. Future Market Conditions and Growth

Adhesives with high added value are an attractive market. Because adhesives and coatings are directly or indirectly applied to consumer necessities and non-essentials, the industry cycle is not significant. Compare with the commodity chemical manufacturers in the upper and middle reaches, they have more opportunities to provide differentiation and high added value. The capital expenditure of major global adhesive manufacturers accounts for 2 to 6% of revenue. It has the

characteristics of low capital intensive industries. Some large manufacturers use mergers and acquisitions to make up for the lack of industrial lines and regional market share, so as to quickly enter new product areas and regions. In recent years, the middle class in emerging markets has increased and continued to move to cities, and the long-term urbanization trend has also increased people's willingness to buy high-value products.

The Asia-Pacific region is the fastest growing market for adhesives in the world. The global adhesive market in 2019 was approximately US\$50 billion. Before the outbreak of the new crown pneumonia, research units generally estimated that the adhesive market could maintain a 5% annual growth rate. In the footwear market, global sports shoe brands are optimistic about the growth opportunities in the Asian market, especially the Indian market. Research institutions estimate that the global sports shoe market will grow by 5 to 6% every year. Some industry players even think that this growth forecast is relatively conservative.

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

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

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

4. Competitive Niches

(1) Good reputation and stable customer base

The group participates in the R&D and design process of global sports shoe manufacturers, produces special shoe adhesives, and provides comprehensive solutions in application processing and automated glue spraying technology. In the adhesive market, these skills give the company an advantage over other smaller, cost-conscious competitors.

(2) Customized and localized comprehensive solutions

Localized high-performance adhesives and application technology capabilities, combined with sales staff who are familiar with customer needs, allow the company to provide integrated and professional all-round solutions in all regions where it competes.

(3) Competitive costs and high barriers to entry

The company's products have passed long-term reliability and durability certification, and the cost and threshold of competitors are high.

(4) Operational efficiency

Each factory of the group has independent profitability.

(5) Strong cash flow and healthy gross profit

Can support the enterprise's reinvestment capabilities.

(6) Actively recruit excellent talents

With the expansion to new regions and new product categories, the company has also recruited many outstanding talents with both professional knowledge and experience from competing manufacturers.

5. The Favorable Factors and Unfavorable Factors of the Development Prospect and Countermeasures
- (1) Advantageous factor
- A. The global footwear industry has a mature development model and favorable outlook
The global footwear industry has gradually formed a sophisticated and regular pattern whether in the technical development in footwear production, footwear supply chain formation, production migration, and cost control. As a professional footwear adhesive supply and service provider, Nan Pao has adapted to the development of the market and is able to respond quickly and effectively to various changes. Along with the development of the world economy and the improvement of people's living standards, the demand for footwear is on the rise, and the outlook for the footwear industry continues to be optimistic.
- B. Outstanding R&D technical team with pioneering technical advantage
Relying on our excellent R&D technical team, Nan Pao can develop and launch new products according to the trend of the footwear adhesive industry to ensure our competitive edge. In addition, as the world's leading supplier of adhesives, the Group has been conducting various product application testing and innovation projects with some of the best footwear brands around the world and large-scale footwear groups. We actively research and develop, design, and create new products that are marketable, pioneering, and futuristic according to customer needs and quickly launch them to the market.
- C. Extensive production and service, and ownership of proprietary key material production know-how and skills
Nan Pao's production and service sites are located throughout Taiwan, Mainland China, Southeast Asia, Australia, and India. We can provide various products and timely and complete services for customers at their locations. During the migration movement of the global footwear industry, Nan Pao has always maintained a synergistic advantage of our extensive strategic layout to carry out "seamless transition" of customer service, leading to high customer loyalty.
- D. Establishment of management information system to increase operational performance
Enterprise Resource Planning (ERP) has been established according to our plan, and the Company's internal management continues to move toward systemization and computerization. We utilize the management information system (MIS) to enhance decision-making quality and increase operating performance, which benefits the Company's future development.
- E. Industry suppliers have a complete structure and good system
Adhesive and coating industries are mature industries throughout the world. The structure of our suppliers are complete and can meet the industry's localized production needs. Since the supply system is complete, suppliers can work with Nan Pao to produce products with higher quality and functionality. Because we have ample suppliers, we are in a better position to provide customers with products with higher value for money.
- F. Industry strategic layout is comprehensive, can seize markets with rapidly growing needs
- a. Nan Pao is actively planning strategies for Chinese and Southeast Asian export and domestic markets. Besides providing services to existing customers to achieve mutual growth, we also anticipate cultivating new business in new markets, creating a comprehensive domestic retail network.
- b. Nan Pao's coating business has cultivated the Chinese market for many years, and Nan Pao coatings continue to receive awards such as China Top Brands and China Well-known Trademark, making us one of the very few Taiwanese companies to win such distinctions. Not only does this represent that we have begun to achieve positive effects from the Chinese market, but also that our products have received positive recognition from the consumers.

- G. Being consumer- and customer-oriented to develop environmentally-friendly products with high functionality to maintain industry competitiveness
- a. To remain in line with the carbon reduction and environmentally-friendly trend, Nan Pao is the first to launch green products in the hopes of seizing opportunities in the green and eco-friendly market. We have also improved the functionality of the coating and reduced engineering procedures, lowering costs for customers.
 - b. Nan Pao has launched water-based furniture coatings. The Company's R&D team has successfully developed products with pricing and functionality that could rival oil-based furniture paints, and have been introduced at furniture plants for mass adoption. Under such conditions, we believe that Nan Pao can lead the trend and promotion of water-based furniture paints and maintain a market competitive niche.

H. Persisting on producing and selling high-quality products

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

(2) Unfavorable Factors and Countermeasures

Disadvantageous factors	Response measures
A. Pressure from inflation of costs of raw materials	<ol style="list-style-type: none"> 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. 5. When raw material prices fluctuate greatly, the Company communicates with sales customers and adjust the selling prices moderately.
B. Intensely competitive pricing	<ol style="list-style-type: none"> 1. The Company actively invests in overseas markets and sets up production bases in local areas to effectively reduce the impact of tariffs on profits. 2. The Company improves services and maintains customer relationships, nurtures multi-functional talents, and establishes service outlets to further improve service efficiency and reduce employee travel expenses.
C. Environmental requirements are become even stricter	<ol style="list-style-type: none"> 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.

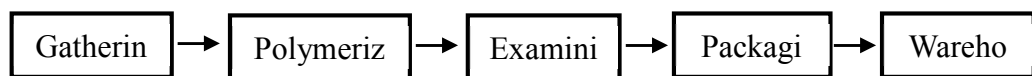
(II) Major Uses and Production Process of the Primary Products

1. Key applications of the primary products

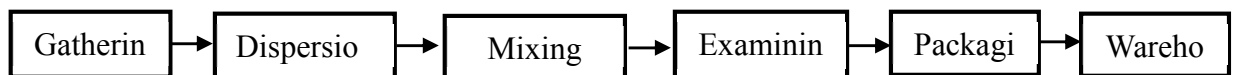
Main products	Use	Application industry
Adhesives	Various shoe material adhesives, upper lining fitting adhesive, hem adhesive, board lasted constructions adhesive, edge banding glue, plywood lining glue, curved packaging glue, Hot-melt adhesives and PSA for automotive interior lamination, PSA and structural adhesives for electronic optoelectronics and food packaging, particle board for plastic suction, building materials, yellow latex adhesive, polyurethane adhesive, finger joint adhesive, plywood glue, veneer plywood glue, furniture foam fitting adhesive, flexible packaging and medical materials adhesive, etc., sustainable development of decomposable biomass and recyclable materials.	Industries including footwear, woodwork, construction and interior decoration, textile, sports and leisure, food packaging, car, electronic optoelectronics, and medical materials.
Coatings	Metal/Wood decorative coating and functional coating, interior/exterior wall decoration and waterproof coating, Environmentally friendly floor and building materials, food can coating, liquid and powder coatings for high-performance electronic products, interior decoration board material coating, metal component protection, and energy savings and thermal insulation	Industries including construction ,waterproofing, corrosion protection, equipment, woodcrafts, furniture, hardware, car components, home appliances, sports equipment, food and drink

2. Manufacturing process

(1) Adhesives



(2) Coatings



(III) State of Supply of Main Materials

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

(IV) List of Major 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.
2. The names of the clients who had accounted for more than 10% of the total sales amount in the previous two years, and the amount and proportion of the sales amount, and the reason for the increase or decrease: There have been no significant change in the Company’s major clients in the past two years.

(V) Production Volume/Value in the Most Recent Two Years

Unit: metric tons / NT\$1,000

Production quantity and value	Year	2019			2020		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Primary products							
Adhesives		204,502	201,329	10,773,469	211,781	188,027	9,723,845
Coatings		20,138	17,793	1,449,582	18,953	16,019	1,216,125
Others (Note)		—	—	1,809,765	—	—	1,817,667
Total		224,640	219,122	14,032,816	230,734	204,046	12,757,637

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

(VI) Sales quantity and value in the last two years

Unit: metric tons / NT\$1,000

Sales value	Year	2019				2020			
		Internal sales		External sales		Internal sales		External sales	
	Primary products	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Adhesives		25,757	1,532,248	144,987	10,955,681	23,837	1,413,783	138,486	9,732,535
Coatings		5,136	503,610	14,799	1,290,982	5,339	514,782	13,065	1,031,899
Others (Note)		—	380,694	—	2,450,331	—	441,167	—	2,417,178
Total		30,893	2,416,552	159,786	14,696,994	29,176	2,369,732	151,551	13,181,612

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

III. Employee 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		2019	2020	As of March 31, 2021
Number of employees	Sales	637	619	626
	Management	778	750	754
	R&D	325	315	320
	Direct	800	816	824
	Indirect	446	454	455
	Total	2,986	2,954	2,979
Average age		37.51	38.46	37.60
Average work tenure		6.95	7.01	6.74
Percentage Distribution Academic Qualification (%)	Ph. D.	0.37	0.41	0.34
	Master's degree	6.73	6.94	7.05
	University/College	39.95	39.84	39.51
	High School	36.34	35.61	35.58
	Below High School	16.61	17.20	17.52

IV. 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: NT\$1,000

Violation Date	Sanction Date	Sanction No.	Violation of Regulations	Violation Content	Punishment	Penal -ty	Improvements	Expen -ses
March 17 2020	April 10 2020	No. 1090401177 of Environmental and Air	Article 24, Item 2 and 4 of the Air Pollution Control Act; and Article 23 of the Fixed Pollution Source Setup and Operations Management Principles	It was found that the M01 process (paint chemical manufacturing process) did not operate according to the setting of fixed pollution sources and the contents of the fuel use permit.	other bag-type pressure collectors (A002) on-site pressure drop value and the pressure drop value of the daily control equipment maintenance record table from Jan. to Mar. were 0mmH2O provided by the on-site staff, which does not comply with the operation license approved range of 40-100mmH2O.	100	1. Purchase pointer type differential pressure gauge for replacement. 2. Check the operation condition of air pollution control equipment in three factories. 3. Included into the mobile inspection system.	6
April 14 2020	April 24 2020	No. 1090201696 of Labor Vocational	Article 6 Item 1 of the Occupational Safety and Health Law	Storage tank S-04 oily PU glue tank is used in the workplace where flammable liquid vapor is retained. The electrical switch box does not conform to the explosion-proof structure used in the explosion-proof zone, and there are sundries in the electrical switch box.	It shall have an explosion-proof structure suitable for the use of hazardous areas in the installation site, and place sundries in the electrical switch box of the packaging machine in the Piyou factory. According to Article 43, paragraph 2 of the Occupational Safety and Health Law, the penalty shall be postponed by NT\$70 thousands.	70	1. Replace the electrical box that meets the explosion-proof zone level. 2. Parallel inspection of the electrical equipment in the third plant area does not meet the explosion-proof zoning level, and the improvement is expected to be completed within 5 years. 3. The prohibition of placing debris in the electrical box has been announced and listed as an inspection item.	400
April 14 2020	April 24 2020	No. 1090201723 of Labor Vocational	Article 6 Item 1 of the Occupational Safety and Health Law.	The high-speed mixer E010 mixing equipment of the oil-based plant has flammable liquid vapor stagnant. The electrical junction box used does not conform to the explosion-proof performance structure used in the explosion-proof zone.	It shall have an explosion-proof structure suitable for the use of hazardous areas in the installation site. According to Article 43, paragraph 2 of the Occupational Safety and Health Law, the penalty shall be postponed by NT\$60 thousands.	60	1. Replace the electrical box that meets the explosion-proof zone level. 2. Parallel inspection of the electrical equipment in the third plant area does not meet the explosion-proof zoning level, and the improvement is expected to be completed within 5 years.	200

V. Employment Relations

(I) 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) Company welfare :

- | | |
|------------------------------------|--|
| A. Food allowance | B. Provision of uniforms / safety shoes |
| C. Wedding gift of money | D. Funeral greetings |
| E. Year-end party dinner | F. Employee hospitalization condolence payment |
| G. Employee's regular health check | H. Employee Golf member price discount |
| I. Labor and health insurance | J. Staff shopping discount |
| K. Pension Fund | L. Group Insurance for Overseas Taiwan Employees |
| M. Exemplary employee recognition | N. Employee mutual assistance payment |

(2) Employee welfare :

- | | |
|---------------------------------|--------------------------|
| A. Employee travel allowance | B. Employee lucky draw |
| C. Hospitalization compensation | D. Wedding gift of money |
| E. Funeral greetings | F. Birthday gift |
| G. Employee group insurance | H. Festival bonus/gift |

(3) Union welfare :

- | | |
|---------------------------------|--------------------------|
| A. Maternity benefits | B. Birthday cake |
| C. Hospitalization compensation | D. Wedding gift of money |
| E. Funeral greetings | |

(4) Salary reward :

- | | |
|----------------------------------|-------------------------------------|
| A. Performance bonus | B. Mid-Autumn Festival bonus |
| C. Year-end bonus | D. Employee bonus |
| E. Sales rewards and punishments | F. Research and development bonuses |
| G. Proposal improvement award | H. Service seniority award |
| I. Special contribution reward | J. R&D achievement competition |

2. Employee training and advanced studies

The Company has set up various employee education and training methods, and the training plans are implemented every year. The professional and management class of employees at all levels are regularly held. Through training programs at all stages of the entire career, we can cultivate outstanding talents with enthusiasm and innovative ideas. In 2020, 6,535 person-times of supervisor training, general education, professional competence improvement and company policy promotion were set up to participate in the training, with a total of 8,895 training hours and an average of 11.68 hours of training per person.

3. The retirement system and state of implementation thereof

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 Mainland China. 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 set up committee of employees' welfare as early as 1975, in charge of pushing various welfare measures and planning series of measures caring for employees' families, so as help employees build a harmonious familial relationship and improve their health, so as to enhance their performance; the Company also treats employees with integrity, acts in accordance with labor-based laws and employee retirement methods to protect the legal rights of employees; the company was formed the union organization on April 18, 1993, holding labor meetings every quarter and reporting to the competent authority, actively build a communication bridge with employees, pay attention to the safety and physical and mental health of employees, arrange regular health checks, plan employee insurance, and pay attention to labor relations to provide equal employment opportunities.

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

Employee communication channel	Target	Content	Frequency
Mailbox of CHO	All employees	Report fraud and sexual harassment complaints	Anytime
CEO direct line	Employees and investors	Issues related to company operations	Anytime
Website customer service hotline	All employees and external personnel	Any issues	Anytime
Weekly meeting	All employees	Report from the company's senior executives in order to let colleagues know the company's operating policy direction and operating performance.	Per two weeks
Trade Union Staff Symposium	Trade Union Staff Employees	Employee welfare and labor issues are communicated and discussed with union members.	Annual
Toolbox meeting	Production department	If employees have any questions on work or troubles encountered in the workplace, they can ask at the meeting, and resolved by the supervisor and the responsible personnel.	Weekly
Welfare Committee Conference	Welfare committee staff	Explain the employee welfare activities and fund utilization status, explained to the welfare committees.	Quarterly

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

VI. Important Contracts

Company name	Type of Contract Nature	Party	Contract Date of meeting	Main content	Restrictive terms
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	E. SUN Commercial Bank	20200414~20220414	Working capital; NT\$ 100 million; cyclical use; loan principal repayment upon maturation	None
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	Yuanta Bank	20190830~20220829	Working capital; NT\$ 300 million; cyclical use; loan principal repayment upon maturation	None
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	Mizuho Bank	20201215~20221215	Working capital; NT\$ 500 million; cyclical use; loan principal repayment upon maturation	None
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	KGI Bank	20201127~20231127	Working capital; NT\$ 600 million; cyclical use; loan principal repayment upon maturation	None
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	Taipei Fubon Commercial Bank	20201211~20221211	Working capital; NT\$ 250 million; cyclical use; loan principal repayment upon maturation	Needs to comply with certain financial ratios and standards
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	Mega International Commercial Bank	20201106~20221106	Working capital; NT\$ 100 million; cyclical use; loan principal repayment upon maturation	None
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	DBS Bank	20201203~20221203	Working capital; US\$ 10 million; cyclical use; loan principal repayment upon maturation	None
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	SinoPac Bank	20200420~20220430	Working capital; NT\$ 150 million; cyclical use; loan principal repayment upon maturation	Needs to comply with certain financial ratios and standards
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	Chinatrust Commercial Bank	20200930~20220930	Working capital; NT\$ 200 million; cyclical use; loan principal repayment upon maturation	Needs to comply with certain financial ratios and standards
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	E. SUN Commercial Bank	20191009~20241009	Mid-term loan-Plant: NT\$ 250 million; average loan repayment from the expiration date of the grace period Mid-term loan-Equipment: NT\$ 130 million; average loan repayment from the expiration date of the grace period Mid-term loan-Working capital: NT\$ 40 million; average loan repayment from the expiration date of the grace period	None

Company name	Type of Contract Nature	Party	Contract Date of meeting	Main content	Restrictive terms
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	Chinatrust Commercial Bank	20190930~20240930	Mid-term loan-Equipment: NT\$ 60 million; average loan repayment from the expiration date of the grace period Mid-term loan-Working capital: NT\$ 40 million; average loan repayment from the expiration date of the grace period	Needs to comply with certain financial ratios and standards
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	Taipei Fubon Commercial Bank	20191211~20241211	Mid-term loan-Plant: NT\$ 250 million; average loan repayment from the expiration date of the grace period Mid-term loan-Equipment: NT\$ 130 million; average loan repayment from the expiration date of the grace period Mid-term loan-Working capital: NT\$ 40 million; average loan repayment from the expiration date of the grace period	Needs to comply with certain financial ratios and standards
Nan Pao Resins Chemical Co., Ltd.	Credit Extension	O-Bank (formerly Industrial Bank of Taiwan)	20190925~20240924	Mid-term loan-Plant: NT\$ 100 million; average loan repayment from the expiration date of the grace period Mid-term loan-Equipment: NT\$ 60 million; average loan repayment from the expiration date of the grace period Mid-term loan-Working capital: NT\$ 40 million; average loan repayment from the expiration date of the grace period	Needs to comply with certain financial ratios and standards
Nan Pao Resins Chemical Co., Ltd.	Construction	Kong Chou Construction Co., Ltd.	20190614 until now	R&D and Administrative Building	None
Nan Pao Materials Vietnam Co., Ltd.	Credit Extension	Mega International Commercial Bank	20170622~20220621	Loan for plant construction; US\$ 5 million; each term is three months; loan repayment in 17 terms	None
Prince Pharmaceutical Co. Ltd.	Credit Extension	Taiwan Cooperative Bank	20200629~20350629	Secured debt: NT\$ 320 million; monthly repayment in 180 terms	None
Nanpao New Materials (Huaian) Co., Ltd.	Credit Extension	Chinatrust Commercial Bank	20201023~20220930	Mid-term loan: RMB\$ 30 million	Needs to comply with certain financial ratios and standards

Chapter VI FINANCIAL INFORMATION

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

(I) Individual Concise Balance Sheet

1. Consolidated

Unit: NT\$1,000

Items		Year	Financial information for the past five years				
			2016	2017	2018	2019	2020
Current assets			9,687,617	10,137,504	10,669,750	11,109,972	11,245,153
Property, plant, and equipment			2,661,875	3,346,729	3,959,992	4,096,892	4,515,380
Right-of use assets (Note 3)			-	-	-	1,160,508	1,141,517
Intangible assets			144,757	141,279	130,640	193,837	191,309
Other assets			1,381,620	1,573,630	2,603,071	1,837,042	2,253,083
Total assets			13,875,869	15,199,142	17,363,453	18,398,251	19,346,442
Current liability	Before distribution		4,563,534	4,506,918	4,704,901	4,908,092	5,082,030
	After distribution (Note 2)		5,095,989	5,050,022	5,307,755	5,631,517	5,926,025
Non-current liability			2,182,219	2,576,429	2,303,482	2,933,612	3,068,128
Total liabilities	Before distribution		6,745,753	7,083,347	7,008,383	7,841,704	8,150,158
	After distribution (Note 2)		7,278,208	7,626,451	7,611,237	8,565,129	8,994,153
Equity attributable to owners of parent Company			6,792,897	7,457,240	9,627,623	9,740,740	10,266,601
Capital			1,034,909	1,086,207	1,205,707	1,205,707	1,205,707
Capital reserve			778,977	1,290,212	2,108,235	2,103,848	2,101,673
Retained earnings	Before distribution		4,984,240	5,372,538	5,509,571	6,110,080	6,608,043
	After distribution (Note 2)		4,451,785	4,829,434	4,906,717	5,386,655	5,764,048
Other equity			(5,229)	(291,717)	804,110	321,105	351,178
Treasury stock			-	-	-	-	-
Non-controlling Interests			337,219	658,555	727,447	815,807	929,683
Total equity	Before distribution		7,130,116	8,115,795	10,355,070	10,556,547	11,196,284
	After distribution (Note 2)		6,597,661	7,572,691	9,752,216	9,833,122	10,352,289

Note 1: The financial data has been examined and certified by the CPAs.

Note 2: 2020 earnings distribution is subject to the resolution of the Shareholders' Meeting.

Note 3: Recognized due to IFRS16 application from 2019.

2. Individual

Unit: NT\$1,000

Items	Year	Financial information for the past five years				
		2016	2017	2018	2019	2020
Current assets		2,625,352	2,613,596	2,646,362	2,702,859	2,853,957
Property, plant, and equipment		1,405,723	1,633,008	1,735,208	1,770,504	1,940,046
Right-of use assets (Note 3)		-	-	-	41,394	32,180
Intangible assets		14,649	14,124	12,084	35,995	29,289
Other assets		6,971,195	7,739,902	9,161,190	9,347,570	9,754,368
Total assets		11,016,919	12,000,630	13,554,844	13,898,322	14,609,840
Current liability	Before distribution	2,195,321	2,173,880	1,811,907	1,776,129	2,201,993
	After distribution (Note 2)	2,727,776	2,716,984	2,414,761	2,499,554	3,045,988
Non-current liability		2,028,701	2,369,510	2,115,314	2,381,453	2,141,246
Total liabilities	Before distribution	4,224,022	4,543,390	3,927,221	4,157,582	4,343,239
	After distribution (Note 2)	4,756,477	5,086,494	4,530,075	4,881,007	5,187,234
Equity attributable to owners of parent Company		6,792,897	7,457,240	9,627,623	9,740,740	10,266,601
Capital		1,034,909	1,086,207	1,205,707	1,205,707	1,205,707
Capital reserve		778,977	1,290,212	2,108,235	2,103,848	2,101,673
Retained earnings	Before distribution	4,984,240	5,372,538	5,509,571	6,110,080	6,608,043
	After distribution (Note 2)	4,451,785	4,829,434	4,906,717	5,386,655	5,764,048
Other equity		(5,229)	(291,717)	804,110	321,105	351,178
Treasury stock		-	-	-	-	-
Non-controlling Interests		-	-	-	-	-
Total equity	Before distribution	6,792,897	7,457,240	9,627,623	9,740,740	10,266,601
	After distribution (Note 2)	6,260,442	6,914,136	9,024,769	9,017,315	9,422,606

Note 1: The financial data has been examined and certified by the CPAs.

Note 2: 2020 earnings distribution is subject to the resolution of the Shareholders' Meeting.

Note 3: Recognized due to IFRS16 application from 2019.

(II) Individual Consolidated Concise Income Statement
1. Consolidated

Unit: NT\$1,000

Items	Year	Financial information for the past five years				
		2016	2017	2018	2019	2020
Operating revenue		14,473,785	14,615,008	16,022,220	17,113,546	15,551,344
Gross profit		4,608,708	3,922,991	3,807,414	4,717,529	4,370,293
Operating gain		1,856,204	1,192,972	901,010	1,682,029	1,501,700
Non-operating income (loss) and expenses		26,154	(32,219)	134,802	110,653	104,392
Pre-tax profit		1,882,358	1,160,753	1,035,812	1,792,682	1,606,092
Income from Continuing Operations after Tax		1,391,063	917,003	716,630	1,315,224	1,267,122
Losses from discontinued operation		-	-	-	-	-
Net profit in this period		1,391,063	917,003	716,630	1,315,224	1,267,122
Other comprehensive income (loss) of the year (Net income after tax)		(136,448)	(260,582)	(267,886)	(482,222)	23,934
Total Consolidated Profit/Loss for the Current Period		1,254,615	656,421	448,744	833,002	1,291,056
Profit attributable to: Owners of parent		1,325,219	881,874	672,775	1,228,200	1,219,753
Profit attributable to: Non-controlling Interests		65,844	35,129	43,855	87,024	47,369
Comprehensive income attributable to owners of parent Company		1,181,401	635,626	400,327	750,385	1,251,461
Comprehensive income attributable to non-controlling interests		73,214	20,795	48,417	82,617	39,595
Earnings per share		13.32	8.22	6.15	10.19	10.12

Note: 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				
		2016	2017	2018	2019	2020
Operating revenue		4,629,732	5,146,035	5,321,256	5,173,269	4,635,634
Gross profit		1,277,854	1,322,046	1,246,837	1,424,992	1,491,568
Operating gain		388,246	500,434	362,029	452,590	533,220
Non-operating income and expenses		1,205,098	558,339	495,037	1,036,320	831,744
Pre-tax profit		1,593,344	1,058,773	857,066	1,488,910	1,364,964
Income from Continuing Operations after Tax		1,325,219	881,874	672,775	1,228,200	1,219,753
Losses from discontinued operation		-	-	-	-	-
Net profit in this period		1,325,219	881,874	672,775	1,228,200	1,219,753
Other comprehensive income (loss) of the year (Net income after tax)		(143,818)	(246,248)	(272,448)	(477,815)	31,708
Total Consolidated Profit/Loss for the Current Period		1,181,401	635,626	400,327	750,385	1,251,461
Profit attributable to: Owners of parent		1,325,219	881,874	672,775	1,228,200	1,219,753
Profit attributable to: Non-controlling Interests		-	-	-	-	-
Comprehensive income attributable to owners of parent Company		1,181,401	635,626	400,327	750,385	1,251,461
Comprehensive income attributable to non-controlling interests		-	-	-	-	-
Earnings per share		13.32	8.22	6.15	10.19	10.12

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

(III) CPA Audit Opinion for the Past Five Years

Year	Name of the accounting firm	Name of the PCA	Audit opinions
2016	Deloitte & Touche Taiwan	Hung-Ju, Liao , Chun-Chi, Kung	Unqualified opinion
2017	Deloitte & Touche Taiwan	Hung-Ju, Liao , Chun-Chi, Kung	Unqualified opinion
2018	Deloitte & Touche Taiwan	Hung-Ju, Liao , Chun-Chi, Kung	Unqualified opinion Adding extra sections
2019	Deloitte & Touche Taiwan	Hung-Ju, Liao , Chun-Chi, Kung	Unqualified opinion Adding extra sections
2020	Deloitte & Touche Taiwan	Hung-Ju, Liao , Chi-Chen, Lee	Unqualified opinion Adding extra sections

II. Financial Analyses for the past five years

(I) Individual financial analysis

1. Consolidated

Item analyzed		Year	Financial analysis of the past five years				
			2016	2017	2018	2019	2020
Financial structure%	Liability to asset ratio		48.61	46.60	40.36	42.62	42.13
	Long-term funds to property, plant and equipment ratio		349.84	319.48	319.66	329.28	315.91
Solvency (%)	Current ratio		212.28	224.93	226.78	226.36	221.27
	Quick ratio		171.24	171.82	170.91	176.50	174.63
	Interest protection multiples		43.49	24.54	17.79	26.90	28.28
Operating performance	Receivables turnover ratio (times)		4.45	4.49	4.50	4.46	3.98
	Average collection days		82	81	81	82	92
	Inventory turnover ratio (times)		5.88	5.40	5.31	5.40	5.06
	Payables turnover ratio (times)		5.05	5.21	6.17	6.34	5.26
	Average inventory turnover days		62	68	69	68	72
	Property, plant, and equipment (PP&E) turnover ratio (times)		5.66	4.86	4.39	4.25	3.61
	Total asset turnover ratio (times)		1.13	1.01	0.98	0.96	0.82
Profitability	Return on assets (%)		11.08	6.55	4.67	7.63	6.93
	Return on equity (%)		21.55	12.03	7.76	12.58	11.65
	Ratio of pre-tax income to paid-in capital (%)		181.89	106.86	85.91	148.68	133.21
	Net profit margin (%)		9.61	6.27	4.47	7.69	8.15
	Earnings per share (NT\$)		13.32	8.22	6.15	10.19	10.12
Cash flow	Cash flow ratio (%)		35.02	17.03	3.31	37.98	37.72
	Cash flow adequacy ratio (%)		202.89	122.04	92.15	102.28	86.51
	Cash re-investment ratio (%)		10.89	1.90	-	8.92	7.91
Degree of leverages	Degree of operating leverage (DOL)		1.49	1.79	2.12	1.67	1.77
	Degree of financial leverage (DFL)		1.02	1.04	1.07	1.04	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%) The various ratio in last two years didn't reached 20%.							

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

Note 2: Please see Page 105 for the calculation formula of the aforementioned financial ratios.

2. Individual

Item analyzed		Year	Financial analysis of the past five years				
			2016	2017	2018	2019	2020
Financial structure%	Liability to asset ratio		38.34	37.86	28.97	29.91	29.73
	Long-term funds to property, plant and equipment ratio		627.55	601.76	676.75	684.67	639.56
Solvency (%)	Current ratio		119.59	120.23	146.05	152.18	129.61
	Quick ratio		98.31	89.65	112.17	123.85	107.67
	Interest protection multiples		77.32	41.28	33.20	72.46	62.58
Operating performance	Receivables turnover ratio (times)		4.34	4.47	4.56	4.50	3.53
	Average collection days		84	82	80	81	103
	Inventory turnover ratio (times)		7.97	7.09	6.71	7.08	6.62
	Payables turnover ratio (times)		5.53	5.46	6.00	6.38	5.26
	Average inventory turnover days		46	51	54	52	55
	Property, plant, and equipment (PP&E) turnover ratio (times)		3.35	3.39	3.16	2.95	2.50
	Total asset turnover ratio (times)		0.46	0.45	0.42	0.38	0.33
Profitability	Return on assets (%)		13.38	7.85	5.43	9.07	8.68
	Return on equity (%)		21.53	12.38	7.88	12.68	12.19
	Ratio of pre-tax income to paid-in capital (%)		153.96	97.47	71.08	123.49	113.21
	Net profit margin (%)		28.62	17.14	12.64	23.74	26.31
	Earnings per share (NT\$)		13.32	8.22	6.15	10.19	10.12
Cash flow	Cash flow ratio (%)		12.37	10.76	6.99	22.48	20.79
	Cash flow adequacy ratio (%)		95.41	59.13	49.72	46.49	35.63
	Cash re-investment ratio (%)		-	-	-	-	-
Degree of leverages	Degree of operating leverage (DOL)		2.01	1.63	2.05	1.97	1.92
	Degree of financial leverage (DFL)		1.06	1.06	1.08	1.05	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. Receivables turnover ratio and average collection days: Due to the impact of COVID-19 that cause the decline of 2020 revenue. As the slowdown of the epidemic, the revenue returned to the level of last year at yearend and cause the receivables increased.
2. Cash flow adequacy ratio: Mainly due to the increase in capital expenditures and dividend payments in the past five years.

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

Note 2: Please see Page 105 for the calculation formula of the aforementioned financial ratios.

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.
Review Report of Audit Committee**

The Audit Committee has duly inspected and approved the Company's business report, financial statements and earning distribution plan for 2020 prepared and proposed by the Board of Directors, with the financial statements having been audited by independent auditors, Mr. Hung Ju Liao and Ms. Chi Chen Lee, of Deloitte & Touche and issued certification of financial reports. The Audit Committee considered that the business reports, financial statements and earning distribution plan as proposed are fairly present the Company's financial position and results. The aforementioned report is hereby submitted pursuant to Article 14 of Securities and Exchange Act and Article 219 of the Company Act.

To

2021 General Shareholders' Meeting

Nan Pao Resins Chemical Co., Ltd.

Chairman of Audit Committee : Yun, Chen

On March 25, 2021

- IV. Most recent Financial Reports:** Please refer to Appendix 1 of Consolidated Financial Statements
- V. Parent Company Only Financial Statements audited and attested by a CPA for the most recent year:** Please refer to Appendix 2 of Individual Financial Statements
- VI. Any financial difficulties experienced by the Company and its affiliated companies during the most recent year up to the publication date of this annual report, 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

I. Financial Status

Unit: NT\$1,000; %

Item \ Year	2019	2020	Changes to increase (decrease)	
			Amonut	%
Current asset	11,109,972	11,245,153	135,181	1
Investment using equity method	322,657	367,753	45,096	14
Property, plant, and equipment	4,096,892	4,515,380	418,488	10
Right-of-use assets	1,160,508	1,141,517	(18,991)	(2)
Other non-current assets	1,708,222	2,076,639	368,417	22
Total asset	18,398,251	19,346,442	948,191	5
Current liabilities	4,908,092	5,082,030	173,938	4
Long-term liabilities	1,524,150	1,669,191	145,041	10
Other non-current liabilities	1,409,462	1,398,937	(10,525)	(1)
Total liabilities	7,841,704	8,150,158	308,454	4
Capital	1,205,707	1,205,707	-	-
Capital reserve	2,103,848	2,101,673	(2,175)	-
Retained Earnings	6,110,080	6,608,043	497,963	8
Other Equity	321,105	351,178	30,073	9
Non-controlling Interests	815,807	929,683	113,876	14
Total equity	10,556,547	11,196,284	639,737	6
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):				
Increase in other non-current assets: Mainly due to the recognition of financial asset appraisal benefits measured at fair value through other comprehensive gains and losses, and the increase in prepayments for equipment.				

II. Financial Performance

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

Unit: NT\$1,000; %

Items	Year	2019	2020	Changes to increase(decrease)	
				Amount	%
Net operating revenue		17,113,546	15,551,344	(1,562,202)	(9)
Operating cost		12,396,017	11,181,051	(1,214,966)	(10)
Gross profit		4,717,529	4,370,293	(347,236)	(7)
Operating expenses		3,035,500	2,868,593	(166,907)	(5)
Operating income		1,682,029	1,501,700	(180,329)	(11)
Non-operating income		110,653	104,392	(6,261)	(6)
Net income before tax		1,792,682	1,606,092	(186,590)	(10)
Income tax (expenses)		(477,458)	(338,970)	138,488	(29)
Net income after tax		1,315,224	1,267,122	(48,102)	(4)
Other comprehensive income (loss) of the year		(482,222)	23,934	506,156	105
Total Consolidated Profit/Loss for the Current Period		833,002	1,291,056	458,054	55

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):

1. Decrease in income tax (expenses): The main reason is that the subsidiary Eastlion Enterprises Ltd. repatriated the surplus and transferred it to the subsidiary Nan Pao Resins (HK) Limited for permanent investment in the current period, so the deferred income tax liabilities recognized in the previous year were reversed and income tax benefits were generated.
2. Increase in other comprehensive income of the year and total consolidated profit for the current period: Mainly due to the financial assets measured at fair value through other comprehensive gains and losses in the current period, and the benefits are recognized after appraisal.

(II) 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.

III. Cash flow

(I) Analysis of changes to cash flow over the past two fiscal years

Unit: NT\$1,000; %

Items	2019	2020	Changes to increase(decrease)	
			Amount	%
Operating activities	1,863,989	1,917,143	53,154	3
Investment activity	(1,335,454)	(1,443,896)	(108,442)	8
Financing activity	(327,022)	(886,469)	(559,447)	171
Cash net increase (decrease)	63,256	(421,367)	(484,623)	(766)

Analysis on increase/decrease in ratio:

1. Increase in net cash inflow from operating activities: Mainly due to the extension of the payment terms, which resulted from the net cash inflow.
2. Increase in net cash outflow from investing activities: The main reason is to build new factories and R&D and administrative buildings, also equipment purchased in order to increase the production capacity, which caused the increment in cash outflows from real estate, factories and equipment.
3. Increase in net cash outflow from financing activities: Mainly due to the increase in the amount of repayment of borrowings and cash dividends, so the net cash outflow generated increased.

(II) Improvement plans for liquidity shortage

If the Company has capital needs in the future, it will be financed by bank borrowings or capital increase in cash, therefore the cash liquidity is still sufficient.

(III) 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 balance of cash
3,321,237	1,810,074	(644,280)	(843,995)	3,643,036

Explanation:

1. Operating activities: Expected for profit on operating and lead to net cash inflow from operating activities.
2. Investment activities: Expected for increase in capital expenditure and lead to cash outflow from investment activities.
3. Financing activities: Expected for cash dividends distribution, leading to cash outflow from financing activities.

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

(I) Material Capital Expenditure Items

Unit: NT\$1,000

Project	Actual or planned source of capital	Actual or expected completion date	Total capital	Actual or expected capital expenditure			
				2019	2020	2021	2022
R&D and Administrative Building	Working capital and bank loan	2021/01/31	980,000	24,840	218,707	691,445	45,008

(II) Expected Benefits

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

V. 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.

(I) 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, 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.

(II) 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 2020 using equity method is NT\$ 792,780 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.

(III) Investment Plans in the Upcoming Year

The company will prudently evaluate investment plans from a long-term strategic perspective to respond to changes and challenges in the future market environment and continue to strengthen global competitiveness. The investment plan for the next year is mainly to develop towards diversification, and will continue to develop the carbon fiber composite materials related products of Huai'an factory in the Mainland China and the shoe material additives related products of Nanpao Fine Materials.

VI. Analysis of Risk Management

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

(I) 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 2020 was NT\$ 58,881 thousand, accounting for 0.38% 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 2020 was a loss of NT\$ 62,234 thousand, accounting for 0.40% 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. Besides the Company uses US\$ as the denomination currency for certain purchases and sales transactions, which also has a natural hedging effect.
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.

(II) 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:
 - A. 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.
 - B. 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.
 - C. The Company established “Procedures for Lending of Funds and Provision of Endorsement/Guarantee,” which has been approved by the Shareholders’ Meeting. When undertaking related procedures, the Company is follow the relevant work procedures and legal regulations, and to immediately and accurately announce relevant information.

(III) Future R&D Projects and Estimated R&D Expenditure:

1. Future R&D Plan: the Company’s future R&D plans include:
 - 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. The Company will also continue to invest in R&D, and systematically search to apply existing core technology to new product opportunities.
 - C. Co-developing products with customers, hazardous substances management in the manufacturing processes, pollution prevention, energy and resources consumption reduction, also requires the suppliers to committee themselves to the environmental protection to continuously reduce the environmental footprint of products.
 - D. Committ to improving resource efficiency and to the use of renewable materials with low environmental impact.
2. Expected R&D expense:

The Company invested NT\$ 500,030 thousand in R&D expense in 2020, accounting for 3.21% 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. It’s expected to invest 2% to 4% of the revenue as R&D expenses in 2021.

(IV) 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.

(V) 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.

(VI) 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.

(VII) 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.

(VIII) 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.

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

1. 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. 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 10% for most of the sales in each year. We have yet to run into problems with over-concentration.

(X) 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 most recent year of the company and as of the publication date of the annual report, there has been no substantial transfer or replacement of the rights of directors, supervisors or major shareholders holding more than 10% of the shares.

(XI) 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 continues to reinforce various corporate governance measures, and the management level all strive to enhance operational performance to protect the shareholders' rights.

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

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

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

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

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

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

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

(3) The plaintiff, who is a former employee of the Company who was assigned to subsidiary Nan Pao Resins (Foshan) Co., Ltd., has resigned from the Company, but claimed that Nan Pao Resins (Foshan) Co., Ltd. did not sign a labor contract with him and pay social insurance, thereby leading to labor dispute. The plaintiff requested to confirm the labor contract relationship, and also asked Nan Pao Resins (Foshan) Co., Ltd. to pay compensation and salary totaling RMB588,000 (approximately NT\$2,730,000) for illegal termination of the labor contract. On August 16, 2018, Foshan Sanshui District Labor and Personnel Dispute Arbitration Committee ruled to reject all arbitration requests from the former employee. On August 31, 2018, the former employee made a request to confirm the labor contract relationship, and asked Nan Pao Resins (Foshan) Co., Ltd. to pay compensation and salary totaling RMB662,000 (approximately NT\$3,072,000) for illegal termination of the labor contract. The lawsuit was rejected by the People's Court of Sanshui District, Foshan City, Guangdong Province on August 22, 2019, as well as the Intermediate People's Court of Foshan City, Guangdong Province on February 19, 2020 for the second instance. The verdict has been confirmed.

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

(XIII) Other material risk and mitigation efforts:

Information security risk assessment:

1. Information Security Policy

Aiming at information security, the company has continuously improved various internal information security management mechanisms, regular information security promotion, and employee information security education and training, etc., to implement information security policies, protect customer data and company smart output, and strengthen information Security incident response capability.

2. Information security and cyber risk control

Network attack methods are changing with each passing day. Information systems cannot completely avoid paralyzing network attacks from any third party. Network attacks use e-mail, phishing, brute force cracking and other methods to implant malicious programs into the company's internal network for damage or destruction. Information theft. Destructive attacks may cause the company's production and operations to be interrupted, and data theft attacks may cause the leakage of important operating data or personal data of employees, customers, etc.

The Company adopts active information security enhancement operations, and introduces security defense mechanisms such as next-generation firewalls, intrusion prevention systems, malicious mail filtering, operating system updates, and anti-virus software deployment, and establishes a layered network blocking mechanism based on different uses of the network. Road services are isolated and independent to prevent external network attacks from invading the company's interior, which can avoid full infection and harm. For internal threats, a high-availability data backup mechanism and remote host backup are established to ensure uninterrupted information services. ; In addition, through the internal risk management mechanism, assess the related risks of the information system, and regularly report the risk control and improvement status to the operation management conference to control and reduce related network risks.

3. Staff information security training

The company conducts various simulation tests and regular emergency response exercises in the computer room every year, so that the information system can resume normal operation in the shortest time when the information system is attacked. In addition, the relevant information security risks and information security knowledge are promoted by e-mail from time to time. Reduce the risk of employees accidentally clicking on malicious emails; considering the importance of business secret protection, the company will include intellectual property protection and business secret protection as a compulsory course for seed personnel in August 2020, and explanations and publicity will be held from August to December. The progress report meeting had a total of 165 participants and a total of 1,815 hours. Through the conduct of various information security education and training courses, in addition to enhancing colleagues' information security awareness, it also ensures that information security concepts can be integrated into daily operations.

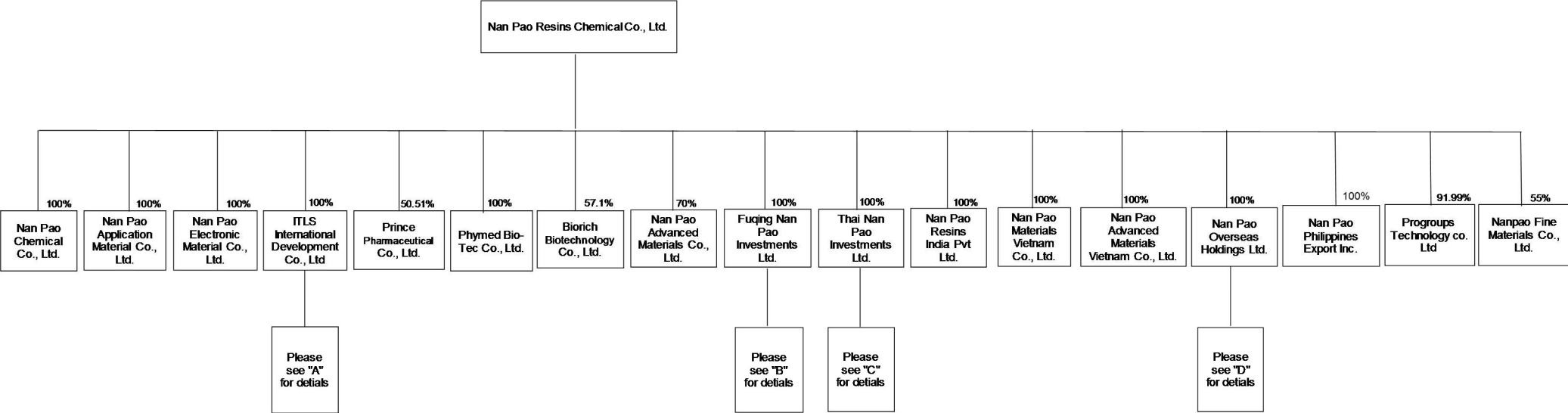
VII. Other Important Issues: None.

Chapter VIII SPECIAL NOTES

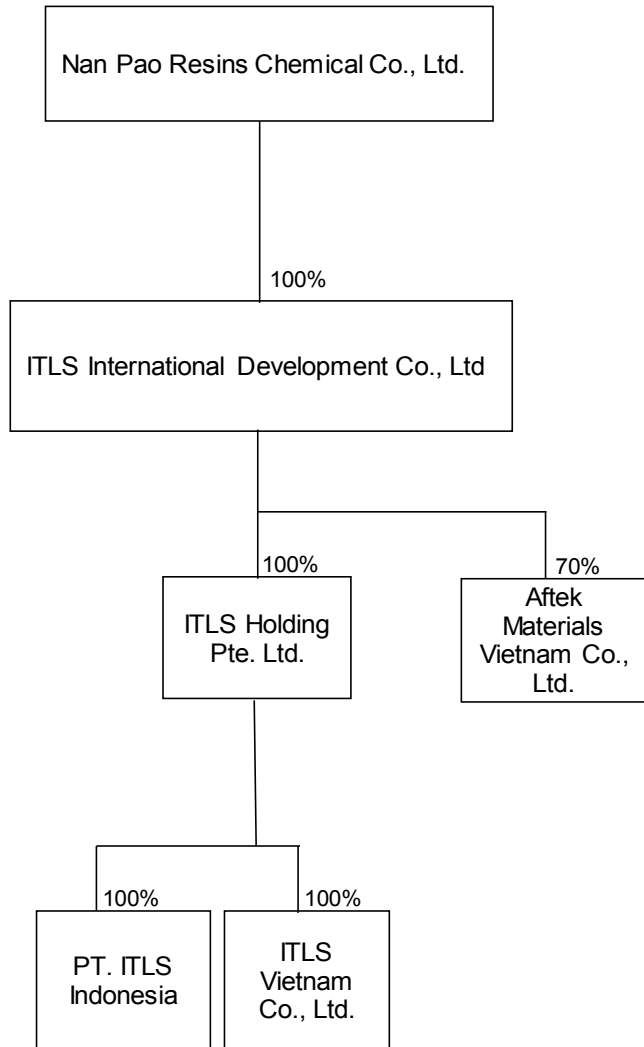
I. Information on Affiliates

(I) Consolidated Business Report of the Affiliates

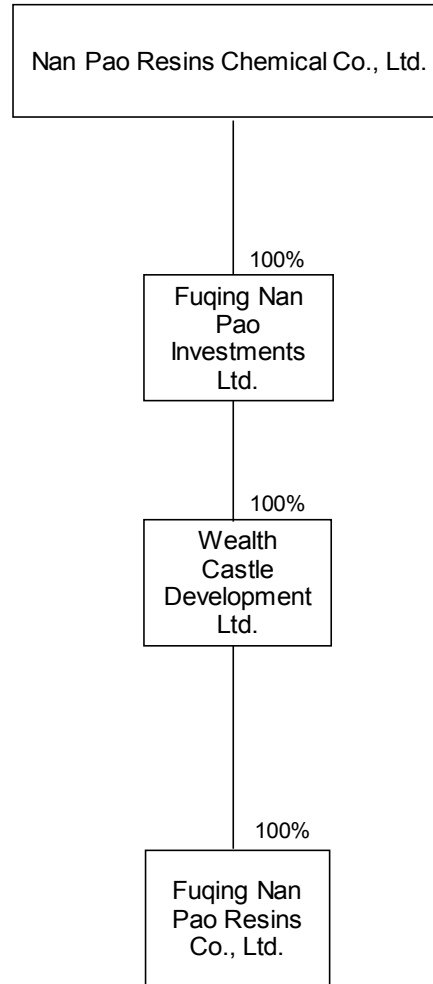
1. Organization structure of affiliated businesses



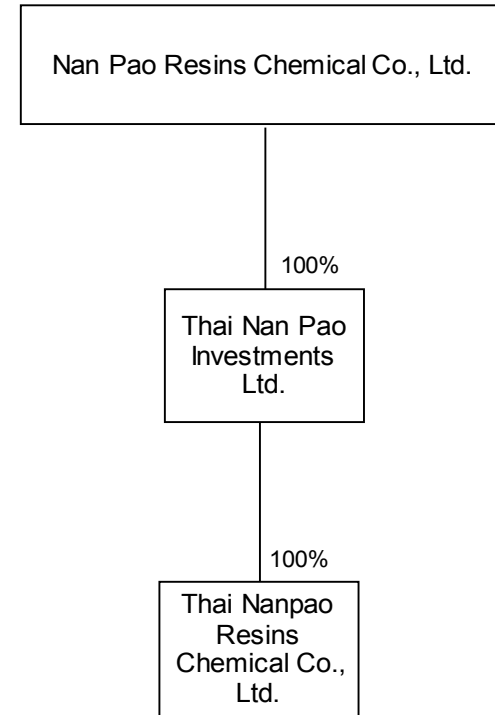
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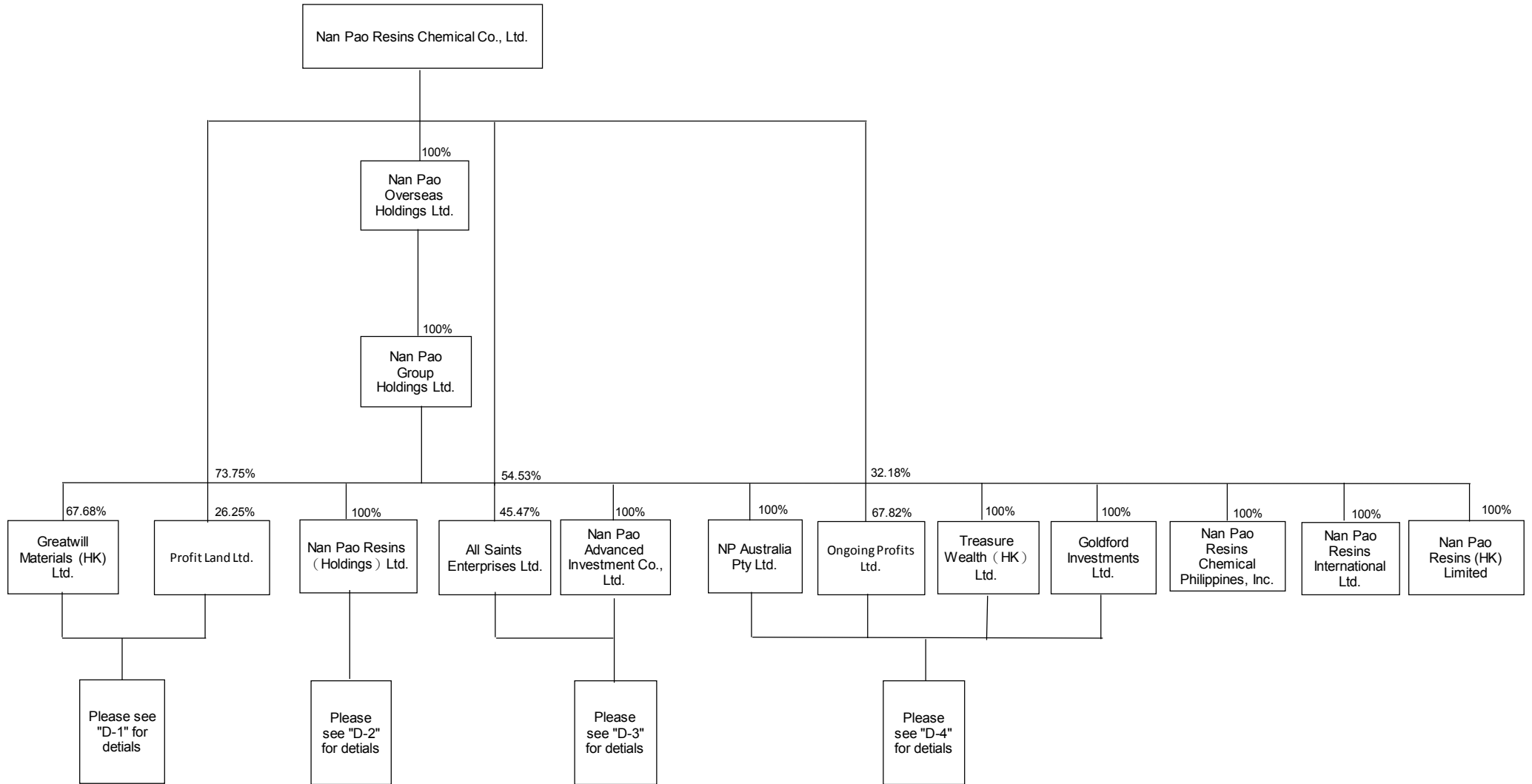
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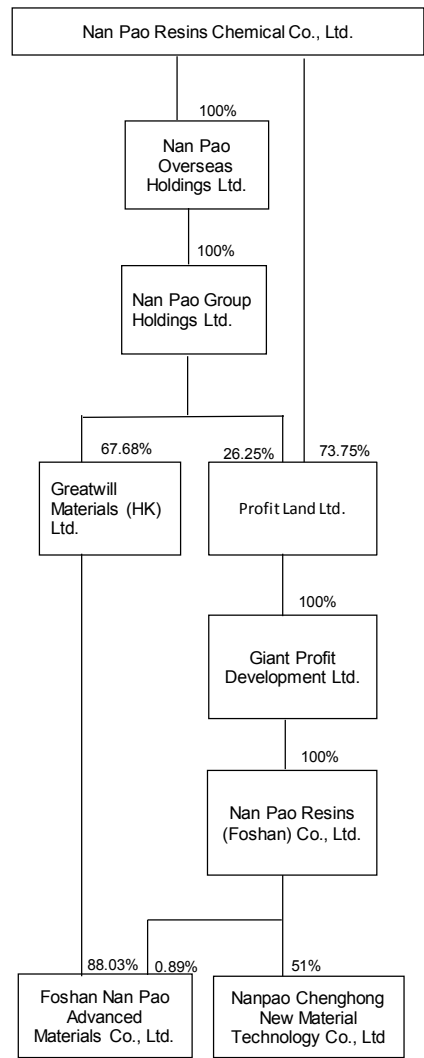
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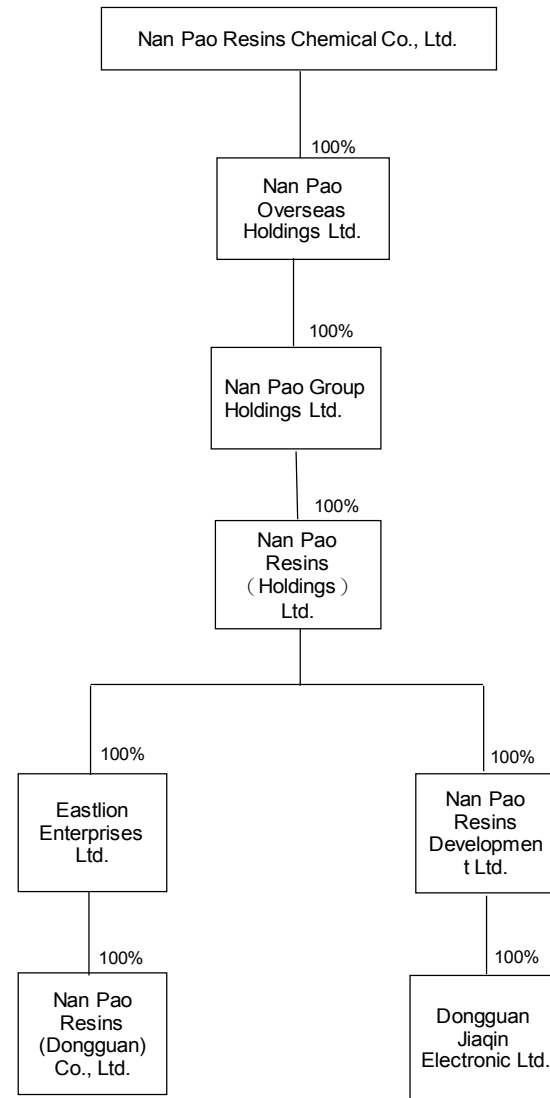
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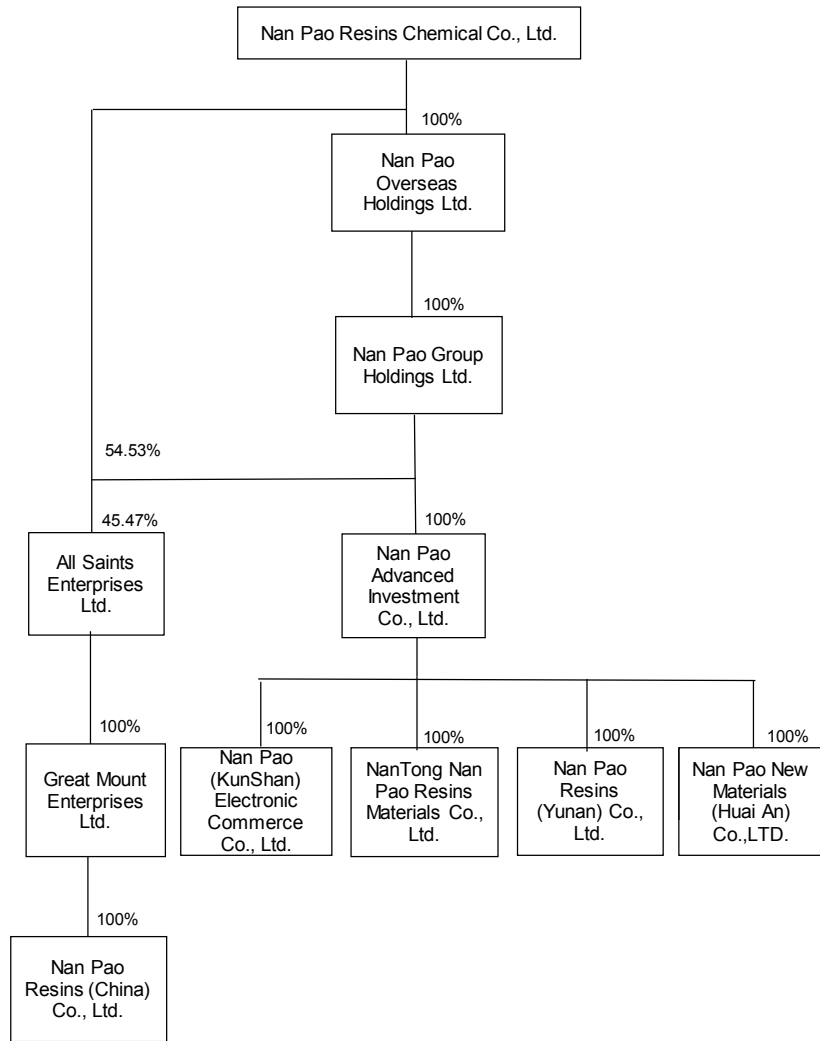
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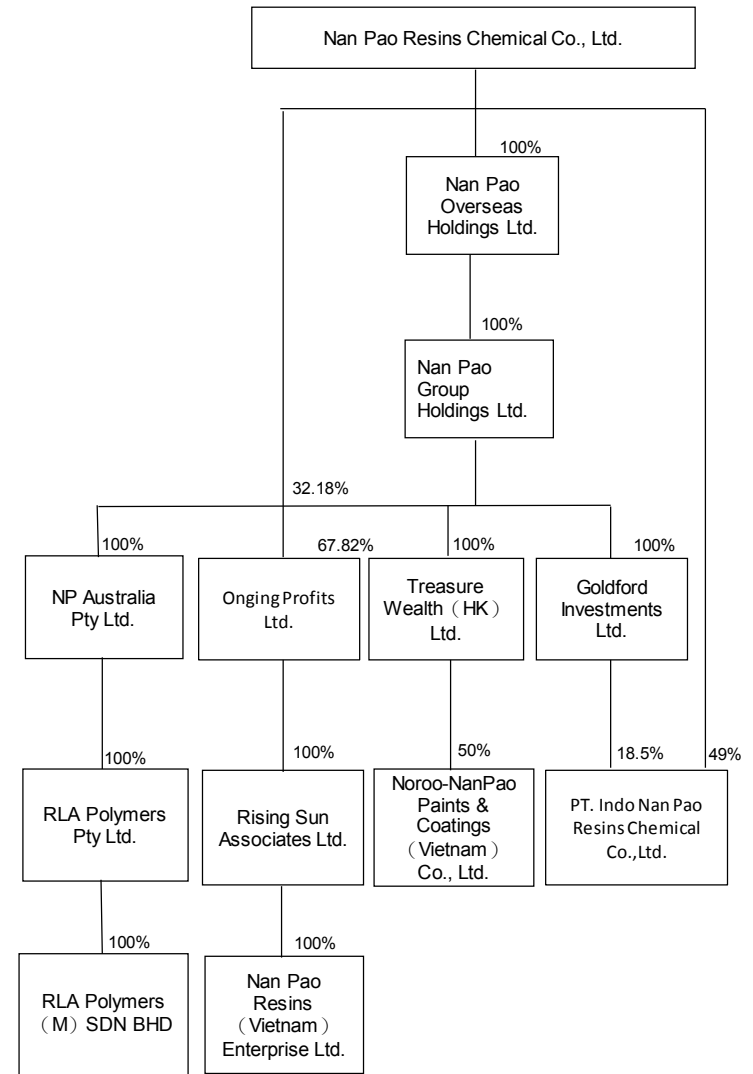
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D-4



2. Basic information of affiliated businesses

Unit: dollar

Name of business	Date established	Address	Actual paid-in capital		Primary business or products
Nan Pao Overseas Holdings Ltd.	20071214	Palm Grove House, P.O. Box No. 438, Road Town, Tortola, British Virgin Islands	USD	73,300,502	General investment
Nan Pao Group Holdings Ltd.	20040511	4th Floor, Willow House, Cricket Square, P.O. Box No. 2804, Grand Cayman KY1-1112, Cayman Islands	USD	73,300,502	General investment
Treasure Wealth (HK) Ltd.	20090728	Flat 13, 10F., Building B Tonic Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	USD	591	General investment
Noroo-NanPao Paints & Coatings (Vietnam) Co., Ltd.	20080505	Kcn Nhon Trach II, Xa Hiep Phuoc, Huyen Nhon Trach, Tinh Dong Nai, Vietnam	VND	179,610,063,600	Production and trading of coatings
Greatwill Materials (HK) Ltd.	20091029	Flat 13, 10F., Building B Tonic Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	USD	1,359	General investment
Foshan Nan Pao Advanced Materials Co., Ltd.	20100316	No. 12, Kohler Boulevard, Leping Township, Sanshui Dist., Foshan City	CNY	11,515,847	Production and trading of adhesives
Ongoing Profits Ltd.	19990708	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands	USD	4,847,546	General investment
Rising Sun Associate Ltd.	19990708	P.O. Box No. 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD	3,000,000	General investment
Nan Pao Resins (Vietnam) Enterprise Ltd.	19990924	10 Thong Nhat Boulevard, Song Than 2 Industrial Park Di An Town, Binh Duong Province, S.R Vietnam	USD	6,408,217	Production and trading of adhesives
Progroups Technology Co. Ltd.	20100308	No. 12, Nanhaiyu, Nanhai Li, Xigang Dist., Tainan City	TWD	5,000,000	Trading of water-based polyurethane resin
Nan Pao Resins Chemical Philippines, Inc.	20110128	Road 22 Phase 11, Cogeo Village, Antipolo City, Philippines	PHP	9,000,000	Trading of adhesives
Goldford Investments Ltd.	19940106	Creque Building, P.O. Box No. 116, Road Town, Tortola, British Virgin Islands	USD	486,000	General investment

Name of business	Date established	Address	Actual paid-in capital		Primary business or products
Nan Pao Resins (Holdings) Ltd.	19950926	P.O. Box No. 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	USD	100	General investment
Eastlion Enterprises Ltd.	19930906	P.O. Box No. 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	USD	20,240	General investment
Nan Pao Resins (Dongguan) Co., Ltd.	20110412	No. 2, Yue Yuen 2 Rd., Yue Yuen Industrial Estate, Huangjiang Town, Dongguan City	CNY	17,139,857	Processing of adhesives products
Nan Pao Resins Development Ltd.	20020212	P.O. Box No. 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	USD	3,000,000	General investment
Dongguan Jiaqin Electronic Ltd.	20070208	No. 2, Yue Yuen 2 Rd., Yue Yuen Industrial Estate, Huangjiang Town, Dongguan City	CNY	19,881,120	Production and trading of coatings and high-functionality adhesives
NP Australia Pty Ltd.	20130304	Collins Square Tower Five Level 22, 727 Collins Street, Docklands VIC 3008	AUD	25,214,354	General investment
RLA Polymers Pty Ltd.	19671016	Collins Square Tower Five Level 22, 727 Collins Street, Docklands VIC 3008	AUD	22,922,003	Production and trading of construction materials and chemicals
RLA Polymers (M) SDN. BHD.	19920423	No.2A & 2B, Jalan Canang Emas 7/KS10, Telok Gong, 42000 Pelabuhan Klang, Selangor D. E, Malaysia	MYR	18,415,500	Production and trading of construction materials and chemicals
Nan Pao Materials Vietnam Co., Ltd.	20141215	LotA4, A5, A10, A11 Daden Industrial Park, Thu Dau Mot City, Binh Duong Province, Vietnam	USD	23,000,000	Production and trading of adhesives and chemicals
Nan Pao Resins International Ltd.	19920714	Flat 13, 10F., Building B Tonic Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	HKD	10,000	Trading of chemical substances and related products
Nan Pao Advanced Investment Co., Ltd.	20170414	2F., No. 600-2, Kunjia Rd., Kunshan Economic Technical Development Zone, Jiangsu Province	CNY	193,619,990	General investment
NanTong Nan Pao Resins Materials Co., Ltd.	20151230	No. 1692-21, Xinghu Boulevard, Development Zone, Nantung City	CNY	35,853,078	Production and trading of adhesives
Nan Pao (KunShan) Electronic Commerce Co., Ltd.	20170809	2F., No. 600-2, Kunjia Rd., Kunshan Economic Technical Development Zone, Jiangsu Province	CNY	31,931,300	Online commerce agency and trading of common goods
Nan Pao Resins (Yunan) Co., Ltd.	20180724	Room 311, Da-Wan Industrial Area, Da-Wan Township, Yu-Nan Xien, Yuen-Fu City	CNY	54,735,300	Production and trading of adhesives

Name of business	Date established	Address	Actual paid-in capital		Primary business or products
Nan Pao Resins (HK) Limited	20190626	Flat 13, 10F., Building B Tonic Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	USD	15,400,000	Production and trading of adhesives
Profit Land Ltd.	20040917	Equity Trrust Chambers, P.O. Box No. 3269, Apia, Samoa	USD	1,333,333	General investment
Giant Profit Development Ltd.	20090313	Flat 13, 10F., Building B Tonic Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	USD	1,282	General investment
Nan Pao Resins (Foshan) Co., Ltd.	20040826	No. 12, Kohler Boulevard, Leping Township, Sanshui Dist., Foshan City	CNY	63,153,850	Production and trading of adhesives
Nanpao Chenghong New Material Technology Co., Ltd	20160525	Top Floor-103, No. 36-F2, Section A, Sanshui Center Technology Industrial Zone, Leping Township, Sanshui Dist., Foshan City	CNY	5,000,000	Trading of footwear materials
PT. Indo Nan Pao Resins Chemical Co., Ltd.	19940208	Jl. Pajajaran Raya No. 44, Kel. Gandasari, Kec. Jatiuwung, Tangerang-15137 Indonesia	IDR	5,625,000,000	Production and trading of adhesives
All Saints Enterprises Ltd.	19970813	Palm Grove House, P.O. Box No. 438, Road Town, Tortola, British Virgin Islands	USD	10,000,000	General investment
Great Mount Enterprises Ltd.	20090731	Unit 2102,21/F The Broadway, No. 54-62 Lockhart, Road, Wanchai, Hong Kong	USD	1,282	General investment
Nan Pao Resins (China) Co., Ltd.	19960328	No. 600, Kunjia Rd., Kunshan Economic Technological Development Zones, Jiangsu Province	CNY	82,209,938	Production and trading of adhesives and coatings
Fuqing Nan Pao Investment Ltd.	20040820	Palm Grove House, P.O. Box No. 438, Road Town, Tortola, British Virgin Islands	USD	4,990,000	General investment
Wealth Castle Development Ltd.	20090313	Flat 13, 10F., Building B Tonic Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	HKD	10,000	General investment
Fuqing Nan Pao Resins Co., Ltd.	19931227	Hongkuan Industrial Village, Yangxia Township, Fuqing City	CNY	33,779,302	Production and trading of adhesives

Name of business	Date established	Address	Actual paid-in capital		Primary business or products
Thai Nan Pao Investments Ltd.	20040820	Palm Grove House, P.O. Box No. 438, Road Town, Tortola, British Virgin Islands	USD	5,282,000	General investment
Thai Nanpao Resins Chemical Co., Ltd.	19871225	412 Kor Soi, 1cBangpoo Industrial Tumbon Preaksa Ampur Muang Samutprakarn 10280, Thailand	THB	211,970,000	Production and trading of adhesives
Phymed Bio-Tec Co., Ltd.	20090630	No. 12, Nanhaiipu, Nanhai Li, Xigang Dist., Tainan City	TWD	6,000,000	R&D and trading of health food
ITLS International Development Co., Ltd.	20090122	3F., No. 356, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	TWD	305,000,000	Trading of construction materials and chemicals
ITLS Holding Pte. Ltd.	20090811	Blk 1049, Eunos Avenue 6, #01-132, Singapore 409628	SGD	24,064,549	General investment
PT. ITLS Indonesia	20090429	Jl. Pajajaran Raya No. 44, Kel. Gandasari, Kec. Jatiuwung, Tangerang-15137 Indonesia	IDR	27,510,865,920	Production and trading of construction materials
ITLS Vietnam Co., Ltd.	20100304	No. 16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	VND	95,047,269,805	Production and trading of construction materials
Aftek Materials Vietnam Co., Ltd.	20180202	No. 16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	VND	54,480,000,000	Production and trading of constructional materials
Nan Pao Electronic Material Co., Ltd.	20060621	No. 510, Zhongshan Rd., Xigang Li, Xigang Dist., Tainan City	TWD	40,000,000	Production and trading of electronic materials
Nan Pao Chemical Co., Ltd.	20070514	No. 12, Nanhaiipu, Nanhai Li, Xigang Dist., Tainan City	TWD	150,000,000	Trading of chemicals
Biorich Biotechnology Co., Ltd.	20011204	3F., No. 356, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	TWD	6,855,370	R&D, production, and trading of advanced high-protein business and health food
Nan Pao Application Material Co., Ltd.	20091225	No. 12, Nanhaiipu, Nanhai Li, Xigang Dist., Tainan City	TWD	2,000,000	Trading of chemicals

Name of business	Date established	Address	Actual paid-in capital		Primary business or products
Nan Pao Resins India Pvt. Ltd.	20120904	204-Abhishek , Near Monginis Factory , Off new Link Road , Andheri west , Mumbai 400053 , India	INR	30,000,000	Trading of adhesives
Prince Pharmaceutical Co., Ltd.	19620731	9F., No. 107, Sec. 3, Chungxin Rd., Sanchung Dist., New Taipei City	TWD	331,930,000	Production, packaging, and processing of raw materials for various pharmaceutical and health food
Nan Pao Advanced Materials Co., Ltd.	20150810	No. 521, Zhongshan Rd., Xigang Dist., Tainan City	TWD	5,000,000	Trading of adhesives and chemicals
Nan Pao Advanced Materials Vietnam Co., Ltd.	20160422	Phuc Son Industrial Area, Ninh Phuc Commune, Ninh Binh City, Ninh Binh Province	VND	338,979,500,000	Production and trading of adhesives and chemicals
Nan Pao Philippines Export Inc.	20190925	Lot IL-2 Subic Bay Gateway Park Phase II, Subic Bay Freeport Zone	PHP	27,750,000	Trading of adhesives
Nanpao New Materials (Huaian) Co., Ltd.	20200309	No.79, Shanyang Avenue, Huaian District, Huai'an City	CNY	70,200,500	Production and trading of carbon fiber
NanPao Fine Materials Co., Ltd.	20201015	No. 217, Xinxing Street, Qing'an Lane, Xigang District, Tainan City	CNY	25,000,000	Production and trading of adhesives and chemicals

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

April 30, 2021

Name of business	Job Title	Name or representative	Shares held	Shareholding (%)
Nan Pao Overseas Holdings Ltd.	Director	Cheng-Hsien, Wu	-	0.00%
Nan Pao Group Holdings Ltd.	Director	Cheng-Hsien, Wu	-	0.00%
Treasure Wealth (HK) Ltd.	Director	Cheng-Hsien, Wu	-	0.00%
Norro-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Director	Myung-hee, Lee	-	0.00%
	Director	Sung-wook, Kim	-	0.00%
	Director	Jung-kook, Yoon	-	0.00%
	Director	Yi-Fa, Tsai	-	0.00%
	Director	Hsin-Ho, Li	-	0.00%
	Director and General Manager	Ying-Tai, Yang	-	0.00%
	Supervisor	He-Feng, Chung	-	0.00%
Greatwill Materials (HK) Ltd.	Supervisor	Taeh-young, Kim	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Chuan, Li	-	0.00%
	Director	Ying-Lin, Huang	-	0.00%
Foshan Nan Pao Advanced Materials Co., Ltd.	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Te-Tsung, Sun	-	0.00%
	Director and General Manager	Hsiang-Tsai, Chen	-	0.00%
	Supervisor	Ming-Hsien, Hsu	-	0.00%
Ongoing Profits Ltd.	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Hsin-Ho, Li	-	0.00%

Name of business	Job Title	Name or representative	Shares held	Shareholding (%)
Rising Sun Associate Ltd.	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Hsin-Ho, Li	-	0.00%
Nan Pao Resins (Vietnam) Enterprise Ltd.	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Hsin-Ho, Li	-	0.00%
	General Manager	He-Feng, Chung	-	0.00%
Progroups Technology Co. Ltd.	Director	Yi-Fa, Tsai	-	0.00%
	Director	Yong-Ching, Shen	-	0.00%
	Director	Yu-Chang, Li	-	0.00%
	Supervisor	Hui-Fen, Li	-	0.00%
Nan Pao Resins Chemical Philippines, Inc.	Director	Sen-Mao, Kuo	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Director and General Manager	Reginald V. Mungcal	-	0.00%
	Director	Nan Pao Group Holdings Ltd.	9,000	100.00%
	Director	Cheng-Hsien, Wu	-	0.00%
Goldford Investments Ltd.	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Ying-Lin, Huang	-	0.00%
Nan Pao Resins (Holdings) Ltd.	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ying-Lin, Huang	-	0.00%
Eastlion Enterprises Ltd.	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ying-Lin, Huang	-	0.00%

Name of business	Job Title	Name or representative	Shares held	Shareholding (%)
Nan Pao Resins (Dongguan) Co., Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Supervisor	Pui-Chun, Yau	-	0.00%
	General Manager	Jung-Wen, Kuo	-	0.00%
Nan Pao Resins Development Ltd.	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ying-Lin, Huang	-	0.00%
Dongguan Jiaqin Electronics Co., Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Bi-Hsiang, Chen	-	0.00%
	Supervisor	Ming-Hsien, Hsu	-	0.00%
	General Manager	Jung-Wen, Kuo	-	0.00%
NP Australia Pty. Ltd.	Director	Lord, Franklin Sidney	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Sen-Mao, Kuo	-	0.00%
RLA Polymers Pty. Ltd.	Director and General Manager	Hogan, Troy	-	0.00%
	Director	Tong, Swee Seot	-	0.00%
	Director	Lord, Franklin Sidney	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Sen-Mao, Kuo	-	0.00%

Name of business	Job Title	Name or representative	Shares held	Shareholding (%)
RLA Polymers (M) SDN. BHD.	Director and General Manager	Lee See Yoong	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Lord, Franklin Sidney	-	0.00%
	Director	Sen-Mao, Kuo	-	0.00%
	Director	Tan Kay Inn	-	0.00%
Nan Pao Materials Vietnam Co.,Ltd.	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Hsin-Ho, Li	-	0.00%
	General Manager	He-Feng, Chung	-	0.00%
Nan Pao Resins International Ltd.	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Pui-Chun, Yau	-	0.00%
	Director	Ying-Lin, Huang	-	0.00%
Nan Pao Advanced Investment Co., Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Supervisor	Yi-Fa, Tsai	-	0.00%
	General Manager	Yong-Cheng, Lin	-	0.00%
NanTong Nan Pao Resins Materials Co., Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Supervisor	Yi-Fa, Tsai	-	0.00%

Name of business	Job Title	Name or representative	Shares held	Shareholding (%)
Nan Pao (KunShan) Electronic Commerce Co., Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Supervisor	Yi-Fa, Tsai	-	0.00%
	General Manager	Yong-Cheng, Lin	-	0.00%
Nan Pao Resins (Yunan) Co., Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director and General Manager	Hsiang-Tsai, Chen	-	0.00%
	Supervisor	Ming-Hsien, Hsu	-	0.00%
Nan Pao Resins (HK) Limited	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Pui-Chun, Yau	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
Profit Land Ltd.	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ying-Lin, Huang	-	0.00%
	Director	Yong-Ching, Shen	-	0.00%
Giant Profit Development Ltd.	Director	Ying-Lin, Huang	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
Nan Pao Resins (Foshan) Co., Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director and General Manager	Hsiang-Tsai, Chen	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Supervisor	Ming-Hsien, Hsu	-	0.00%
Nanpao Chenghong New Material Technology Co., Ltd	Director	Hsiang-Tsai, Chen	-	0.00%
	Supervisor	Kuan-Ming, Chen	-	0.00%
	Supervisor	Chun-Hui, Lin	-	0.00%
	General Manager	Yu-Chuan, Liu	-	0.00%

Name of business	Job Title	Name or representative	Shares held	Shareholding (%)
PT. Indo Nan Pao Resins Chemical Co., Ltd.	Director	Wen-Hong, Ni	-	0.00%
	Director and General Manager	Wen-Chen, Liu	-	0.00%
	Supervisor	Cheng-Hsien, Wu	-	0.00%
	Supervisor	Dai-Kang, Li	-	0.00%
	Supervisor	Chao-Chian, Tsai	-	0.00%
All Saints Enterprises Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
Great Mount Enterprises Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director	Ying-Lin, Huang	-	0.00%
Nan Pao Resins (China) Co., Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Supervisor	Yi-Fa, Tsai	-	0.00%
	General Manager	Yong-Cheng, Lin	-	0.00%
Fuqing Nan Pao Investment Ltd.	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ying-Lin, Huang	-	0.00%
Wealth Castle Development Ltd.	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Ying-Lin, Huang	-	0.00%
Fuqing Nan Pao Resins Co., Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Supervisor	Yi-Fa, Tsai	-	0.00%
	General Manager	Yung-Yi, Jiang	-	0.00%

Name of business	Job Title	Name or representative	Shares held	Shareholding (%)
Thai Nan Pao Investments Ltd.	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Chao-Chian, Tsai	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
Thai Nanpao Resins Chemical Co., Ltd.	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Cheng-Hsien, Wu	-	0.00%
	Supervisor and General Manager	Chien-Ting, Huang	-	0.00%
Phymed Bio-Tec Co., Ltd.	Director	Yong-Ching, Shen (NAN PAO RESINS)	6,000	100.00%
	Director	Kun-Chin, Lin (NAN PAO RESINS)	6,000	100.00%
ITLS International Development Co., Ltd.	Director	Cheng-Hsien, Wu (NAN PAO RESINS)	30,500,000	100.00%
	Director	Sen-Mao, Kuo (NAN PAO RESINS)	30,500,000	100.00%
ITLS Holding Pte. Ltd.	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ying-Lin, Huang	-	0.00%
	Director	Noraishah Binte Mohamed Sulaimi	-	0.00%
PT. ITLS Indonesia	Director and General Manager	Wen-Chen, Liu	-	0.00%
	Supervisor	Cheng-Hsien, Wu	-	0.00%
ITLS Vietnam Co., Ltd.	Director and General Manager	Shun-Hsing, Wu	-	0.00%
	Director	Chun-Min, Hsu	-	0.00%
Aftek Materials Vietnam Co., Ltd.	Director and General Manager	He-Feng, Chung	-	0.00%
	Director	Pi-Chuan, Ou	Note	5.00%
	Director	Bo-Hung, Huang	-	0.00%
	Supervisor	Chiao-Lan, Yang	-	0.00%

Name of business	Job Title	Name or representative	Shares held	Shareholding (%)
Nan Pao Electronic Material Co., Ltd.	Director	Ying-Lin, Huang (NAN PAO RESINS)	4,000,000	100.00%
	Director	Bi-Hsiang, Chen (NAN PAO RESINS)	4,000,000	100.00%
	Director	Wen-Zheng, Deng (NAN PAO RESINS)	4,000,000	100.00%
	Supervisor	Kun-Chin, Lin (NAN PAO RESINS)	4,000,000	100.00%
Nan Pao Chemical Co., Ltd.	Director	Chao-Chian, Tsai (NAN PAO RESINS)	15,000,000	100.00%
	Director	Hui-Fen, Lee (NAN PAO RESINS)	15,000,000	100.00%
Biorich Biotechnology Co., Ltd.	Director	Shun-Hsing, Wu (NAN PAO RESINS)	391,135	57.10%
	Director	Ying-Lin, Huang (NAN PAO RESINS)	391,135	57.10%
	Director	Ching-Ming, Lin (SAN FU GLOBAL)	41,175	6.01%
	Director	Wen-Jen, Yang	134	0.02%
	Supervisor	Shu-Wen, Han	2,470	0.36%
Nan Pao Application Material Co., Ltd.	Director	Cheng-Hsien, Wu (NAN PAO RESINS)	200,000	100.00%
	Supervisor	Yi-Fa, Tsai (NAN PAO RESINS)	200,000	100.00%
Nan Pao Resins India Pvt Ltd.	Director	Sen-Mao, Kuo	-	0.00%
	Director and General Manager	Mukesh Nautiyal	-	0.00%
	Director	Chin-Fu, Hsu	-	0.00%
	Director	Yi-Han, Xie	-	0.00%

Name of business	Job Title	Name or representative	Shares held	Shareholding (%)
Prince Pharmaceutical Co., Ltd.	Director	Chi-Ta, Lee	1,050,000	3.16%
	Director and General Manager	Kuo-Hua, Wang (NAN PAO RESINS)	16,767,305	50.51%
	Director	Yi-Chang, Lin (NAN PAO RESINS)	16,767,305	50.51%
	Director	Zhen-Bang, Tong (NAN PAO RESINS)	16,767,305	50.51%
	Director	Cheng-Hao, Guo (NAN PAO RESINS)	16,767,305	50.51%
	Supervisor	Kun-Chin, Lin	-	0.00%
	Supervisor	Li-Rong, Huang	-	0.00%
Nan Pao Advanced Materials Co., Ltd.	Director	Chao-Chian, Tsai (NAN PAO RESINS)	350,000	70.00%
	Director	Yong-Ching, Shen (NAN PAO RESINS)	350,000	70.00%
	Director	Yi-Chang, Lin	100,000	20.00%
	Supervisor	Yao-Cheng, Tsai	-	0.00%
Nan Pao Advanced Materials Vietnam Co., Ltd	Director	Cheng-Hsien, Wu	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Director	Hsin-Ho, Li	-	0.00%
	Director	He-Feng, Chung	-	0.00%
Nan Pao Philippines Export Inc.	Director	Chao-Chian, Tsai	100	0.00%
	Director	Sen-Mao, Kuo	100	0.00%
	Director	Shun-Hsing, Wu	100	0.00%
	Director	Reginald V. Mungcal	100	0.00%
	Director	NAN PAO RESINS CHEMICAL CO., LTD.	-	0.00%

Name of business	Job Title	Name or representative	Shares held	Shareholding (%)
NANPAO FINE MATERIALS CO., LTD.	Director	Chao-Chian, Tsai (NAN PAO RESINS)	1,375,000	55.00%
	Director	Kun-Chin, Lin (NAN PAO RESINS)	1,375,000	55.00%
	Director	Ke-Cheng, Chen	1,125,000	45.00%
	Supervisor	Shu-Fen, Wu	-	0.00%
Nanpao New Materials (Huaian) Co., Ltd.	Director	Te-Tsung, Sun	-	0.00%
	Director and General Manager	Chang-Huang, Huang	-	0.00%
	Director	Ming-Hsien, Hsu	-	0.00%
	Supervisor	Kun-Chin, Lin	-	0.00%

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

6. Operating status of affiliated enterprises

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

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)
Nan Pao Overseas Holdings Ltd.	2,087,598	3,868,876	-	3,868,876	-	(166)	362,908	4.95
Nan Pao Group Holdings Ltd.	2,087,598	4,056,503	71,444	3,985,059	-	(23,789)	363,071	4.95
Treasure Wealth (HK) Ltd.	17	165,534	3	165,531	-	(6)	14,707	3,190.27
Noroo-Nanpao Paints & Coatings (Vietnam) Co., Ltd.	221,538	509,051	191,507	317,544	506,984	31,072	29,426	Note 2
Greatwill Materials (HK) Ltd.	39	603,948	17,286	586,662	98,151	(615)	73,374	6,924.08
Foshan Nan Pao Advanced Materials Co., Ltd.	50,265	1,136,561	470,511	666,050	2,096,780	103,027	76,729	Note 2
Ongoing Profits Ltd.	138,058	850,214	-	850,214	-	(90)	279,766	57.71
Rising Sun Associates Ltd.	85,440	848,635	-	848,635	-	(82)	279,854	93.28

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)
Nan Pao Resins (Vietnam) Enterprise Ltd.	182,506	1,732,031	886,114	845,917	2,617,144	316,769	279,912	Note 2
Progroups Technology Co. Ltd.	5,000	92,101	15,657	76,444	75,391	480	(204)	(0.41)
Nan Pao Resins Chemical Philippines, Inc.	5,275	103,483	38,456	65,027	129,554	5,161	11,936	1,326.22
Nan Pao Philippines Export Inc.	15,092	14,031	-	14,031	-	(1,101)	(1,066)	(41.40)
Goldford Investments Ltd.	13,841	86,072	-	86,072	-	(133)	9,059	15.49
Nan Pao Resins (Holdings) Ltd.	3	384,763	-	384,763	-	(1)	60,059	6,005.86
Eastlion Enterprises Ltd.	576	254,976	115	254,861	431	19,498	44,008	2,174.31
Nan Pao Resins (Dongguan) Co., Ltd.	74,812	178,958	33,765	145,193	334,007	37,657	23,517	Note 2
Nan Pao Resins Development Ltd.	85,440	123,102	-	123,102	-	(1)	16,044	5,348.09
Dongguan Jiaqin Electronic Ltd.	86,777	170,438	47,352	123,086	169,508	15,080	16,045	Note 2
NP Australia Pty. Ltd.	553,455	697,452	2	697,450	-	(5,519)	35,740	1.42
RLA Polymers Pty. Ltd.	503,138	1,457,541	937,386	520,155	1,810,638	69,142	39,602	3.55
RLA Polymers (M) SDN. BHD.	130,741	306,697	125,607	181,090	192,643	4,250	1,833	0.10
Nan Pao Materials Vietnam Co. ,Ltd.	655,040	1,320,947	351,366	969,581	1,032,282	170,970	156,287	Note 2
Nan Pao Resins International Ltd.	37	178,821	169,231	9,590	391,254	(9,966)	(5,978)	(5,977.68)
Nan Pao Advanced Investment Co., Ltd.	845,116	804,860	663	804,197	-	(3,262)	(7,133)	Note 2
NanTong Nan Pao Resins Materials Co., Ltd.	156,492	143,301	344	142,957	-	(3,047)	(6,804)	Note 2
Nan Pao (KunShan) Electronic Commerce Co., Ltd.	139,374	101,260	1,920	99,340	90,198	26,956	7,928	Note 2
Nan Pao Resins (Yunan) Co., Ltd.	238,910	237,810	-	237,810	-	(1,202)	(1,163)	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)
Nanpao New Materials (Huaian) Co., Ltd.	306,412	310,367	14,198	296,169	195	(5,050)	(10,051)	Note 2
Profit Land Ltd.	37,973	1,025,150	-	1,025,150	-	(50)	114,161	85.62
Giant Profit Development Ltd.	37	1,016,322	-	1,016,322	-	(2)	114,205	11,420.50
Nan Pao Resins (Foshan) Co., Ltd.	227,840	1,242,483	227,110	1,015,373	1,376,709	104,096	114,206	Note 2
Nanpao Chenghong New Material Technology Co., Ltd	21,885	35,183	4,259	30,924	23,570	672	909	Note 2
PT. Indo Nan Pao Resins Chemical Co., Ltd.	11,419	731,907	301,478	430,429	916,620	86,841	68,241	12.13
All Saints Enterprises Ltd.	284,800	398,515	-	398,515	-	(79)	1,440	0.14
Great Mount Enterprises Ltd.	37	394,508	5	394,503	-	(2)	1,517	151.71
Nan Pao Resins (China) Co., Ltd.	358,831	614,087	219,717	394,370	800,763	2,060	1,519	Note 2
Fuqing Nan Pao Investment Ltd.	142,115	222,102	-	222,102	-	(95)	27,145	5.49
Wealth Castle Development Ltd.	37	222,585	273	222,312	-	(143)	27,240	2.72
Fuqing Nan Pao Resins Co., Ltd.	147,852	294,528	73,063	221,465	375,995	35,170	27,382	Note 2
Thai Nan Pao Investments Ltd.	150,431	178,538	-	178,538	-	(79)	6,642	1.26
Thai Nanpao Resins Chemical Co., Ltd.	202,559	154,334	20,407	133,927	120,833	6,809	6,693	0.32
Phymed Bio-Tec Co., Ltd.	6,000	5,328	2,616	2,712	2,302	(1,138)	(1,165)	(1.94)
ITLS International Development Co., Ltd.	305,000	321,734	43,187	278,547	155,943	10,652	(8,931)	(0.29)
ITLS Holding Pte. Ltd.	518,832	137,741	158	137,583	-	(244)	(11,206)	(0.47)
PT. ITLS Indonesia Co., Ltd.	55,847	21,711	2,908	18,803	20,284	(1,697)	(1,664)	(0.68)
ITLS Vietnam Co., Ltd.	117,235	72,764	854	71,910	767	(5,134)	(1,791)	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)
Aftek Materials Vietnam Co., Ltd.	67,198	45,986	949	45,037	9,662	(6,185)	(6,213)	Note 2
Nan Pao Electronic Material Co., Ltd.	40,000	55,553	7,427	48,126	25,050	(1,644)	(1,434)	(0.36)
Nan Pao Chemical Co., Ltd.	150,000	241,765	64,938	176,827	83,314	2,915	5,185	0.35
Biorich Biotechnology Co., Ltd.	6,855	22,480	8,582	13,898	27,519	1,936	2,258	3.29
Nan Pao Application Material Co., Ltd.	2,000	9,343	100	9,243	-	(108)	(140)	(0.70)
Nan Pao Resins India Pvt. Ltd.	11,523	43,310	16,976	26,334	51,603	(1,964)	(1,058)	(0.35)
Prince Pharmaceutical Co., Ltd.	331,930	1,279,861	604,102	675,759	295,793	(50,280)	(33,800)	(1.02)
Nan Pao Advanced Materials Co., Ltd.	5,000	22,992	11,352	11,640	49,584	7,579	5,866	11.73
NANPAO FINE MATERIALS CO., LTD.	25,000	25,976	1,098	24,878	-	(209)	(122)	(0.05)
Nan Pao Advanced Materials Vietnam Co., Ltd.	418,111	464,525	70,126	394,399	116,310	412	4,973	Note 2
Nan Pao Resins (HK) Limited	438,592	684,308	266,151	418,157	873,240	156	(6,984)	(0.45)

Note 1: The amount of balance for the aforementioned overseas companies are stated as of the exchange rate on December 31, 2020; income statement figures are stated as of the average exchange rate throughout 2020.

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

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

(III) Affiliated Report: None

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

III. 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.

IV. Other items that must be included: None.

Chapter IX 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 : None.

Appendix 1: Consolidated Financial Statements

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Nan Pao Resins Chemical Co., Ltd.

CHENG- HSIEN WU

Chairman

March 25, 2021

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

In our opinion and based on our and other independent auditors' reports (see Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China (ROC).

Basis for Opinion

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

Key Audit Matters

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

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

Authenticity of Revenue Recognition

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

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

Other Matters

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

Notice to Readers

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

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

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

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

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

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

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

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

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

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

(Continued)

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

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

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

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

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

(Concluded)

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

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

	Equity Attributable to Owners of the Company										
	Retained Earnings					Other Equity			Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity			
BALANCE AT JANUARY 1, 2019	\$ 1,205,707	\$ 2,108,235	\$ 988,725	\$ 313,321	\$ 4,180,152	\$ (225,544)	\$ 1,027,000	\$ 801,456	\$ 9,597,596	\$ 727,447	\$ 10,325,043
Appropriation of the 2018 earnings (Note 24)											
Legal reserve	-	-	67,277	-	(67,277)	-	-	-	-	-	-
Cash dividends distributed by the Company - \$5 per share	-	-	-	-	(602,854)	-	-	-	(602,854)	-	(602,854)
Net profit for the year ended December 31, 2019	-	-	-	-	1,228,200	-	-	-	1,228,200	87,024	1,315,224
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	2,536	(164,464)	(315,887)	(480,351)	(477,815)	(4,407)	(482,222)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,230,736	(164,464)	(315,887)	(480,351)	750,385	82,617	833,002
Changes in percentage of ownership interests in subsidiaries (Note 30)	-	(4,387)	-	-	-	-	-	-	(4,387)	4,387	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	1,356	1,356
BALANCE AT DECEMBER 31, 2019	1,205,707	2,103,848	1,056,002	313,321	4,740,757	(390,008)	711,113	321,105	9,740,740	815,807	10,556,547
Appropriation of the 2019 earnings (Note 24)											
Legal reserve	-	-	122,820	-	(122,820)	-	-	-	-	-	-
Cash dividends distributed by the Company - \$6 per share	-	-	-	-	(723,425)	-	-	-	(723,425)	-	(723,425)
Net profit for the year ended December 31, 2020	-	-	-	-	1,219,753	-	-	-	1,219,753	47,369	1,267,122
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	1,635	(97,809)	127,882	30,073	31,708	(7,774)	23,934
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,221,388	(97,809)	127,882	30,073	1,251,461	39,595	1,291,056
Changes in percentage of ownership interests in subsidiaries (Note 30)	-	(2,175)	-	-	-	-	-	-	(2,175)	2,175	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	72,106	72,106
BALANCE AT DECEMBER 31, 2020	\$ 1,205,707	\$ 2,101,673	\$ 1,178,822	\$ 313,321	\$ 5,115,900	\$ (487,817)	\$ 838,995	\$ 351,178	\$ 10,266,601	\$ 929,683	\$ 11,196,284

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

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

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

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

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

(Continued)

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

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

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

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

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

(Concluded)

Nan Pao Resins Chemical Co., Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Company’s board of directors on March 25, 2021.

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

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

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

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

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

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

New IFRSs	Effective Date Announced by IASB (Note)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

1) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- a) accounting policy information that relates to immaterial transactions, other events or conditions

is immaterial and need not be disclosed;

- b) the Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- c) not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) the Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) the Group chose the accounting policy from options permitted by the standards;
- c) the accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) the accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- e) the accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

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

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

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are

adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 12 and Tables 6 and 7 for the detailed information of subsidiaries (including the percentage of ownership and main businesses).

e. Foreign currencies

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

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

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

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

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

f. Inventories

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

g. Investments in associates

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

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

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

share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

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

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

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

h. Property, plant and equipment

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

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

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

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

i. Investment properties

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

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

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

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

j. Goodwill

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

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

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at amortized cost

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

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

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

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

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

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

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

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

ii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

c) Derecognition of financial assets

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

n. Revenue recognition

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

1) Revenue from the sale of goods

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

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

2) Revenue from the rendering of services

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

o. Leases

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

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

1) The Group as lessor

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

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

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

2) The Group as lessee

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

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

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

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

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

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

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

p. Borrowing costs

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

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

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

q. Government grants

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

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

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

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

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

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

s. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

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

3) Current tax and deferred tax for the year

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 6,895	\$ 11,063
Checking accounts and demand deposits	3,129,202	3,382,128
Cash equivalents (investments with original maturities within 3 months)		
Time deposits	<u>185,140</u>	<u>349,413</u>
	<u>\$ 3,321,237</u>	<u>\$ 3,742,604</u>

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

	December 31	
	2020	2019
Time deposits	0.56% - 8.85%	0.66% - 6.3%

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Domestic investments		
Unlisted stocks	\$ 1,109,267	\$ 976,745

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

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

8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Time deposits with original maturities of more than 3 months (a)	\$ 752,910	\$ 345,729
Pledged time deposits (a)	4,061	19,987
Restricted demand deposits (b)	534,894	382,835
Refundable deposits	<u>1,270</u>	<u>1,064</u>
	<u>\$ 1,293,135</u>	<u>\$ 749,615</u>
<u>Non-current</u>		
Time deposits with original maturities of more than 3 months (a)	\$ 96,174	\$ 43,051
Pledged time deposits (a)	5,726	5,154
Refundable deposits	<u>23,273</u>	<u>23,580</u>
	<u>\$ 125,173</u>	<u>\$ 71,785</u>

- a. The ranges of interest rates for time deposits were approximately 0.2%- 7.3% and 0.66%-2.8% per annum as of December 31, 2020 and 2019, respectively.
- b. Restricted demand deposits as of December 31, 2020 and 2019 are funds that the Group put into the dedicated bank account in accordance with "the Management, Utilization, and Taxation of Repatriated Offshore Funds Act".
- c. Refer to Note 9 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.
- d. Refer to Note 34 for information relating to investments in financial assets at amortized cost pledged as security.

9. CREDIT RISK MANAGEMENT OF INVESTMENTS IN DEBT INSTRUMENTS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Financial assets at amortized cost - current	\$ 1,293,135	\$ 749,615
Financial assets at amortized cost - non-current	<u>125,173</u>	<u>71,785</u>
	<u>\$ 1,418,308</u>	<u>\$ 821,400</u>

The Group invests only in debt instruments that have low credit risk for the purpose of impairment assessment. In determining the expected credit losses for debt instrument investments, the Group considers the historical default loss rates, the current financial condition of debtors, and the future prospects of the industries. Because counterparties have a low risk of default and a strong capacity to meet contractual cash flows, the Group did not make any provision for expected credit losses with respect to financial assets at amortized cost as of December 31, 2020 and 2019.

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Notes receivable</u>		
At amortized cost		
Notes receivable - operating	\$ <u>291,955</u>	\$ <u>280,023</u>
<u>Accounts receivable (including related parties)</u>		
Amortized cost		
Gross carrying amount	\$ 3,671,006	\$ 3,578,332
Less: Allowance for impairment loss	<u>47,676</u>	<u>48,595</u>
	<u>\$ 3,623,330</u>	<u>\$ 3,529,737</u>
<u>Other receivables</u>		
Gross carrying amount	\$ <u>150,688</u>	\$ <u>189,685</u>
<u>Accounts receivable at amortized cost</u>		

The average credit period of sales of goods was 30 days to 180 days, and no interest was charged on accounts receivable. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

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

different loss patterns for different customer segments, loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

Notes receivable

As of December 31, 2020 and 2019, the notes receivable analyzed by the Group based on the past due days were not overdue, and the Group did not measure any loss allowance for notes receivable.

Accounts receivable (including related parties)

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

December 31, 2020

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

December 31, 2019

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 365 Days	Over 365 Days	Total
Expected credit loss rate	0.01%~0.1%	0.2%~5%	3%~31%	8%~67%	37%~97%	100%	
Gross carrying amount	\$ 2,901,084	\$ 593,336	\$ 27,067	\$ 21,004	\$ 8,389	\$ 27,452	\$ 3,578,332
Loss allowance (Lifetime ECLs)	(1,008)	(3,846)	(2,243)	(8,298)	(5,767)	(27,433)	(48,595)
Amortized cost	<u>\$ 2,900,076</u>	<u>\$ 589,490</u>	<u>\$ 24,824</u>	<u>\$ 12,706</u>	<u>\$ 2,622</u>	<u>\$ 19</u>	<u>\$ 3,529,737</u>

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 48,595	\$ 46,716
Add: Net remeasurement of loss allowance	8,721	19,442
Less: Amounts written off	(7,995)	(16,742)
Foreign exchange gains and losses	<u>(1,645)</u>	<u>(821)</u>
Balance at December 31	<u>\$ 47,676</u>	<u>\$ 48,595</u>

11. INVENTORIES

	December 31	
	2020	2019
Goods	\$ 89,042	\$ 154,768
Finished goods and semi-finished goods	808,692	845,553
Work in process	109,861	86,811
Raw materials and supplies	890,513	935,688
Inventory in transit	<u>278,966</u>	<u>218,487</u>
	<u>\$ 2,177,074</u>	<u>\$ 2,241,307</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$11,179,158 thousand and \$12,395,637 thousand, respectively. The cost of goods sold included inventory write-downs of \$15,233 thousand and \$12,936 thousand, respectively for the years ended December 31, 2020 and 2019, respectively.

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Investor	Investee	Main Business	% of Ownership		Remark
			2020	2019	
Nan Pao Resins Chemical Co.	Nan Pao Chemical Co. Ltd.	Trading of chemical substances	100	100	
	Nan Pao Application Material Co., Ltd.	Trading of chemical substances	100	100	
	Nan Pao Electronic Material Co.	Production and Trading of Electronic Materials	100	100	
	ITLS International Development Co., Ltd.	Trading of construction materials and chemical substances	100	100	
	Prince Pharmaceutical Co., Ltd.	Manufacturing, packaging, and processing of raw materials for various pharmaceutical and health food	50.51	52.3	a)
	Phymed Bio-Tec Co., Ltd.	R&D and Trading of Health Food	100	100	
	Biorich Biotechnology Co., Ltd.	R&D, Production, Trading of New High Protein Business and Health Food	57.1	57.1	
	Nan Pao Advanced Materials Co., Ltd.	Trading of Adhesives and Chemicals	70	70	
	Nan Pao Fine Materials Co., Ltd.	Production and trading of adhesives and chemicals	55	-	e)
	Fuqing Nan Pao Investment Ltd.	General Investment	100	100	
	Thai Nan Pao Investments Ltd.	General Investment	100	100	
	Nan Pao Resins India Pvt. Ltd.	Trading of Adhesives	100	100	
	Nan Pao Materials Vietnam Co., Ltd.	Production and Trading of Adhesives and Chemicals	100	100	
	Nan Pao Advanced Materials Vietnam Co., Ltd.	Production and Trading of Adhesives and Chemicals	100	100	
	Nan Pao Overseas Holdings Ltd.	General Investment	100	100	
	Profit Land Ltd.	General Investment	73.75	73.75	b)
All Saints Enterprises Ltd.	General Investment	54.53	54.53	b)	
Ongoing Profits Ltd.	General Investment	32.18	32.18	b)	

(Continued)

Investor	Investee	Main Business	% of Ownership		Remark
			2020	2019	
	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Production and Trading of Adhesives	49	49	c)
	Progroups Technology Co., Ltd	Trading of Water-Based PU Resin	91.99	91.99	
	Nan Pao Philippines Export Inc.	Trading of adhesives	100	-	d)
ITLS International Development Co. Ltd.	ITLS Holding Pte. Ltd.	General Investment	100	100	
	Aftek Materials Vietnam Co., Ltd.	Production and Trading of Construction Materials	70	70	
ITLS Holding Pte. Ltd.	ITLS (Malaysia) SDN BHD	Production and Trading of Construction Materials	-	100	g)
	PT. ITLS Indonesia	Production and Trading of Construction Materials	100	100	
	ITLS Vietnam Co., Ltd.	Production and Trading of Construction Materials	100	100	
	ITLS-SB SDN BHD	Production and Trading of Hardware and Construction Materials	-	100	h)
Fuqing Nan Pao Investment Ltd.	Wealth Castle Development Ltd.	General Investment	100	100	
Wealth Castle Development Ltd.	Fuqing Nan Pao Resins Co., Ltd	Production and Trading of Adhesives	100	100	
Thai Nan Pao Investments Ltd.	Thai Nanpao Resins Chemical Co., Ltd.	Production and Trading of Adhesives	100	100	
Nan Pao Overseas Holdings Ltd.	Nan Pao Group Holdings Ltd.	General Investment	100	100	
Nan Pao Group Holdings Ltd.	Greatwill Materials (HK) Ltd.	General Investment	67.68	67.68	
	Profit Land Ltd.	General Investment	26.25	26.25	b)
	Nan Pao Resins (Holdings) Ltd.	General Investment	100	100	
	All Saints Enterprises Ltd.	General Investment	45.47	45.47	b)
	NP Australia Pty. Ltd.	General Investment	100	100	
	Ongoing Profits Ltd.	General Investment	67.82	67.82	b)
	Treasure Wealth (HK) Ltd.	General Investment	100	100	
	Goldford Investments Ltd.	General Investment	100	100	
	Nan Pao Resins Chemical Philippines, Inc.	Trading of Adhesives	100	100	
	Nan Pao Resins International Ltd.	Trading of chemicals substances and Related Products	100	100	
	Nanpao Advanced Investment Co., Ltd.	General Investment	100	100	
	Nan Pao Resins (HK) Limited	Production and trading of adhesives	100	100	
Greatwill Materials (HK) Ltd.	Foshan Nan Pao Advanced Materials Co., Ltd.	Production and Trading of Adhesives	88.03	99	i)
Profit Land Ltd.	Giant Profit Development Ltd.	General Investment	100	100	
Giant Profit Development Ltd.	Nan Pao Resins (Foshan) Co., Ltd	Production and Trading of Adhesives	100	100	
Nan Pao Resins (Foshan) Co., Ltd	Goaden Nan Pao Material Technology Co., Ltd.	Trading of footwear materials	51	51	
	Foshan Nan Pao Advanced Materials Co., Ltd.	Production and Trading of Adhesives	0.89	1	i)
Nan Pao Resins (Holdings) Ltd.	Eastlion Enterprises Ltd.	General Investment	100	100	
	Nan Pao Resins Development Ltd.	General Investment	100	100	
Eastlion Enterprises Ltd.	Nan Pao Resins (Dongguan) Co., Ltd	Processing of Adhesives	100	100	
Nan Pao Resins Development Ltd.	Dongguan Jia Chin Electronics Co., Ltd.	Production and Trading of Coatings and Advanced Resins	100	100	
All Saints Enterprises Ltd.	Great Mount Enterprises Ltd.	General Investment	100	100	

(Continued)

Investor	Investee	Main Business	% of Ownership		Remark
			2020	2019	
Great Mount Enterprises Ltd.	Nan Pao Resins (China) Co., Ltd	Production and Trading of Adhesives and Coatings	100	100	
NP Australia Pty. Ltd.	RLA Polymers Pty Ltd.	Production and Trading of Construction Materials and Chemicals	100	100	
RLA Polymers Pty. Ltd.	RLA Polymers (M) SDN BHD	Production and Trading of Construction Materials and Chemicals	100	100	
Ongoing Profits Ltd.	Rising Sun Associates Ltd.	General Investment	100	100	
Rising Sun Associates Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Production and Trading of Adhesives and Coatings	100	100	
Goldford Investments Ltd.	PT. Indo Nan Pao Resins Chemical	Production and Trading of Adhesives	18.5	18.5	c)
Treasure Wealth (HK) Ltd.	Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Production and Trading of Coatings	50	50	
Nanpao Advanced Investment Co., Ltd.	Nan Pao (Kunshan) Electronic Commerce Co., Ltd.	Online Business Agency and General Merchandise Trading	100	100	
	Nantong Nan Pao Resins Materials Co., Ltd.	Production and Trading of Adhesives	100	100	
	Nan Pao Resins (Yunan) Co., Ltd	Production and Trading of Adhesives	100	100	
	Nan Pao New Materials (Huaian) Co., Ltd.	Production and trading business of carbon fiber	100	-	f)

(Concluded)

- a. In May 2020, Prince Pharmaceutical Co., Ltd. exercised employee share options, resulting in a decrease in the shareholding ratio from 52.3% to 50.51%.
- b. Direct and indirect shareholdings totaled 100%.
- c. Direct and indirect shareholdings totaled 67.50%.
- d. The Group invested in and established Nan Pao Philippines Export Inc. in the Philippines in September 2019 with a 100% shareholding ratio, and then in January 2020 completed the establishment registration by investing capital.
- e. The Group established Nan Pao Fine Materials Co., Ltd. in September 2020 with 55% shareholding ratio.
- f. The Group established Nan Pao New Materials (Huaian) Co., Ltd. in China in March 2020, and shareholdings totaled 100%.
- g. ITLS (Malaysia) SDN BHD completed its liquidation procedures and cancelled registration in December 2020.
- h. ITLS-SB SDN BHD completed its liquidation procedures and cancelled registration in December 2020.
- i. In November 2020, the Group didn't subscribe to the issuance of ordinary Share for cash of Foshan Nan Pao Advance Materials Co., Ltd., resulting a decrease in the shareholding ratio from 68% to 60.47%.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Investments in associates		
Associates that are not individually material	\$ 367,753	\$ 322,657

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

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
The Group's share of:		
Net income and total comprehensive income for the year	\$ 48,096	\$ 33,477

The share of profit or loss and other comprehensive income of these investments in associates accounted for using the equity method were calculated based on the financial statements which have been audited.

14. PROPERTY, PLANT AND EQUIPMENT

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

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

Refer to Table 11 for the detailed information of changes in property, plant and equipment.

No impairment assessment was performed for the year ended December 31, 2020 and 2019 as there were no indications of impairment.

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 34.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
<u>Carrying amounts</u>		
Land (Note)	\$ 783,189	\$ 819,470
Buildings	318,995	302,489
Machinery	178	129
Transportation equipment	37,790	36,413
Miscellaneous equipment	<u>1,365</u>	<u>2,007</u>
	<u>\$ 1,141,517</u>	<u>\$ 1,160,508</u>

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	\$ <u>80,995</u>	\$ <u>152,432</u>
Depreciation charge for right-of-use assets		
Land (Note)	\$ 20,783	\$ 20,528
Buildings	44,886	36,689
Machinery	142	142
Transportation equipment	14,520	13,616
Miscellaneous equipment	<u>1,884</u>	<u>1,040</u>
	<u>\$ 82,215</u>	<u>\$ 72,015</u>

Note: Among the land use rights, the land use rights of the Vietnamese subsidiary have been pledged as collateral, please refer to Note 34 for the details.

b. Lease liabilities

	December 31, 2020	December 31, 2019
<u>Carrying amounts</u>		
Current	\$ <u>79,930</u>	\$ <u>52,029</u>
Non-current	<u>\$ 476,953</u>	<u>\$ 447,552</u>

Range of discount rate for lease liabilities was as follows:

	December 31, 2020	December 31, 2019
Land	1.56%	1.56%
Buildings	0.81% ~ 5.37%	1.05% ~ 5.37%
Machinery	1.05% ~ 2%	1.05% ~ 2%
Transportation equipment	1.3% ~ 5.37%	1.3% ~ 5.37%
Miscellaneous equipment	5.37% ~ 11.2%	5.37% ~ 11.2%

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

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

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 37,077	\$ 50,830
Expenses relating to low-value asset leases	\$ 1,044	\$ 1,007
Total cash outflow for leases	<u>\$ 95,443</u>	<u>\$ 97,656</u>

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

16. INVESTMENT PROPERTIES

	Land
Balance at December 31, 2020 and 2019	<u>\$ 17,760</u>

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

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

17. Goodwill

	For the Year Ended December 31	
	2020	2019
<u>Cost</u>		
Balance at January 1	\$ 116,514	\$ 89,871
Business combinations that occurred during the year (Note 29)	-	29,488
Acquisitions during the year		
Effect of foreign currency exchange differences, net	<u>4,295</u>	<u>(2,845)</u>
Balance at December 31	<u>\$ 120,809</u>	<u>\$ 116,514</u>
<u>Accumulated Impairment Losses</u>		
Balance at January 1	\$ 3,031	\$ 3,105
Effect of foreign currency exchange differences, net	<u>(152)</u>	<u>(74)</u>
Balance at December 31	<u>\$ 2,879</u>	<u>\$ 3,031</u>
Carrying amounts at December 31, net	<u>\$ 117,930</u>	<u>\$ 113,483</u>

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

18. OTHER INTANGIBLE ASSETS

	Client Relationships	Computer Software	Others	Total
<u>Cost</u>				
Balance at January 1, 2019	\$ 60,446	\$ 37,921	\$ 4,206	\$ 102,573
Additions	-	9,841	22,325	32,166
Acquisitions through business combinations	11,781	-	9,243	21,024
Reclassifications	-	-	-	-
Effect of foreign currency exchange differences, net	(2,071)	(134)	(317)	(2,522)
	<u>70,156</u>	<u>47,628</u>	<u>35,457</u>	<u>153,241</u>
Balance at December 31, 2019	\$ <u>70,156</u>	\$ <u>47,628</u>	\$ <u>35,457</u>	\$ <u>153,241</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2019	\$ 30,699	\$ 24,093	\$ 3,907	\$ 58,699
Amortization expenses	6,675	6,359	2,457	15,491
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Effect of foreign currency exchange differences	(1,089)	(109)	(105)	(1,303)
	<u>36,285</u>	<u>30,343</u>	<u>6,259</u>	<u>72,887</u>
Balance at December 31, 2019	\$ <u>36,285</u>	\$ <u>30,343</u>	\$ <u>6,259</u>	\$ <u>72,887</u>
Carrying amount at December 31, 2019, net	\$ <u>33,871</u>	\$ <u>17,285</u>	\$ <u>29,198</u>	\$ <u>80,354</u>
<u>Cost</u>				
Balance at January 1, 2020	\$ 70,156	\$ 47,628	\$ 35,457	\$ 153,241
Additions	-	2,014	1,255	3,269
Disposals	-	(254)	-	(254)
Reclassifications	-	4,067	-	4,067
Effect of foreign currency exchange differences, net	3,157	(8)	441	3,590
	<u>73,313</u>	<u>53,447</u>	<u>37,153</u>	<u>163,913</u>
Balance at December 31, 2020	\$ <u>73,313</u>	\$ <u>53,447</u>	\$ <u>37,153</u>	\$ <u>163,913</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2020	\$ 36,285	\$ 30,343	\$ 6,259	\$ 72,887
Amortization expenses	7,993	8,653	2,503	19,149
Disposals	-	(254)	-	(254)
Reclassifications	-	234	-	234
Effect of foreign currency exchange differences	2,242	(17)	(3,707)	(1,482)
	<u>46,520</u>	<u>38,959</u>	<u>5,055</u>	<u>90,534</u>
Balance at December 31, 2020	\$ <u>46,520</u>	\$ <u>38,959</u>	\$ <u>5,055</u>	\$ <u>90,534</u>
Carrying amount at December 31, 2020, net	\$ <u>26,793</u>	\$ <u>14,488</u>	\$ <u>32,098</u>	\$ <u>73,379</u>

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

Client relationships	8 - 11 years
Computer software	2 - 10 years
Others	2 - 15 years

19. OTHER ASSETS

	December 31	
	2020	2019
<u>Current</u>		
Input tax	\$ 141,621	\$ 121,729
Prepayments	103,660	132,761
Prepaid expenses	89,693	73,054
Overpaid tax retained for offsetting the future tax payable	25,822	33,657
Others	<u>24,922</u>	<u>12,095</u>
	<u>\$ 385,718</u>	<u>\$ 373,296</u>
<u>Non-Current</u>		
Prepayments for equipment	\$ 277,899	\$ 152,633
Prepayments for investment	21,299	-
Others	<u>5,270</u>	<u>7,316</u>
	<u>\$ 304,468</u>	<u>\$ 159,949</u>

20. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
Secured bank loans (Note 34)	\$ 118,148	\$ 276,906
Unsecured bank loans	<u>1,228,482</u>	<u>1,094,370</u>
	<u>\$ 1,346,630</u>	<u>\$ 1,371,276</u>

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

	December 31	
	2020	2019
Secured bank loans	1.27% ~ 3.25%	1.52% ~ 5.22%
Unsecured bank loans	0.75% ~ 3.75%	0.91% ~ 4.35%

b. Long-term borrowings

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Secured bank loans (1)	\$ 330,503	\$ 108,412
Unsecured bank loans (2)	<u>1,394,662</u>	<u>1,769,503</u>
	1,725,165	1,877,915
Decrease: Current portion of long-term borrowings	<u>55,974</u>	<u>353,765</u>
	<u>\$ 1,669,191</u>	<u>\$ 1,524,150</u>

- 1) As of December 31, 2020 and 2019, the range of weighted average effective interest rates of the bank borrowings secured by the Group's freehold land, buildings, right-of-use assets and deposit certificates (see Note 34), was 1.063%- 1.945% and 2.6969%-2.7205% per annum, respectively. Long-term borrowings mentioned above will expire June 2035, and payments of interest and principal are made on schedule.
- 2) As of December 31, 2020 and 2019, the range of weighted average effective interest rates of unsecured bank loans was 0.38%- 1.16% and 0.6%-1.184% per annum, respectively. Long-term borrowings mentioned above will expire December 2024, and payments of interest and principal are made on schedule.

21. NOTES PAYABLE AND ACCOUNTS PAYABLE

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Notes Payable</u>		
Operating	<u>\$ 14,330</u>	<u>\$ 12,788</u>
<u>Accounts Payable</u>		
Operating	<u>\$ 2,287,370</u>	<u>\$ 1,936,397</u>

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

22. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Other liabilities		
Refund liabilities	\$ 156,501	\$ 113,894
Others	<u>50,126</u>	<u>53,983</u>
	<u>\$ 206,627</u>	<u>\$ 167,877</u>

(Continued)

	December 31	
	2020	2019
<u>Non-current</u>		
Other liabilities		
Guarantee deposits	\$ 3,908	\$ 3,680
Others	<u>48,693</u>	<u>53,054</u>
	<u>\$ 52,601</u>	<u>\$ 56,734</u>
		(Concluded)

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

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

b. Defined benefit plans

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

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

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

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 431,592	\$ 428,052
Fair value of plan assets	<u>(335,891)</u>	<u>(313,033)</u>
Net defined benefit liabilities	<u>\$ 95,701</u>	<u>\$ 115,019</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2019	\$ 436,747	\$ (287,337)	\$ 149,410
Service cost			
Current service cost	7,460	-	7,460
Past service cost and loss on settlements	(1,137)	-	(1,137)
Net interest expense (income)	<u>5,477</u>	<u>(2,916)</u>	<u>2,561</u>
Recognized in profit or loss	<u>11,800</u>	<u>(2,916)</u>	<u>8,884</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(10,319)	(10,319)
Actuarial loss - changes in financial assumptions	7,100	-	7,100
Actuarial gain - experience adjustments	(2,495)	-	(2,495)
Actuarial loss - Others	<u>770</u>	<u>-</u>	<u>770</u>
Recognized in other comprehensive income	<u>\$ 5,375</u>	<u>\$ (10,319)</u>	<u>\$ (4,944)</u>
Contributions from the employer	<u>-</u>	<u>(23,870)</u>	<u>(23,870)</u>
Benefits paid	<u>(26,183)</u>	<u>11,409</u>	<u>(14,774)</u>
Exchange differences on foreign plans, net	<u>313</u>	<u>-</u>	<u>313</u>
Balance at December 31, 2019	<u>428,052</u>	<u>(313,033)</u>	<u>115,019</u>
Service cost			
Current service cost	6,478	-	6,478
Past service cost and loss on settlements	822	-	822
Net interest expense (income)	<u>4,213</u>	<u>(2,243)</u>	<u>1,970</u>
Recognized in profit or loss	<u>11,513</u>	<u>(2,243)</u>	<u>9,270</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(10,218)	(10,218)
Actuarial loss - changes in financial assumptions	13,386	-	13,386
Actuarial gain - experience adjustments	(6,419)	-	(6,419)
Actuarial loss - Others	<u>1,582</u>	<u>-</u>	<u>1,582</u>
Recognized in other comprehensive income	<u>8,549</u>	<u>(10,218)</u>	<u>(1,699)</u>
Contributions from the employer	<u>-</u>	<u>(23,187)</u>	<u>(23,187)</u>
Benefits paid	<u>(15,223)</u>	<u>12,790</u>	<u>(2,433)</u>
Exchange differences on foreign plans, net	<u>(1,299)</u>	<u>-</u>	<u>(1,299)</u>
Balance at December 31, 2020	<u>\$ 431,592</u>	<u>\$ (335,891)</u>	<u>\$ 95,701</u> (Concluded)

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

	For the Year Ended December 31	
	2020	2019
Operating costs	\$ 3,625	\$ 5,196
Selling and marketing expenses	2,002	2,045
General and administrative expenses	3,171	956
Research and development expenses	<u>472</u>	<u>687</u>
	<u>\$ 9,270</u>	<u>\$ 8,884</u>

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

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

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

	December 31	
	2020	2019
Discount rates	0.3% - 7%	0.7% - 8%
Expected rates of salary increase	2% - 10%	2% - 10%

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

	December 31	
	2020	2019
Discount rates		
0.25% increase	<u>\$ (9,260)</u>	<u>\$ (9,619)</u>
0.25% decrease	<u>\$ 9,648</u>	<u>\$ 10,010</u>
Expected rates of salary increase		
0.25% increase	<u>\$ 9,378</u>	<u>\$ 9,778</u>
0.25% decrease	<u>\$ (9,068)</u>	<u>\$ (9,458)</u>

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

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Expected contributions to the plans for the next year	\$ 20,302	\$ 21,837
Average duration of the defined benefit obligation	9 to 17.84 years	9 to 18.27 years

24. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Number of shares authorized (in thousands)	200,000	200,000
Shares authorized	\$ 2,000,000	\$ 2,000,000
Number of shares issued and fully paid (in thousands)	120,570	120,570
Shares issued	\$ 1,205,707	\$ 1,205,707

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

b. Capital surplus

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 2,040,204	\$ 2,040,204
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual acquisition	2	2
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in subsidiaries (2)	17,249	19,424
Employee share options	44,083	44,083
Expired employee share options	135	135
	<u>\$ 2,101,673</u>	<u>\$ 2,103,848</u>

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

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 26-g.

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

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

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

The appropriations of earnings for 2019 and 2018 which were approved in the shareholders' meetings in June, 2020 and 2019, respectively, were as follows:

	Appropriation of Earnings		Dividends per share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Legal reserve	\$ 122,820	\$ 67,277		
Cash dividends	723,425	602,854	\$ 6	\$ 5

The appropriation of earnings for 2020 which had been proposed by the Company's board of directors on March 25, 2021 was as follows:

	Appropriation of Earnings	Dividends per share (NT\$)
Legal reserve	\$ 122,139	
Cash dividends	843,995	\$ 7

The appropriation of earnings for 2020 is subject to the resolution of the shareholders in the shareholders' meeting to be held in June, 2021.

d. Special reserve

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

e. Other equity items

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ (390,008)	\$ (225,544)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	<u>(97,809)</u>	<u>(164,464)</u>
Balance at December 31	<u>\$ (487,817)</u>	<u>\$ (390,008)</u>

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 711,113	\$ 1,027,000
Recognized for the year		
Unrealized gain (loss) - equity instruments	<u>127,882</u>	<u>(315,887)</u>
Balance at December 31	<u>\$ 838,995</u>	<u>\$ 711,113</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 815,807	\$ 727,447
Share in profit for the year	47,369	87,024
Other comprehensive income or loss during the year		
Exchange differences on translating the financial statements of foreign operations	(7,475)	(5,865)
Remeasurement of defined benefit plans	(374)	1,807
Related income tax	75	(349)
Difference in book value and price of equity acquisition from subsidiaries (Note 30)	2,175	4,387
Dividend payout from subsidiaries	(28,320)	(16,962)
Issuance of ordinary shares for cash from subsidiaries	89,176	18,318
Additions from establishing subsidiaries	<u>11,250</u>	<u>-</u>
Balance at December 31	<u>\$ 929,683</u>	<u>\$ 815,807</u>

25. REVENUE

- a. Please refer to Note 38 for disaggregation of revenue.
- b. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Accounts receivable (including related parties)	\$ <u>3,671,006</u>	\$ <u>3,578,332</u>	\$ <u>3,516,825</u>
Contract liabilities - current			
Sale of goods	\$ <u>30,581</u>	\$ <u>18,874</u>	\$ <u>41,499</u>

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

26. NET PROFIT

- a. Interest income

	For the Year Ended December 31	
	2020	2019
Bank deposits	\$ <u>48,683</u>	\$ <u>34,382</u>

- b. Other income

	For the Year Ended December 31	
	2020	2019
Dividend income	\$ 46,587	\$ 55,462
Grant income (Note)	80,099	51,510
Rental income	1,766	3,836
Other income	<u>28,940</u>	<u>22,432</u>
	\$ <u>157,392</u>	\$ <u>133,240</u>

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

- c. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Net foreign exchange gain (loss)	\$ (62,234)	\$ (19,066)
Gain (loss) from disposal of investments	(7,438)	12,446
Others	<u>(21,226)</u>	<u>(14,602)</u>
	\$ <u>(90,898)</u>	\$ <u>(21,222)</u>

d. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on bank loans	\$ 45,713	\$ 53,911
Interest on lease liabilities	14,829	19,531
Less: Amounts included in the cost of qualifying assets	<u>(1,661)</u>	<u>(4,218)</u>
	<u>\$ 58,881</u>	<u>\$ 69,224</u>

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2020	2019
Capitalized interest amount	\$ 1,661	\$ 4,218
Capitalization rate	1.6%	1.6%

e. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
An analysis of depreciation by function		
Operating costs	\$ 292,294	\$ 261,263
Operating expenses	<u>113,152</u>	<u>109,873</u>
	<u>\$ 405,446</u>	<u>\$ 371,136</u>
An analysis of amortization by function		
Operating costs	\$ 481	\$ 139
Operating expenses	<u>18,668</u>	<u>15,352</u>
	<u>\$ 19,149</u>	<u>\$ 15,491</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits		
Salaries	\$ 1,832,427	\$ 1,830,842
Labor and health insurance	116,910	119,913
Others	<u>155,651</u>	<u>134,509</u>
	<u>2,104,988</u>	<u>2,085,264</u>
Post-employment benefits		
Defined contribution plans	64,549	86,753
Defined benefit plans (Note 23)	<u>9,270</u>	<u>8,884</u>
	<u>73,819</u>	<u>95,637</u>
	<u>\$ 2,178,807</u>	<u>\$ 2,180,901</u>

(Continued)

	For the Year Ended December 31	
	2020	2019
An analysis of employee benefits expense by function		
Operating costs	\$ 733,458	\$ 744,040
Operating expenses	<u>1,445,349</u>	<u>1,436,861</u>
	<u>\$ 2,178,807</u>	<u>\$ 2,180,901</u>
		(Concluded)

g. Employees' compensation and remuneration of directors

According to the Company's Articles, the Company accrued employees' compensation and remuneration of directors at rates of 2% to 6% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and the remuneration of directors for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on March, 2021 and 2020, respectively, are as follows:

1) Accrual rate

	For the Year Ended December 31	
	2020	2019
Employees' compensation	2.9%	2.7%
Remuneration of directors	1.4%	1.3%

2) Amount

	For the Year Ended December 31	
	2020	2019
	Cash	Cash
Employees' compensation	\$ 42,000	\$ 42,000
Remuneration of directors	20,000	20,000

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

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

h. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2020	2019
Foreign exchange gains	\$ 180,904	\$ 121,683
Foreign exchange losses	<u>(243,138)</u>	<u>(140,749)</u>
	<u>\$ (62,234)</u>	<u>\$ (19,066)</u>

27. INCOME TAXES

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

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 353,280	\$ 341,593
Income tax on unappropriated earnings	312	196
Adjustments for prior years	(15,676)	15,760
Repatriation of overseas funds	<u>30,482</u>	<u>33,648</u>
	<u>368,398</u>	<u>391,197</u>
Deferred tax		
In respect of the current year	<u>(29,428)</u>	<u>86,261</u>
	<u>\$ 338,970</u>	<u>\$ 477,458</u>

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

	For the Year Ended December 31	
	2020	2019
Profit before income tax	<u>\$ 1,606,092</u>	<u>\$ 1,792,682</u>
Income tax expense calculated at the statutory rate	\$ 472,331	\$ 526,296
Non-deductible expenses in determining taxable income	27,725	29,831
Tax-exempt income	(9,317)	(11,092)
Temporary differences	(66,274)	(49,965)
Overseas investment interest changed to permanent investment for prior year	(68,791)	(22,800)
Permanent differences	(9,575)	(13,625)
Income tax on unappropriated earnings	312	196
Adjustments for prior year	(15,676)	15,760
Tax relief	(22,247)	(30,791)
Repatriation of overseas funds	<u>30,482</u>	<u>33,648</u>
	<u>\$ 338,970</u>	<u>\$ 477,458</u>

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Group only deducts the amount of capital expenditure from the unappropriated earnings that was actually reinvested when calculating the tax on unappropriated earnings.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	\$ 24,452	\$ 41,115
Remeasurement of defined benefit plans	<u>(333)</u>	<u>(950)</u>
	<u>\$ 24,119</u>	<u>\$ 40,165</u>

c. Current tax assets and liabilities

	December 31	
	2020	2019
<u>Current tax assets</u>		
Tax refund receivable	<u>\$ 2,016</u>	<u>\$ 3,705</u>
<u>Current tax liabilities</u>		
Income tax payable	<u>\$ 251,408</u>	<u>\$ 182,583</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred Tax Assets</u>					
Temporary differences					
Exchange differences on translating the financial statements of foreign operations	\$ 97,502	\$ -	\$ 24,452	\$ -	\$ 121,954
Defined benefit obligations	23,918	(4,132)	(333)	327	19,870
Loss on decline in market price of inventories	29,595	3,771	-	709	34,075
Allowance for impairment loss	4,097	397	-	(865)	3,629
Payables for annual leave	4,157	482	-	-	4,639
Unrealized gross profit	22,114	14,578	-	-	36,692
Others	<u>40,355</u>	<u>3,447</u>	<u>-</u>	<u>1,643</u>	<u>45,445</u>
	221,738	18,543	24,119	1,814	266,214
Carryforwards	<u>66,408</u>	<u>(5,607)</u>	<u>-</u>	<u>1,647</u>	<u>62,448</u>
	<u>\$ 288,146</u>	<u>\$ 12,936</u>	<u>\$ 24,119</u>	<u>\$ 3,461</u>	<u>\$ 328,662</u>
<u>Deferred Tax Liabilities</u>					
Temporary differences					
Foreign investment income	\$ 554,814	\$ (16,290)	\$ -	\$ 36	\$ 538,560
Provision for land appreciation tax	235,087	-	-	-	235,087
Others	<u>256</u>	<u>(202)</u>	<u>-</u>	<u>(19)</u>	<u>35</u>
	<u>\$ 790,157</u>	<u>\$ (16,942)</u>	<u>\$ -</u>	<u>\$ 17</u>	<u>\$ 773,682</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred Tax Assets</u>					
Temporary differences					
Exchange differences on translating the financial statements of foreign operations (Note)	\$ 56,387	\$ -	\$ 41,115	\$ -	\$ 97,502
Defined benefit obligations	30,632	(5,843)	(950)	79	23,918
Loss on decline in market price of inventories	29,913	(142)	-	(176)	29,595
Allowance for impairment loss	2,887	1,645	-	(435)	4,097
Payables for annual leave	3,757	571	-	(171)	4,157
Unrealized gross profit	14,749	7,365	-	-	22,114
Others	35,733	8,639	-	(4,017)	40,355
	174,058	12,235	40,165	(4,720)	221,738
Carryforwards	77,964	(9,896)	-	(1,660)	66,408
	<u>\$ 252,022</u>	<u>\$ 2,339</u>	<u>\$ 40,165</u>	<u>\$ (6,380)</u>	<u>\$ 288,146</u>
<u>Deferred Tax Liabilities</u>					
Temporary differences					
Foreign investment income	\$ 470,146	\$ 84,744	\$ -	\$ (76)	\$ 554,814
Provision for land appreciation tax	235,087	-	-	-	235,087
Others	147	3,856	-	(3,747)	256
	<u>\$ 705,380</u>	<u>\$ 88,600</u>	<u>\$ -</u>	<u>\$ (3,823)</u>	<u>\$ 790,157</u>

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

As of December 31, 2020 and 2019, the taxable temporary differences related to the investment of subsidiaries and unrecognized deferred income tax liabilities are \$190,948 thousand and \$122,157 thousand, respectively.

- f. Unused loss carryforwards

Loss carryforwards as of December 31, 2020 comprised:

Unused Amount	Expiry Year
\$ 17,042	2021
26,907	2022
14,958	2023
41,756	2024
17,415	2025
1,135	2026
58,662	2027
10,058	2028
900	2029
54,217	2030
<u>148,153</u>	Note
<u>\$ 391,203</u>	

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

g. Income tax assessments

The income tax returns of the Group and domestic subsidiaries through 2018 have been assessed by the tax authorities.

28. EARNINGS PER SHARE

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

Net Profit for the Year

	For the Year Ended December 31	
	2020	2019
Profit for the year attributable to owners of the Company	\$ 1,219,753	\$ 1,228,200

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

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	120,571	120,571
Effect of potentially dilutive ordinary shares		
Employees' compensation or bonuses issued to employees	<u>361</u>	<u>331</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>120,932</u>	<u>120,902</u>

If the Group offered to settle the compensation or bonuses paid to employees in cash or shares, the Group assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

29. BUSINESS COMBINATIONS IN 2019

a. Acquisition of business

	Principal Operating Activities	Date of Acquisition
Morgan Ceramic Tile Adhesives	Production and sale of adhesives, additives and putty	July 31, 2019

The Group acquired the activities and asset portfolio from its unrelated party, Morgan Ceramic Tile Adhesives (established in Australia) in July 2019, which includes the inputs and substantive processes which together significantly contribute to the ability to create outputs; the acquisition was handled in accordance with IFRS 3: Business Combinations. The purpose of the acquisition was to expand the business and strengthen the product portfolio.

b. Consideration transferred

	Amount
Cash	\$ 48,195
Contingent consideration arrangement (Note)	<u>3,009</u>
	<u>\$ 51,204</u>

Note: Under the contingent consideration arrangement, if the production capacity and gross profit of Morgan Ceramic Tile Adhesives from August 2019 to February 2020 meet the agreed standard, the Group is required to pay the vendor an additional AUD\$250 thousand. The amount of \$3,009 thousand represents the estimated fair value of this obligation at the acquisition date.

c. Assets acquired at the date of acquisition

	Amount
Non-current assets	
Intangible assets	\$ 21,024
Property, plant, and equipment	<u>692</u>
	<u>\$ 21,716</u>

d. Goodwill recognized on acquisition

	Amount
Consideration transferred	\$ 51,204
Less: Fair value of identifiable net assets acquired	<u>(21,716)</u>
Goodwill recognized on acquisition	<u>\$ 29,488</u>

The goodwill recognized in the acquisition of Morgan Ceramic Tile Adhesives mainly represents the control premium included in the cost of the combination. In addition, the consideration paid for the combination effectively included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforces. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

30. EQUITY TRANSACTIONS WITH NON – CONTROLLING INTERESTS

	For the Year Ended December 31		
	2020		2019
	Prince Pharmaceutical Co., Ltd. (b)	Foshan Nan Pao Advanced Materials Co., Ltd. (c)	Prince Pharmaceutical Co., Ltd. (a)
Cash consideration paid	\$ -	\$ -	\$ 56,683
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	(1,655)	3,830	(52,296)
Differences recognized from equity transactions	<u>\$ (1,655)</u>	<u>\$ 3,830</u>	<u>\$ 4,387</u>

Line items adjusted for equity transactions

Capital surplus - changes in percentage of ownership interests in subsidiaries	<u>\$ 1,655</u>	<u>\$ (3,830)</u>	<u>\$ (4,387)</u>
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- a. In December 2019, the Group did not subscribe for additional new shares of Prince Pharmaceutical Co., Ltd. in accordance with the shareholding ratio, increasing its continuing interest from 49.9% to 52.3%.
- b. In May 2020, Prince Pharmaceutical Co., Ltd. Exercised employee share options, resulting in a decrease in the shareholding ratio from 52.3% to 50.51%.
- c. In November 2020, the Group did not subscribe to the issuance of ordinary share in the amount of CNY 15,000 thousand for cash of Foshan Nan Pao Advanced Materials Co., Ltd. in accordance with the shareholding ratio, decreasing its shareholding ratio from 68% to 60.47%.

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

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will have sufficient financial resources and operating plans to fund its working capital needs, capital asset purchases, research and development expenses, debt service requirements, stock dividends and other business requirements associated with its existing operations.

32. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investment in equity instruments				
Unlisted shares	\$ -	\$ -	\$ 1,109,267	\$ 1,109,267

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investment in equity instruments				
Unlisted shares	\$ -	\$ -	\$ 976,745	\$ 976,745

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

Financial assets at FVTOCI

	<u>For the Year Ended December 31</u>	
	2020	2019
Balance at January 1	\$ 976,745	\$ 1,210,580
Recognized in other comprehensive income (included in unrealized valuation gain or loss on financial assets at FVTOCI)	127,882	(315,887)
Purchases	5,330	82,367
Proceeds from capital reduction	(315)	(315)
Dividends paid from capital surplus	(375)	-
Balance at December 31	<u>\$ 1,109,267</u>	<u>\$ 976,745</u>

3) Valuation techniques and inputs used in Level 3 fair value measurement

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

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Financial assets</u>		
Financial asset at amortized cost (1)	\$ 8,805,518	\$ 8,563,449
Financial asset at FVTOCI	1,109,267	976,745
<u>Financial liabilities</u>		
Amortized cost (2)	6,186,583	6,014,674

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

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, accounts receivable, accounts payable, borrowings and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

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

1) Market risk

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

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the year are set out in Note 36.

Sensitivity analysis

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

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

	USD Impact				
	For the Year Ended December 31				
	2020		2019		
Profit (loss)	\$	8,075	\$	16,444	i

	VND Impact				
	For the Year Ended December 31				
	2020		2019		
Profit (loss)	\$	8,183	\$	8,249	ii

- i. This was mainly attributable to the exposure on outstanding cash and cash equivalents, accounts receivable and payables and borrowings in USD that were not hedged at the end of the year. The reason of change is the amount of cash in USD decreased.
- ii. This was mainly attributable to the exposure on outstanding cash and cash equivalents, accounts receivable and payables in VND that were not hedged at the end of the year.

b) Interest rate risk

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

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

	December 31				
	2020		2019		
Fair value interest rate risk					
Financial assets	\$	1,068,554	\$	787,978	
Financial liabilities		556,883		499,581	
Cash flow interest rate risk					
Financial assets		3,396,918		3,621,382	
Financial liabilities		3,071,795		3,249,191	

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. If interest rates had been 0.25% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years

ended December 31, 2020 and 2019 would increase/decrease by \$7,679 thousand and \$8,123 thousand, respectively, which was mainly a result of variable-rate borrowings.

c) Other price risk

The Group was exposed to equity price risk through its investments in domestic unlisted shares. As there is no open market quotation for such equity pricing, the price risk is immaterial.

2) Credit risk

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

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

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

	December 31			
	2020		2019	
	Amount	%	Amount	%
Group A	\$ 288,565	8	\$ 371,342	11

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents and liquid financial assets deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group's working capital and the credit line which the Group has obtained are sufficient to support future operational needs, so there is no liquidity risk due to the inability to raise funds to fulfill contractual obligations.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the year.

December 31, 2020

	Less than 1 Year	1 - 5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 3,110,880	\$ 3,908	\$ -
Lease liabilities	93,174	156,705	390,799
Fixed interest rate liabilities	87,296	-	-
Variable interest rate liabilities	<u>1,323,972</u>	<u>1,468,311</u>	<u>252,632</u>
	<u>\$ 4,615,322</u>	<u>\$ 1,628,924</u>	<u>\$ 643,431</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	6-10 Years	11-20 Years	Over 21 Years
Lease liabilities	<u>\$ 93,174</u>	<u>\$ 156,705</u>	<u>\$ 156,973</u>	<u>\$ 178,755</u>	<u>\$ 55,071</u>

December 31, 2019

	Less than 1 Year	1 - 5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 2,761,803	\$ 3,680	\$ -
Lease liabilities	68,704	173,513	424,260
Variable interest rate liabilities	<u>1,742,880</u>	<u>1,553,784</u>	<u>-</u>
	<u>\$ 4,573,387</u>	<u>\$ 1,730,977</u>	<u>\$ 424,260</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	6-10 Years	11-20 Years	Over 21 Years
Lease liabilities	<u>\$ 68,704</u>	<u>\$ 173,513</u>	<u>\$ 161,879</u>	<u>\$ 206,392</u>	<u>\$ 55,989</u>

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

b) Financing facilities

	December 31	
	2020	2019
Unsecured bank overdraft facilities, reviewed annually and payable at call:		
Amount used	\$ 2,670,447	\$ 2,958,649
Amount unused	<u>6,509,431</u>	<u>5,075,715</u>
	<u>\$ 9,179,878</u>	<u>\$ 8,034,364</u>
Secured bank overdraft facilities :		
Amount used	\$ 502,226	\$ 386,460
Amount unused	<u>359,065</u>	<u>133,242</u>
	<u>\$ 861,291</u>	<u>\$ 519,702</u>

33. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

Name of Related Party	Related Party Category
Total Acrylic Polymer Industry (Tapi) Corporation	Associate
Pou Chen Corporation and Subsidiaries	Investors with significant influence
Opulence Optronics Co., Ltd.	The Group is an executive of the Company

b. Sales of goods

	For the Year Ended December 31	
Related Party Category	2020	2019
Investors with significant influence	\$ <u>1,041,449</u>	\$ <u>1,457,866</u>

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

c. Purchases of goods

	For the Year Ended December 31	
Related Party Category	2020	2019
Associate	\$ <u>14,266</u>	\$ <u>19,761</u>

There were no comparable purchase prices of similar products with third parties. The payment term is 30 days to 45 days, which is not significantly different from that for non-affiliates.

d. Receivables from related parties

Line Item	Related Party Category / Name	December 31	
		2020	2019
Accounts receivable	Investors with significant influence Pou Chen Corporation and its subsidiaries	\$ <u>288,565</u>	\$ <u>371,342</u>

The outstanding accounts receivable from related parties are unsecured.

e. Payables to related parties

Line Item	Related Party Category	December 31	
		2020	2019
Accounts payable	Associate	\$ <u>698</u>	\$ <u>1,427</u>
Other payables	Investors with significant influence	\$ <u>129</u>	\$ <u>127</u>

The outstanding accounts payable to related parties are unsecured.

f. Others - refund liabilities

Line Item	Related Party Category / Name	December 31	
		2020	2019
Other current liabilities	Investors with significant influence Pou Chen Corporation and its subsidiaries	\$ <u>82,098</u>	\$ <u>70,356</u>

g. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 63,688	\$ 60,485
Post-employment benefits	<u>2,319</u>	<u>7,114</u>
	\$ <u>66,007</u>	\$ <u>67,599</u>

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

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Property, plant and equipment	\$ 639,008	\$ 133,495
Pledged time deposits (Financial assets measured at amortized cost)	9,787	25,141
Right-of-use assets	<u>16,305</u>	<u>17,674</u>
	<u>\$ 665,100</u>	<u>\$ 176,310</u>

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group at December 31, 2020 and 2019 were as follows:

- a. As of December 31, 2020 and 2019, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$92,191 thousand and \$86,319 thousand, respectively.
- b. Unrecognized commitments are as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Acquisition of property, plant and equipment	\$ 660,431	\$ 723,115
Acquisition of raw material	<u>84,011</u>	<u>46,084</u>
	<u>\$ 744,442</u>	<u>\$ 769,199</u>

- c. Material Lawsuits

The Company had won the bid for land, plant, and machinery equipment owned by He Kui Chemical Company from Changhua District Court in 2007 and sold the above assets to its subsidiary, Nan Pao Chemical Co., Ltd., for production purposes. On January 31, 2008, third-party Fu-chien Management Consulting Company claimed to be the mortgagee of the aforementioned machinery and equipment at Taiwan Changhua District Court and seized the batch of machinery and equipment. Nan Pao Chemical Co., Ltd. has filed for Third Party of Dissent Action arguing that Fu-chien Management Consulting Company's claims over the above-mentioned machinery and equipment were false. Nevertheless, a fire broke out in Nan Pao Chemical Co., Ltd. in January 2010, with all plants and machinery burnt down. Therefore, the content of litigation was changed to confirming whether the machinery had belonged to Nan Pao Chemical Co., Ltd. If the court believed that machinery was not the property of Nan Pao Chemical Co., Ltd., but was destroyed due to its negligence, Nan Pao Chemical Co., Ltd. would be liable for damage. In June 2017, the Supreme Court of Taiwan ruled in a civil lawsuit that machinery and equipment did not belong to Nan Pao Chemical Co., Ltd.

Based on the ruling of the Changhua District Court, He Kui Chemical Company argued for ownership of machinery and equipment in the plant. Based on the aforementioned litigation, He Kui Chemical Company filed for an indemnity lawsuit against Nan Pao Chemical Co., Ltd. for damage caused by use of machinery and equipment, and sought for indemnity of \$53,102 thousand. Nevertheless, the amount that He Kui Chemical Company claimed for was based on the purchase price of machinery 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 1990s and early 2000s, with surplus value under \$53,102 thousand. The Company has appropriated a liability reserve of \$38,445 thousand based on the remaining value.

As of the date of issue of the consolidated financial statements, the indemnity lawsuit against He Kui Chemical Company was still being ruled at the Changhua District Court.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 44,287	28.48 (USD:NTD)	\$ 1,261,294
USD	7,757	6.5171 (USD:CNY)	220,646
USD	7,622	14,030 (USD:IDR)	217,078
USD	5,972	7.75 (USD:HKD)	170,102
VND	840,813,025	0.000043 (VND:USD)	1,031,973
<u>Financial liabilities</u>			
Monetary items			
USD	19,653	28.2 (USD:NTD)	554,219
USD	1,939	6.52 (USD:CNY)	55,237
USD	5,824	7.7539 (USD:HKD)	165,854
USD	6,775	14,030 (USD:IDR)	192,966
USD	3,274	4.01 (USD:MYR)	93,296
VND	173,150,789	0.000043 (VND:USD)	213,705

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 56,328	29.98 (USD:NTD)	\$ 1,688,763
USD	10,279	6.9762 (USD:CNY)	314,694
USD	8,611	13,752 (USD:IDR)	264,078
USD	6,004	7.79 (USD:HKD)	185,090
HKD	26,252	0.1284 (HKD:USD)	104,615
VND	712,097,294	0.000043 (VND:USD)	952,606
MYR	8,956	0.3488 (MYR:AUD)	65,493
<u>Financial liabilities</u>			
Monetary items			
USD	5,307	30.0085 (USD:NTD)	159,269
USD	2,369	6.9835 (USD:CNY)	72,613
USD	4,571	7.789 (USD:HKD)	140,928
USD	6,016	13,752 (USD:IDR)	184,508
USD	3,746	23,207 (USD:VND)	116,321
USD	4,504	1.4273 (USD:AUD)	134,761
VND	95,161,905	0.000043 (VND:USD)	127,669

The Group is mainly exposed to the USD. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between the respective functional currencies and the presentation currency were disclosed. The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

Functional Currency	For the Year Ended December 31			
	2020		2019	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	29.549(USD:NTD)	\$ 783	30.912 (USD:NTD)	\$ (1,303)
NTD	1(NTD:NTD)	(51,606)	1 (NTD:NTD)	(29,192)
CNY	4.282(CNY:NTD)	(26,487)	4.472 (CNY:NTD)	4,866
SGD	21.43(SGD:NTD)	30	22.66 (SGD:NTD)	(329)
AUD	20.395(AUD:NTD)	3,351	21.495 (AUD:NTD)	(365)
IDR	0.00205(IDR:NTD)	4,880	0.00221 (IDR:NTD)	(2,961)
Others		<u>6,815</u>		<u>10,218</u>
		<u>\$ (62,234)</u>		<u>\$ (19,066)</u>

37. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (N/A)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (N/A)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (N/A)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
- 9) Trading in derivative instruments (N/A)
- 10) Intercompany relationships and significant intercompany transactions (Table 9)

b. Information on investees (Table 6)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 7)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 8):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- d. Information of major shareholders : List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

38. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

a. Segment revenue and results

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

	Taiwan	Mainland China	Vietnam	Australia	Other Regions	Adjustments and Write-Off	Total
<i>For the year ended December 31, 2020</i>							
Revenue							
Revenue from external customers	\$ 3,089,778	\$ 5,511,179	\$ 3,747,259	\$ 1,994,353	\$ 1,208,775	\$ -	\$ 15,551,344
Inter segment revenue	<u>2,238,103</u>	<u>1,119,621</u>	<u>535,890</u>	<u>8,933</u>	<u>30,120</u>	<u>(3,932,667)</u>	<u>-</u>
Total revenue	<u>\$ 5,327,881</u>	<u>\$ 6,630,800</u>	<u>\$ 4,283,149</u>	<u>\$ 2,003,286</u>	<u>\$ 1,238,895</u>	<u>\$ (3,932,667)</u>	<u>\$ 15,551,344</u>
Segment income	\$ 551,482	\$ 319,932	\$ 507,904	\$ 67,873	\$ 93,698	\$ (39,189)	\$ 1,501,700
Interest income							48,683
Other income							157,392
Other gains and losses							(90,898)
Finance costs							(58,881)
Share of profit of associates accounted for using the equity method							48,096
Profit before tax							<u>\$ 1,606,092</u>

(Continued)

	Taiwan	Mainland China	Vietnam	Australia	Other Regions	Adjustments and Write-Off	Total
<u>For the year ended December 31, 2019</u>							
Revenue							
Revenue from external customers	\$ 3,384,961	\$ 6,204,421	\$ 4,037,392	\$ 1,962,953	\$ 1,523,819	\$ -	\$ 17,113,546
Inter segment revenue	<u>2,586,910</u>	<u>1,282,979</u>	<u>652,144</u>	<u>17,246</u>	<u>34,169</u>	<u>(4,573,448)</u>	<u>-</u>
Total revenue	\$ <u>5,971,871</u>	\$ <u>7,487,400</u>	\$ <u>4,689,536</u>	\$ <u>1,980,199</u>	\$ <u>1,557,988</u>	\$ <u>(4,573,448)</u>	\$ <u>17,113,546</u>
Segment income	\$ 495,825	\$ 350,784	\$ 647,194	\$ 33,729	\$ 145,110	\$ 9,387	\$ 1,682,029
Interest income							34,382
Other income							133,240
Other gains and losses							(21,222)
Finance costs							(69,224)
Share of profit of associates accounted for using the equity method							33,477
Profit before tax							\$ 1,792,682

(Concluded)

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

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

b. Revenue from major products and services

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

	For the Year Ended December 31	
	2020	2019
Adhesives	\$ 11,146,318	\$ 12,487,929
Construction materials	2,181,039	2,131,575
Coatings	1,546,681	1,794,592
Others	<u>677,306</u>	<u>699,450</u>
	\$ <u>15,551,344</u>	\$ <u>17,113,546</u>

c. Geographical information

The Group operates in three principal geographical areas - Taiwan (ROC), China and Southeast Asia.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers	
	For the Year Ended December 31	
	2020	2019
Asia	\$ 11,119,345	\$ 12,602,356
Taiwan	2,369,732	2,416,552
Oceania	1,805,382	1,779,158
America	95,248	85,305
Africa	50,194	76,869
Europe	<u>111,443</u>	<u>153,306</u>
	\$ <u>15,551,344</u>	\$ <u>17,113,546</u>

	Non-current Assets	
	December 31,	
	2020	2019
Taiwan	\$ 3,571,540	\$ 3,213,051
Mainland China	940,655	681,564
Southeast Asia	1,264,905	1,356,741
Australia	<u>761,087</u>	<u>700,247</u>
	<u>\$ 6,538,187</u>	<u>\$ 5,951,603</u>

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

TABLE 1**NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES**

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed(Note 5)	Interest Rate (%)	Nature of Financing (Note 1)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
0	Nan Pao Resins Chemical Co., Ltd.	RLA Polymers (M) Sdn. Bhd.	Other accounts receivable-related parties	Yes	\$ 90,750	\$ -	\$ -	4.2	2	\$ -	Operating turnover	\$ -	-	\$ -	\$ 2,053,320	\$ 4,106,640
1	Nan Pao Group Holdings Ltd.	RLA Polymers (M) Sdn. Bhd.	Other accounts receivable-related parties	Yes	90,750	-	-	2.75	2	-	Operating turnover	-	-	-	3,985,059	3,985,059

Note 1: The nature of financing is numbered as follows:

1. Has business relationship
2. Short-term financing needs

Note 2: The Company's regulations regarding the procedures for financing provided to others are as follows:

1. The aggregate financing limit is 40% of the Company's net value.
2. The financing limit for each borrower is as follows:
 - (1) For financing provided to counterparties that have business relationships with the Company, the financing limit for each borrower should not exceed the higher of the total sales or purchase amount between the two parties for the most recent year, and the financing limit should not exceed the aggregate financing limit.
 - (2) For financing provided to those with short-term financing needs, the financing limit for each borrower should not exceed 20% of the Company's net value.

Note 3: The regulations regarding the procedures for financing provided by the subsidiaries directly or indirectly owned by the Company to others are set out below:

1. The aggregate financing limit is 100% of the lender's net value.
2. The financing limit for each borrower is as follows:
 - (1) For financing provided to counterparties that have business relationships with the Company, the financing limit for each borrower should not exceed the higher of the total sales or purchase amount between the two parties for the most recent year, and the financing limit should not exceed the aggregate financing limit.
 - (2) For financing provided to those with short-term financing needs, the financing limit for each borrower should not exceed 20% of the Company's net value.

Note 4: For foreign companies which the Company directly or indirectly owns 100% of their voting shares, both the aggregate financing limit and financing limit for each borrower should not exceed the net value of the borrower.

Note 5: Eliminated during the preparation of the consolidated financial statements.

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

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2 & 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2 & 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	
		Name	Relationship(N ote 1)											
0	Nan Pao Resins Chemical Co., Ltd.	Phymed Bio-tec Co., Ltd.	2	\$ 2,053,320	\$ 10,000	\$ 10,000	\$ 2,400	\$ -	0.10	\$ 7,186,621	Y	N	N	
		Nan Pao Philippines Export, Inc	2	2,053,320	15,125	14,240	-	-	0.14	7,186,621	Y	N	N	
		ITLS International Development Co., Ltd.	2	2,053,320	20,000	20,000	1,411	-	0.19	7,186,621	Y	N	N	
		Nan Pao Resins (HK) Limited (Note 5)	2	2,053,320	24,319	-	-	-	-	-	7,186,621	Y	N	N
		Nan Pao Resins (Vietnam) Enterprise Ltd. (Note 5)	2	2,053,320	24,319	-	-	-	-	-	7,186,621	Y	N	N
		Eastlion Enterprises Limited (Note 4)	2	2,053,320	25,319	-	-	-	-	-	7,186,621	Y	N	N
		Nan Pao Resins (HK) Limited (Note 4)	2	2,053,320	25,319	-	-	-	-	-	7,186,621	Y	N	N
		Nan Pao Resins (Vietnam) Enterprise Ltd. (Note 4)	2	2,053,320	25,319	-	-	-	-	-	7,186,621	Y	N	N
		Nan Pao Advanced Materials Vietnam Co., Ltd.	2	2,053,320	30,250	-	-	-	-	-	7,186,621	Y	N	N
		Nan Pao Resins Chemical Philippines Inc.	2	2,053,320	30,250	28,480	14,240	-	-	0.28	7,186,621	Y	N	N
		Nan Pao Resins International Ltd.	2	2,053,320	75,625	71,200	-	-	-	0.69	7,186,621	Y	N	N
		Nan Pao Group Holdings Ltd.	2	2,053,320	90,750	56,960	-	-	-	0.55	7,186,621	Y	N	N
		RLA Polymers (M) Sdn. Bhd.	2	2,053,320	90,750	85,440	81,168	-	-	0.83	7,186,621	Y	N	N
		Nan Pao Resins (HK) Limited	2	2,053,320	136,125	128,160	-	-	-	1.25	7,186,621	Y	N	N
		RLA Polymers Pty Ltd.	2	2,053,320	151,250	142,400	94,385	-	-	1.39	7,186,621	Y	N	N
		Fuqing Nan Pao Resins Co., Limited (Note 5)	2	2,053,320	24,319	-	-	-	-	-	7,186,621	Y	N	Y
		Nan Pao Resins (China) Co., Ltd. (Note 5)	2	2,053,320	24,319	-	-	-	-	-	7,186,621	Y	N	Y
		Nan Pao Resins (Fo Shan) Co., Ltd. (Note 5)	2	2,053,320	24,319	-	-	-	-	-	7,186,621	Y	N	Y
		Nan Pao Resins (China) Co., Ltd. (Note 4)	2	2,053,320	25,319	-	-	-	-	-	7,186,621	Y	N	Y
		Nan Pao Resins (Fo Shan) Co., Ltd. (Note 4)	2	2,053,320	25,319	-	-	-	-	-	7,186,621	Y	N	Y
		Fuqing Nan Pao Resins Co., Limited (Note 4)	2	2,053,320	25,319	-	-	-	-	-	7,186,621	Y	N	Y
		Progroups Technology co. Ltd.	2	2,053,320	10,000	-	-	-	-	-	7,186,621	Y	N	N
		PT. Indo Nan Pao Resins Chemical (Note 4)	2	2,053,320	25,319	-	-	-	-	-	7,186,621	Y	N	N
		PT. Indo Nan Pao Resins Chemical (Note 5)	2	2,053,320	24,319	-	-	-	-	-	7,186,621	Y	N	N
		RLA Polymers (M) Sdn. Bhd	2	2,053,320	120,080	113,920	-	-	-	1.11	7,186,621	Y	N	N
		Nan Pao New Materials (Huaian) Co., Ltd.	2	2,053,320	131,370	131,310	-	-	-	1.28	7,186,621	Y	N	Y
		1	NP Australia Pty Ltd.	RLA Polymers Pty Ltd.	2	139,491	107,555	107,555	21,950	-	15.42	488,217	N	N

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

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

Note 2: The limit on endorsement/guarantee given on behalf of each party is 20% of the Company's net value at the end of the period, while the aggregate endorsement/guarantee limit is 70% of the Company's net value.

Note 3: The limit on endorsement/guarantee given by subsidiaries directly or indirectly owned by the Company on behalf of each party is 20% of the endorsee company's net value at the end of the period, while the aggregate endorsement limit is 70% of the endorsee company's net value.

Note 4: The credit limit of letter of credit is USD837,000 shared by 7 subsidiaries. The balance of the company's endorsement / guarantee for subsidiaries is also USD837,000. Therefore, maximum total actual borrowing amount of each subsidiary is limited to USD837,000.

Note 5: The credit limit of letter of credit is USD804,600 shared by 6 subsidiaries. The balance of the company's endorsement / guarantee for subsidiaries is also USD804,600. Therefore, maximum total actual borrowing amount of each subsidiary is limited to USD804,600.

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

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note	
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value		
Nan Pao Resins Chemical Co., Ltd.	Dairen Chemical Corp. - publicly owned company	None	Financial assets at fair value through other comprehensive income - non-current	6,515,606	\$ 1,056,114	2	\$ 1,056,114		
	Hua Chi Venture Capital Co., Ltd. - privately-issued equity	"	"	94,737	2,937	1	2,937		
	Contact Organics Pty Ltd- privately-issued equity	"	"	1,191	5,887	8	5,887		
	Revivegen Environmental Technology Co., Ltd. - privately-issued equity	"	"	395,957	13,075	2	13,075		
	FlexUP Technologies Corp. - privately-issued equity	"	"	"	1,200,000	1,284	7	1,284	
	Opulence Optronics Co., Ltd.- privately-issued equity	The Group is an executive of the Company	"	"	2,049,200	1,233	11	1,233	
					<u>\$ 1,080,530</u>		<u>\$ 1,080,530</u>		
Nan Pao Chemical Company Ltd.	Ace Chemical Corp. -privately-issued equity	None	Financial assets at fair value through other comprehensive income - non-current	893,265	<u>\$ 28,737</u>	10	<u>\$ 28,737</u>		

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

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

TABLE 4

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

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount (Note)	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note)	% of Total	
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Subsidiary	Sale	\$ (1,102,027)	24	Telegraphic transfer within 90 days	Similar to general transactions	Similar to general transactions	\$ 562,394	38	
	PT Indo Nan Pao Resins Chemical Co., Ltd.	Subsidiary	Sale	(313,152)	7	Telegraphic transfer within 90 days	Similar to general transactions	Similar to general transactions	107,492	7	
	Nan Pao Materials Vietnam Co., Ltd.	Subsidiary	Sale	(170,118)	4	Telegraphic transfer within 90 days	Similar to general transactions	Similar to general transactions	78,650	5	
	Nan Pao Resins (HK) Limited	Subsidiary	Sale	(178,076)	4	Telegraphic transfer within 90 days	Similar to general transactions	Similar to general transactions	47,697	3	
	Nan Pao Resins (Foshan) Co., Ltd.	Subsidiary	Sale	(117,450)	3	Telegraphic transfer within 90 days	Similar to general transactions	Similar to general transactions	46,697	3	
Nan Pao Resins (Vietnam) Enterprise Ltd.	Nan Pao Resins International Ltd.	Same ultimate Parent Company	Sale	(251,829)	10	Telegraphic transfer within 60 ~ 90 days	Similar to general transactions	Similar to general transactions	64,305	11	
Nan Pao Resins (Dongguan) Co., Ltd.	Nan Pao Resins (HK) Limited	Same ultimate Parent Company	Processing Revenue	(334,007)	100	Payment within 90 days	No comparable produce sales for comparison	No third-party transaction for comparison	-	-	
Nan Pao Resins International Ltd.	Pou Chen Group and its subsidiaries	Investors with significant influence	Sale	(390,401)	92	Payment within 90~105 days	Similar to general transactions	Similar to general transactions	94,241	100	
PT. Indo Nan Pao Resins Chemical Co., Ltd.	Pou Chen Group and its subsidiaries	Investors with significant influence	Sale	(321,924)	35	Telegraphic transfer within 90 days	Similar to general transactions	Similar to general transactions	118,820	45	

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

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

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Subsidiary	\$ 562,394	2.7	\$ -	Not applicable	\$ 257,107	\$ -
	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Subsidiary	107,492	2.6	-	Not applicable	80,009	-
PT. Indo Nan Pao Resins Chemical Co., Ltd.	Pou Chen Corporation and its subsidiaries	Investors with significant influence	118,820	2.32	-	Not applicable	64,668	697

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

TABLE 6

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

INFORMATION ON INVESTEEES
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Chemical Company Ltd.	No.12, Nanhai Vil., Xigang Dist., Tainan City	Trading of chemical substances	\$ 300,000	\$ 300,000	15,000,000	100	\$ 176,827	\$ 5,185	\$ 5,603	
	Nan Pao Application Material Co., Ltd.	No.12, Nanhai Vil., Xigang Dist., Tainan City	Trading of chemical substances	60,000	60,000	200,000	100	9,243	(140)	(140)	
	Nan Pao Electronic Material Company	No.510, Zhongshan Rd., Xigang Dist, Tainan City	Production and trading of electronic materials	63,540	63,540	4,000,000	100	48,126	(1,434)	(1,434)	
	ITLS International Development Co., Ltd.	3F, No.356, Sec.1, NeiHu Rd., Taipei	Trading of construction materials and chemical substances	755,000	755,000	30,500,000	100	278,547	(8,931)	(8,931)	
	Prince Pharmaceutical Co., Ltd.	9F, No. 107, Sec.3, Chung-Shin Rd., Sanchung Dist., New Taipei City	Manufacturing, packaging, and processing of raw materials for various pharmaceutical and health food	324,683	324,683	16,767,305	50.51	341,326	(33,800)	(17,332)	
	Phymed Bio-tec Co., Ltd.	No.12, Nanhai Vil., Xigang Dist., Tainan City	R&D and trading of health food	16,000	16,000	600,000	100	2,712	(1,165)	(1,165)	
	Biorich Biotechnology Co., Ltd.	3F, No.356, Sec.1, NeiHu Rd., Taipei	R&D, production, and trading of new high protein business and health food	64,121	64,121	391,462	57.1	7,936	2,258	1,289	
	Nan Pao Advanced Materials Co., Ltd.	No. 521, Zhongshan Rd., Xigang Dist, Tainan City	Trading of adhesives and chemicals	3,500	3,500	350,000	70	8,148	5,866	4,106	
	Progroups Technology Co., Ltd.	No.12, Nanhai Vil., Xigang Dist., Tainan City	Trading of Waterborne PU Resin	70,814	70,814	459,950	91.99	70,321	(204)	(2,221)	
	Nan Pao Fine Materials Co., Ltd.	No.217, Xinxing St., 4 Neighborhood, Qingan Vil., Xigang Dist., Tainan City	Production and trading of adhesives and chemicals	13,750	-	1,375,000	55	13,683	(122)	(67)	
	Total Acrylic Polymer Industry (TAPI) Corporation	12F., No. 117, Sec. 2, Chongqing N. Rd., Datong Dist., Taipei City	Production and trading of chemical materials including adhesives and resins	120,000	120,000	1,500,000	30	367,753	160,321	48,096	
	Fuqing Nan Pao Investment Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	166,699	166,699	4,990,000	100	222,102	27,145	27,145	
	Thai Nan Pao Investment Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	169,909	169,909	5,282,000	100	178,538	6,642	6,642	
	Nan Pao Resins India Pvt Ltd.	204, Abhishek, off New Link Road, Andheri (W) , Mumbai 400053, India	Trading of adhesives	16,499	16,499	3,000,000	100	26,334	(1,058)	(1,058)	
	Nan Pao Materials Vietnam Co., Ltd.	LotA4, A5, A10, A11 Daden Industrial Park, Thu Dau Mot City, Binh Duong Province, Vietnam	Production and trading of adhesives and chemicals	685,094	685,094	-	100	969,581	156,287	156,677	
	Nan Pao Advanced Materials Vietnam Co., Ltd.	Phuc Son Industrial Area, Ninh Phuc Commune, Ninh Binh City, Ninh Binh province	Production and trading of adhesives and chemicals	465,970	465,970	-	100	394,399	4,973	4,973	
	Nan Pao Overseas Holdings Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	2,252,110	2,103,010	73,300,502	100	3,868,876	362,908	365,025	
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General investment	186,588	186,588	983,333	73.75	746,295	114,161	82,403	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	All Saints Enterprises Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	143,375	143,375	5,452,549	54.53	217,310	1,440	(785)	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	Ongoing Profits Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	46,426	46,426	1,560,000	32.18	230,545	279,766	90,012	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
PT. Indo Nan Pao Resins Chemical Co., Ltd.	Jl. Pajajaran Raya No.44, Jatiuwung Tangerang 15137, Indonesia	Production and trading of adhesives	39,276	39,276	2,756,250	49	210,910	68,241	33,438	Nan Pao Resins Chemical Co., Ltd. and related companies hold 67.5% of voting shares	
Nan Pao Philippines Export Inc.	Lot IL-2 Subic Bay Gateway Park Phase II, Subic Bay Freeport Zone	Trading of adhesives	14,993	-	25,750	100	14,031	(1,066)	(1,066)		
ITLS International Development Co., Ltd.	ITLS Holding Pte. Ltd.	Blk 1049, Eunos Avenue 6, #01-132, Singapore 409628	General investment	545,462	545,462	24,064,549	100	137,583	(11,206)		
	Aftek Materials Vietnam Co., Ltd.	No. 16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and trading of construction materials	49,172	49,172	-	70	31,526	(6,213)		
Fuqing Nan Pao Investment Ltd.	Wealth Castle Development Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	129,869	129,869	10,000	100	222,312	27,240		
				(USD 4,560,000)	(USD 4,560,000)						

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
Thai Nan Pao Investment Ltd.	Thai Nanpao Resins Chemical Co., Ltd.	412 Kor Soi, 1cBangpoo Industrial Tumbon Preaksa Ampur Muang Samutprakarn 10280, Thailand	Production and trading of adhesives	\$ 158,885 (USD 5,578,821)	\$ 158,885 (USD 5,578,821)	21,197,000	100	\$ 133,927	\$ 6,693		
Nan Pao Overseas Holdings Ltd.	Nan Pao Group Holdings Ltd.	4th Floor, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Islands	General investment	2,087,598 (USD 73,300,502)	1,945,198 (USD 68,300,502)	73,300,502	100	3,985,059	363,071		
ITLS Holding Pte. Ltd.	ITLS (Malaysia) SDN BHD	Lot 75289, Lebuhraya Pasir Gudang, Mukim Plentong (PermasJaya) , 81750 Masai, Johor, Malaysia	Production and trading of construction materials	-	29,252 (USD 1,027,092)	-	-	-	-		
	PT. ITLS Indonesia	Jl. Pajajaran Raya No. 44, Kel. Gandasari, Kec. Jatiuwung, Tangerang-15137 Indonesia	Production and trading of construction materials	72,101 (USD 2,531,620)	72,101 (USD 2,531,620)	2,437,109	100	18,803	(1,644)		
	ITLS Vietnam Co., Ltd.	No.16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and trading of construction materials	123,987 (USD 4,353,487)	123,987 (USD 4,353,487)	-	100	71,910	(1,791)		
	ITLS-SB SDN BHD	Lot 75289, Lebuhraya Pasir Gudang, Mukim Plentong (PermasJaya) , 81750 Masai, Johor, Malaysia	Production and trading of hardware and construction materials	-	20,021 (SGD 928,632)	-	-	-	-		
Nan Pao Group Holdings Ltd.	Greatwill Materials (HK) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	35,885 (USD 1,260,000)	35,885 (USD 1,260,000)	7,172	67.68	397,053	73,374		
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General investment	53,760 (USD 1,887,627)	53,760 (USD 1,887,627)	350,000	26.25	269,102	114,161	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares	
	Nan Pao Resins (Holdings) Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	599,620 (USD 21,054,073)	742,020 (USD 26,054,073)	10,000	100	384,763	60,059		
	All Saints Enterprises Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	151,886 (USD 5,333,075)	151,886 (USD 5,333,075)	4,547,451	45.47	181,205	1,440	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares	
	NP Australia Pty. Ltd.	Collins Square Tower Five Level 22, 727 Collins Street, Docklands VIC 3008	General investment	553,455 (AUD 25,214,354)	553,455 (AUD 25,214,354)	25,214,354	100	697,450	35,740		
	Ongoing Profits Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	109,273 (USD 3,836,817)	109,273 (USD 3,836,817)	3,287,546	67.82	576,615	279,766	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares	
	Treasure Wealth (HK) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	131,293 (USD 4,610,000)	131,293 (USD 4,610,000)	4,610	100	165,531	14,707		
	Goldford Investments Ltd.	Creque Building, P.O. Box 116, Road Town, Tortola, British Virgin Islands	General investment	16,656 (USD 584,844)	16,656 (USD 584,844)	486,000	100	86,072	9,059		
	Nan Pao Resins Chemical Philippines, Inc.	Road 22 Phase 11, Cogevo Village, Antipolo City, Philippines	Trading of adhesives	5,981 (USD 210,000)	5,981 (USD 210,000)	9,000	100	65,027	11,936		
	Nan Pao Resins International Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Trading of chemical substances and related products	735 (HKD 200,000)	735 (HKD 200,000)	1,000	100	9,590	(5,978)		
	Nan Pao Resins (HK) Limited	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Production and trading of adhesives	438,592 (USD 15,400,000)	108,224 (USD 3,800,000)	15,400,000	100	418,157	(6,984)		
Profit Land Ltd.	Giant Profit Development Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	227,840 (USD 8,000,000)	227,840 (USD 8,000,000)	10,000	100	1,016,322	114,205		
Nan Pao Resins (Holdings) Ltd.	Eastlion Enterprises Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	157,782 (USD 5,540,100)	573,590 (USD 20,140,100)	20,240	100	254,861	44,008		
	Nan Pao Resins Development Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	85,440 (USD 3,000,000)	85,440 (USD 3,000,000)	3,000	100	123,102	16,044		
All Saints Enterprises Ltd.	Great Mount Enterprises Ltd.	Unit 2102, 21/F The Broadway, No., 54-62 Lockhart, Road, Wanchai, Hong Kong	General investment	284,800 (USD 10,000,000)	284,800 (USD 10,000,000)	10,000	100	394,503	1,517		
NP Australia Pty Ltd.	RLA Polymers Pty. Ltd.	Collins Square Tower Five Level 22, 727 Collins Street, Docklands VIC 3008	Production and trading of construction materials and chemical substances	358,539 (AUD 16,334,344)	358,539 (AUD 16,334,344)	11,152,080	100	520,155	39,602		
Ongoing Profits Ltd.	Rising Sun Associates Ltd.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Island	General investment	138,058 (USD 4,847,546)	138,058 (USD 4,847,546)	3,000,000	100	848,635	279,854		
Treasure Wealth (HK) Ltd.	Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Kcn Nhon Trach II, Xa Hiep Phuoc, Huyen Nhon Trach, Tinh Dong Nai, Vietnam	Production and trading of coatings	130,723 (USD 4,590,000)	130,723 (USD 4,590,000)	-	50	158,772	29,426		
Goldford Investments Ltd.	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Jl. Pajajaran Raya No. 44, Jatiuwung Tangerang 15137, Indonesia	Production and trading of adhesives	2,112 (IDR 1,040,625,000)	2,112 (IDR 1,040,625,000)	1,040,625	18.5	85,494	68,241	Nan Pao Resins Chemical Co., Ltd. and related companies hold 67.5% of voting shares	
Rising Sun Associates Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	10 Thong Nhat Boulevard, Song Than 2 Industrial Park Di An Town, Binh Duong Province, S.R Vietnam	Production and trading of adhesives	97,066 (USD 3,408,217)	97,066 (USD 3,408,217)	-	100	845,917	279,912		
RLA Polymers Pty Ltd.	RLA Polymers (M) SDN BHD	No.5, Lebuhraya Petai, Pandamaran, 42000 Port Klang, Selangor Darul Ehsan, Malaysia	Production and trading of construction materials and chemical substances	131,081 (AUD 5,971,801)	131,081 (AUD 5,971,801)	18,415,500	100	181,090	1,833		

Note 1: The Company is only required to list the amount of profit and loss of each of the subsidiaries and each investee that is accounted for using the equity method. The rest of the information can be exempted.

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

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

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Main Businesses and Products	Paid-in Capital (Note 4)	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020 (Note 4)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
Nan Pao Resins (China) Co., Ltd.	Production and trading of adhesives and coatings	\$ 284,800 (USD 10,000,000)	(2) Great Mount Enterprises Ltd.	\$ 307,297 (USD 10,789,932)	\$ -	\$ -	\$ 307,297 (USD 10,789,932)	\$ 1,519	100	\$ 1,519 (2)B.	\$ 394,370	\$ -
Fuqing Nan Pao Resins Co., Limited	Production and trading of adhesives	129,869 (USD 4,560,000)	(2) Wealth Castle Development Ltd.	142,115 (USD 4,990,000)	-	-	142,115 (USD 4,990,000)	27,382	100	27,382 (2)B.	221,465	134,553
Nan Pao Resins (Dongguan) Co., Ltd.	Processing of adhesive products	76,896 (USD 2,700,000)	(2) Eastlion Enterprises Ltd.	72,392 (USD 2,541,860)	-	-	72,392 (USD 2,541,860)	23,517	100	23,517 (2)B.	145,193	-
Dongguan Jia Chin Electronics Co., Ltd.	Production and trading of coatings and advanced resin	85,440 (USD 3,000,000)	(2) Nan Pao Resins Development Ltd.	87,282 (USD 3,064,683)	-	-	87,282 (USD 3,064,683)	16,045	100	16,045 (2)B.	123,086	-
Foshan Nan Pao Advanced Materials Co., Ltd.	Production and trading of adhesives	48,043 (USD 1,686,900)	(2) Greatwill Materials (HK) Ltd. and Nan Pao Resins (Fo Shan) Co., Ltd.	-	-	-	-	76,729	60	50,824 (2)B.	399,630	-
Nan Pao Resins (Fo Shan) Co., Ltd.	Production and trading of adhesives	227,840 (USD 8,000,000)	(2) Giant Profit Development Ltd.	221,792 (USD 7,787,627)	-	-	221,792 (USD 7,787,627)	114,206	100	114,206 (2)B.	1,015,373	245,298
Goaden Nan Pao Material Technology Co., Ltd.	Trading of footwear materials	21,885 (RMB 5,000,000)	(3) Nan Pao Resins (Fo Shan) Co., Ltd.	-	-	-	-	909	51	464 (2)B.	15,771	-
Gangyi Electronic (Dongguan) Co., Ltd. (Note 5)	Production and trading of magnetic covers, magnetic rings, iron cores and electronic components	-	(2) Qang Yi Electronic Factory Company Ltd.	11,392 (USD 400,000)	-	-	11,392 (USD 400,000)	-	-	-	-	-
Nanpao Advanced Investment Co., Ltd.	General investment	817,376 (USD 28,700,000)	(2) Nan Pao Group Holdings Ltd.	532,576 (USD 18,700,000)	284,800 (USD 10,000,000)	-	817,376 (USD 28,700,000)	(7,133)	100	(7,133) (2)B.	804,197	-
Nan Pao (Kunshan) Electronic Commerce Co., Ltd.	Agency of online business and general merchandise	142,400 (USD 5,000,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	7,928	100	7,928 (2)B.	99,340	-
Nantong Nanpao Resins Materials Co., Ltd.	Production and trading of adhesives	156,640 (USD 5,500,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	(6,804)	100	(6,804) (2)B.	142,957	-
Nan Pao Resins (Yunan) Co., Ltd.	Production and trading of adhesives	227,840 (USD 8,000,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	(1,163)	100	(1,163) (2)B.	237,810	-
Nanpao New Materials (Huaian) Co., Ltd.	Production and trading of carbon fiber	284,800 (USD 10,000,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	(10,051)	100	(10,051) (2)B.	296,169	-

Accumulated Outward Remittance for Investments in Mainland China as of DECEMBER 31, 2020 (Note 4)	Investment Amount Authorized by the Investment Commission, MOEA (Note 4)	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 3)
\$ 1,659,646 (USD 58,274,102)	\$ 1,881,083 (USD 66,049,260)	\$ 6,159,961

Note 1: The methods of investment in mainland China are divided into the following three categories (indicate the category number):

- (1) Direct investment in mainland China.
- (2) Investment in mainland China through companies in a third region (please specify investee company in third region).
- (3) Other methods

Note 2: Recognized in the investment gain (loss) column in the current period:

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

Note 3: The Company's investment limit in mainland China is calculated as follows:
 $\$10,266,601 \times 60\% = \$6,159,961$

Note 4: Relevant amounts are calculated based on the exchange rate of US\$1 = NT\$28.48 at the end of the period.
Relevant amounts are calculated based on the exchange rate of CNY 1 = NT\$4.377 at the end of the period.

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

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

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES

FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Counterparty	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Unrealized Gain (Note)
			Purchase/Sale	Amount (Note)	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note)	% to Total	
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Fo Shan) Co., Ltd.	Subsidiary	Sales	\$ (117,450)	(3)	Payment within 90 days	Similar to general transactions	Similar to general transactions	\$ 46,697	3	\$ 5,703
Foshan Nan Pao Advanced Materials Co., Ltd.	Nan Pao Resins Chemical Co., Ltd.	Ultimate parent company	Sales	(38,724)	-	Payment within 30 days	Similar to general transactions	Similar to general transactions	1,882	-	-
	Greatwill Materials (HK) Ltd.	Same ultimate Parent Company	Sales	(94,969)	(1)	Payment within 90 days	Similar to general transactions	Similar to general transactions	16,214	-	-
	Nan Pao Resins India Pvt Ltd.	Same ultimate Parent Company	Sales	(33,189)	-	Payment within 90 days	Similar to general transactions	Similar to general transactions	13,183	-	-
	Nan Pao Resins (Fo Shan) Co., Ltd.	Same ultimate Parent Company	Sales	(48,615)	(2)	Payment within 90 days	Similar to general transactions	Similar to general transactions	17,170	3	-
Nan Pao Resins (Dongguan) Co., Ltd.	Nan Pao Resins (HK) Limited	Same ultimate Parent Company	Processing Revenue	(334,007)	(100)	Payment within 90 days	No comparable product sales for comparison	No third-party transaction for comparison	-	-	-
Nan Pao Resins (Fo Shan) Co., Ltd.	Fuqing Nan Pao Resins Co., Limited	Same ultimate Parent Company	Sales	(82,302)	(6)	Payment within 90 days	Similar to general transactions	Similar to general transactions	26,674	3	-
	Nan Pao Resins (China) Co., Ltd.	Same ultimate Parent Company	Sales	(46,917)	(3)	Payment within 90 days	Similar to general transactions	Similar to general transactions	17,197	2	-
Fuqing Nan Pao Resins Co., Limited	Nan Pao Resins (China) Co., Ltd.	Same ultimate Parent Company	Sales	(104,497)	(28)	Payment within 90 days	Similar to general transactions	Similar to general transactions	31,681	30	-

Note: Already written off during the preparation of the consolidated financial statements.

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

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 (Amounts in Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount(Note 2)	Payment Terms	% of Total Sales or Assets
0	Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	1	Accounts receivable - related parties	\$ 562,394	Calculated based on general transaction prices, telegraphic transfer within 90 days	3
				Sales revenue	1,102,027		7
		Nan Pao Resins (Fo Shan) Co., Ltd.	1	Accounts receivable - related parties	46,697	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
				Sales revenue	117,450		1
		PT. Indo Nan Pao Resins Chemical Co., Ltd.	1	Accounts receivable - related parties	107,492	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
				Sales revenue	313,152		2
		Nan Pao Resins (HK) Limited	1	Accounts receivable - related parties	47,697	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
				Sales revenue	178,076		1
		Foshan Nan Pao Advanced Materials Co., Ltd.	1	Purchase	22,134	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Nan Pao Materials Vietnam Co., Ltd.	1	Purchase	38,724		-
				Accounts receivable - related parties	78,650	Calculated based on general transaction prices, telegraphic transfer within 30 days	-
				Sales revenue	170,118		1
		ITLS International Development Co., Ltd.	1	Accounts receivable - related parties	16,637	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Sales revenue	49,768	-			
Nan Pao Advanced Materials Co., Ltd.	1	Sales revenue	31,944	Calculated based on general transaction prices, payment collected 90 days from date of invoice	-		
1	Nan Pao Resins (Vietnam) Enterprise Ltd.	Progroups Technology Co., Ltd.	1	Sales revenue	15,645	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		PT. Indo Nan Pao Resins Chemical Co., Ltd.	3	Sales revenue	57,067	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Nan Pao Resins International Ltd.	3	Accounts receivable - related parties	25,457	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
				Accounts receivable - related parties	64,305		-
		Progroups Technology Co., Ltd.	3	Sales revenue	251,829	Calculated based on general transaction prices, telegraphic transfer within 90 days	2
				Purchase	43,722	No prices for similar products available for comparison, telegraphic transfer within 90 days	-
2	Nan Pao Resins (Fo Shan) Co., Ltd.	Nan Pao Chemical Company Ltd.	3	Purchase	16,130	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Nan Pao Resins (HK) Limited	3	Accounts payable - related parties	11,801		-
				Purchase	65,585	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
				Accounts receivable - related parties	26,674		-
		Fuqing Nan Pao Resins Co., Limited	3	Sales revenue	82,302	Calculated based on general transaction prices, payment collected 90 days from date of invoice	1
		Foshan Nan Pao Advanced Materials Co., Ltd.	3	Accounts payable - related parties	17,170	Calculated based on general transaction prices, payment made 90 days from date of invoice	-
		Purchase	48,615	-			
3	Nan Pao Resins (HK) Limited	Nan Pao Resins (China) Co., Limited	3	Accounts receivable - related parties	17,197	Calculated based on general transaction prices, payment collected 90 days from date of invoice	-
				Sales revenue	46,917		-
		Nan Pao Resin (HK) Limited	3	Sales revenue	19,423	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Nan Pao Resins (Dongguan) Co., Ltd.	3	Accounts payable - related parties	102,387		1
				Processing fee	334,007	No prices for similar products available for comparison, payment made 90 days from the date of the invoice	2
		Nan Pao Resins Chemical Philippines, Inc.	3	Accounts receivable-related parties	11,839	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Sales revenue	29,065	-			
4	Nan Pao Resins (China) Co., Limited	PT. Indo Nan Pao Resins Chemical Co., Ltd.	3	Sales revenue	56,455	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Nan Pao materials Vietnam Co., Ltd.	3	Accounts receivable-related parties	11,801		-
				Sales revenue	65,585	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
				Accounts payable - related parties	31,681		-
		Purchase	104,497	No prices for similar products available for comparison, telegraphic transfer within 90 days	1		
5	Foshan Nan Pao Advanced Materials Co., Ltd.	Nan Pao Resins India Pvt Ltd.	3	Sales revenue	33,189	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Greatwill Materials (HK) Ltd.	3	Sales revenue	94,969	Calculated based on general transaction prices, telegraphic transfer within 90 days	1
6	Nan Pao Materials Vietnam Co., Ltd.	Nan Pao Resins International Ltd.	3	Accounts receivable - related parties	48,415	Calculated based on general transaction prices, telegraphic transfer within 60-90 days	-
				Sales revenue	126,489		1
		Nan Pao Chemical Company Ltd.	3	Purchase	53,918	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		PT. Indo Nan Pao Resins Chemical Co., Ltd.	3	Sales revenue	46,580	Calculated based on general transaction prices, telegraphic transfer within 90 days	-
		Accounts receivable - related parties	20,744	-			

Note 1: Relationship with counterparty can be specified using the following three categories:

- (1) Parent Company to Subsidiaries.
- (2) Subsidiaries to Parent Company.
- (3) Between Subsidiaries.

Note 2: Already written off during the preparation of the consolidated financial statements.

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

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Pou Chien Enterprise Co., Ltd.	10,920,248	9.05%
Ding-Feng Investment Co., Ltd	10,665,947	8.84%
Yue Dean Technology Corporation	10,285,000	8.53%
Chuan-De Investment Co., Ltd.	10,060,298	8.34%
Guang Rong Investment Ltd.	8,868,132	7.35%
Growth Machine Development Co., Ltd.	7,826,523	6.49%
Pao-Wang Investment Co., Ltd.	7,476,068	6.20%

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

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

NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

CHANGES IN PROPERTY, PLANT AND EQUIPMENT
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	Land	Land Improvment	Buildings	Machinery and equipment	Transportation equipment	Miscellaneous equipment	Construction in progress	Total
<u>Cost</u>								
Balance at January 1, 2020	\$ 1,186,651	\$ 11,624	\$ 1,952,850	\$ 2,583,636	\$ 236,726	\$ 772,468	\$ 525,118	\$ 7,269,073
Additions	-	5,782	530,484	231,408	19,225	184,608	(199,406)	772,101
Disposals	-	(431)	(1,718)	(69,345)	(16,376)	(30,491)	-	(118,361)
Reclassification	-	-	-	-	4,528	-	-	4,528
Effect of foreign currency exchange differences	(633)	(85)	(31,406)	(3,152)	(3,495)	(455)	4,799	(34,427)
Balance at December 31, 2020	\$ 1,186,018	\$ 16,890	\$ 2,450,210	\$ 2,742,547	\$ 240,608	\$ 926,130	\$ 330,511	\$ 7,892,914
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2020	\$ -	\$ 5,847	\$ 732,110	\$ 1,718,441	\$ 158,958	\$ 556,825	\$ -	\$ 3,172,181
Depreciation	-	1,069	65,736	168,078	20,652	67,696	-	323,231
Disposals	-	(431)	(1,449)	(64,391)	(15,575)	(30,247)	-	(112,093)
Reclassification	-	-	-	-	2,482	-	-	2,482
Effect of foreign currency exchange differences	-	(34)	1,833	6,394	(1,850)	(14,610)	-	(8,267)
Balance at December 31, 2020	\$ -	\$ 6,451	\$ 798,230	\$ 1,828,522	\$ 164,667	\$ 579,664	\$ -	\$ 3,377,534
Carrying amount at December 31, 2020	\$ 1,186,018	\$ 10,439	\$ 1,651,980	\$ 914,025	\$ 75,941	\$ 346,466	\$ 330,511	\$ 4,515,380
<u>Cost</u>								
Balance at January 1, 2019	\$ 1,179,441	\$ 6,434	\$ 1,910,042	\$ 2,520,538	\$ 229,330	\$ 738,148	\$ 390,361	\$ 6,974,294
Additions	6,549	5,160	86,108	173,551	26,994	81,848	134,947	515,157
Disposals	-	-	(11,255)	(72,869)	(17,368)	(42,719)	-	(144,211)
Acquisitions through business combinations	-	-	-	692	-	-	-	692
Effect of foreign currency exchange differences	661	30	(32,045)	(38,276)	(2,230)	(4,809)	(190)	(76,859)
Balance at December 31, 2019	\$ 1,186,651	\$ 11,624	\$ 1,952,850	\$ 2,583,636	\$ 236,726	\$ 772,468	\$ 525,118	\$ 7,269,073
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2019	\$ -	\$ 5,645	\$ 680,901	\$ 1,638,207	\$ 154,056	\$ 543,691	\$ -	\$ 3,022,500
Depreciation	-	191	62,503	162,431	18,954	55,042	-	299,121
Disposals	-	-	(1,700)	(57,015)	(12,659)	(38,754)	-	(110,128)
Effect of foreign currency exchange differences	-	11	(9,594)	(25,182)	(1,393)	(3,154)	-	(39,312)
Balance at December 31, 2019	\$ -	\$ 5,847	\$ 732,110	\$ 1,718,441	\$ 158,958	\$ 556,825	\$ -	\$ 3,172,181
Carrying amount at December 31, 2019	\$ 1,186,651	\$ 5,777	\$ 1,220,740	\$ 865,195	\$ 77,768	\$ 215,643	\$ 525,118	\$ 4,096,892

Appendix 2: Individual Financial Statements

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Authenticity of Revenue Recognition

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

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

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

Other Matters

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

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

not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

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

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

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

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

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

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

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

Notice to Readers

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

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

Nan Pao Resins Chemical Co., Ltd.

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

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

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

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

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

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

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

(Continued)

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

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

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

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

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

(Concluded)

Nan Pao Resins Chemical Co., Ltd.

**STANDALONE STANDALONE STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	Retained Earnings					Other Equity		Total Other Equity	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2019	\$ 1,205,707	\$ 2,108,235	\$ 988,725	\$ 313,321	\$ 4,180,152	\$ (225,544)	\$ 1,027,000	\$ 801,456	\$ 9,597,596
Appropriation of the 2018 earnings (Note 22)									
Legal reserve	-	-	67,277	-	(67,277)	-	-	-	-
Cash dividends distributed by the Company - \$5 per share	-	-	-	-	(602,854)	-	-	-	(602,854)
Net profit for the year ended December 31, 2019	-	-	-	-	1,228,200	-	-	-	1,228,200
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	2,536	(164,464)	(315,887)	(480,351)	(477,815)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,230,736	(164,464)	(315,887)	(480,351)	750,385
Changes in percentage of ownership interests in subsidiaries (Note 27)	-	(4,387)	-	-	-	-	-	-	(4,387)
BALANCE AT DECEMBER 31, 2019	1,205,707	2,103,848	1,056,002	313,321	4,740,757	(390,008)	711,113	321,105	9,740,740
Appropriation of the 2019 earnings (Note 22)									
Legal reserve	-	-	122,820	-	(122,820)	-	-	-	-
Cash dividends distributed by the Company - \$6 per share	-	-	-	-	(723,425)	-	-	-	(723,425)
Net profit for the year ended December 31, 2020	-	-	-	-	1,219,753	-	-	-	1,219,753
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	1,635	(97,809)	127,882	30,073	31,708
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,221,388	(97,809)	127,882	30,073	1,251,461
Changes in percentage of ownership interests in subsidiaries (Note 27)	-	(2,175)	-	-	-	-	-	-	(2,175)
BALANCE AT DECEMBER 31, 2020	\$ 1,205,707	\$ 2,101,673	\$ 1,178,822	\$ 313,321	\$ 5,115,900	\$ (487,817)	\$ 838,995	\$ 351,178	\$ 10,266,601

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

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

Nan Pao Resins Chemical Co., Ltd.

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

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

(Continued)

Nan Pao Resins Chemical Co., Ltd.

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

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

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

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

(Concluded)

Nan Pao Resins Chemical Co., Ltd.

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The standalone financial statements were approved and authorized for issue by the Company’s board of directors on March 25, 2021.

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

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

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

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

1) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

a) Accounting policy information that relates to immaterial transactions, other events or conditions

is immaterial and need not be disclosed;

- b) The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- c) Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Company chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated

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

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

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

e. Inventories

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

f. Investments in subsidiaries

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

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of [equity of subsidiaries/equity of subsidiaries attributable to the Company].

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the standalone financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the standalone financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates

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

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

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

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is also a part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

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

h. Property, plant and equipment

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

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

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

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

i. Investment properties

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

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

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

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

j. Intangible assets

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

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

k. Impairment of property, plant and equipment, right-of-use asset and intangible assets

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

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

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

1. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at amortized cost

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

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

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

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

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

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

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;

- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

ii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

m. Revenue recognition

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

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

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

n. Leases

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

1) The Company as lessor

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

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

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

2) The Company as lessee

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

Right-of-use assets are initially measured at cost, which includes the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to

the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which include fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

o. Borrowing costs

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

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

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

p. Government grants

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

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

r. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

temporary differences and they are expected to reverse in the foreseeable future.

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

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

3) Current tax and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

6. CASH

	December 31	
	2020	2019
Cash on hand	\$ 1,053	\$ 1,053
Checking accounts and demand deposits	<u>286,010</u>	<u>595,564</u>
	<u>\$ 287,063</u>	<u>\$ 596,617</u>

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

	<u>December 31</u>	
	2020	2019
Domestic investments		
Unlisted stocks	\$ <u>1,080,530</u>	\$ <u>968,288</u>

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

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

8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2020	2019
<u>Current</u>		
Restricted demand deposits (a)	\$ <u>534,893</u>	\$ <u>382,835</u>
<u>Non-current</u>		
Refunded deposits	\$ <u>13,919</u>	\$ <u>13,937</u>

- a. Restricted demand deposits as of December 31, 2020 and 2019 are funds that the Company put into the dedicated bank account in accordance with "the Management, Utilization, and Taxation of Repatriated Offshore Funds Act".
- b. Refer to Note 9 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.

9. CREDIT RISK MANAGEMENT OF INVESTMENTS IN DEBT INSTRUMENTS

	<u>December 31</u>	
	2020	2019
Financial assets at amortized cost - current	\$ 534,893	\$ 382,835
Financial assets at amortized cost - non-current	<u>13,919</u>	<u>13,937</u>
	<u>\$ 548,812</u>	<u>\$ 396,772</u>

The Company invests only in debt instruments that have low credit risk for the purpose of impairment assessment. In determining the expected credit losses for debt instrument investments, the Company considers the historical default loss rates, the current financial condition of debtors, and the future prospects of the industries. Because counterparties have a low risk of default and a strong capacity to meet contractual cash flows, the Company did not make any provision for expected credit losses with respect to financial assets at amortized cost as of December 31, 2020 and 2019.

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Notes receivable</u>		
At amortized cost		
Notes receivable - operating	\$ <u>190,781</u>	\$ <u>180,728</u>
<u>Accounts receivable (including related parties)</u>		
Amortized cost		
Gross carrying amount	\$ 1,321,915	\$ 934,335
Less: Allowance for impairment loss	<u>527</u>	<u>3,500</u>
	\$ <u>1,321,388</u>	\$ <u>930,835</u>
<u>Other receivables</u>		
Gross carrying amount	\$ <u>13,156</u>	\$ <u>106,633</u>
<u>Accounts receivable at amortized cost</u>		

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

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

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

Notes receivable

As of December 31, 2020 and 2019, the notes receivable analyzed by the Company based on the past due days were not overdue, and the Company did not measure any loss allowance for notes receivable.

Accounts receivable (including from related parties)

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

December 31, 2020

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 365 Days	Over 365 Days	Total
Expected credit loss rate	0.01%	0.2%~1.2%	3%~7%	8%~32%	37%~83%	100%	
Gross carrying amount	\$ 1,048,610	\$ 272,310	\$ 595	\$ -	\$ -	\$ 400	\$ 1,321,915
Loss allowance (Lifetime ECLs)	(39)	(47)	(41)	-	-	(400)	(527)
Amortized cost	<u>\$ 1,048,571</u>	<u>\$ 272,263</u>	<u>\$ 554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,321,388</u>

December 31, 2019

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 365 Days	Over 365 Days	Total
Expected credit loss rate	0.01%	0.2%~1.2%	3%~7%	8%~32%	37%~83%	100%	
Gross carrying amount	\$ 911,157	\$ 19,647	\$ 27	\$ 129	\$ 10	\$ 3,365	\$ 934,335
Loss allowance (Lifetime ECLs)	(31)	(63)	(1)	(33)	(7)	(3,365)	(3,500)
Amortized cost	<u>\$ 911,126</u>	<u>\$ 19,584</u>	<u>\$ 26</u>	<u>\$ 96</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 930,835</u>

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 3,500	\$ 2,558
Add: Net remeasurement of loss allowance	(2,493)	992
Less: Amounts written off	<u>(480)</u>	<u>(50)</u>
Balance at December 31	<u>\$ 527</u>	<u>\$ 3,500</u>

11. INVENTORIES

	December 31	
	2020	2019
Goods	\$ 7,581	\$ 2,130
Finished goods and semi-finished goods	190,585	200,878
Work in process	25,248	19,322
Raw materials and supplies	<u>243,432</u>	<u>260,927</u>
	<u>\$ 466,846</u>	<u>\$ 483,257</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$3,145,039 thousand and \$3,746,583 thousand, respectively. The cost of goods sold included inventory write-downs of \$2,848 thousand for the years ended December 31, 2020.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2020	2019
Investments in subsidiaries	\$ 8,035,791	\$ 7,795,369
Investments in associates	<u>367,753</u>	<u>322,657</u>
	<u>\$ 8,403,544</u>	<u>\$ 8,118,026</u>

a. Investments in subsidiaries

Name of Subsidiaries	December 31	
	2020	2019
Nan Pao Overseas Holdings Ltd.	\$ 3,868,876	\$ 3,722,798
Fuqing Nan Pao Investment Ltd.	222,102	191,351
Thai Nan Pao Investment Ltd.	178,538	181,007
Nan Pao Resins India Pvt. Ltd.	26,334	29,977
Nan Pao Materials Vietnam Co., Ltd.	969,581	874,455
Nan Pao Advanced Materials Vietnam Co., Ltd.	394,399	408,490
Nan Pao Electronic Material Co.	48,126	49,560
Nan Pao Chemical Co. Ltd.	176,828	150,945
ITLS International Development Co. Ltd.	278,547	287,347
Phymed Bio-Tec Co., Ltd.	2,712	3,877
Nan Pao Application Material Co	9,243	9,383
Biorich Biotechnology Co.	7,936	6,647
Prince Pharmaceutical Co.	341,326	356,889
Nan Pao Advanced Materials Co.	8,148	5,996
Progroups Technology Co., Ltd	70,321	72,542
Nan Pao Fine Materials Co., Ltd.	13,683	-
PT. Indo Nan Pao Resins Chemical Co., Ltd.	210,910	208,834
All Saints Enterprises Ltd.	217,310	213,323
Ongoing Profits Ltd.	230,545	305,173
Profit Land Ltd.	746,295	716,775
Nan Pao Philippines Export Inc.	14,031	-
	<u>\$ 8,035,791</u>	<u>\$ 7,795,369</u>

Proportion of Ownership and Voting Rights

Name of Subsidiaries	December 31	
	2020	2019
Nan Pao Overseas Holdings Ltd.	100%	100%
Fuqing Nan Pao Investment Ltd.	100%	100%
Thai Nan Pao Investment Ltd.	100%	100%
Nan Pao Resins India Pvt. Ltd.	100%	100%
Nan Pao Materials Vietnam Co., Ltd.	100%	100%
Nan Pao Advanced Materials Vietnam Co., Ltd.	100%	100%
Nan Pao Electronic Material Co.	100%	100%
Nan Pao Chemical Co. Ltd.	100%	100%
ITLS International Development Co. Ltd.	100%	100%
Phymed Bio-Tec Co., Ltd.	100%	100%
Nan Pao Application Material Co	100%	100%

(Continued)

	Proportion of Ownership and Voting Rights	
	December 31	
	2020	2019
Biorich Biotechnology Co.	57%	57%
Prince Pharmaceutical Co.	51%	52%
Nan Pao Advanced Materials Co.	70%	70%
Progroups Technology Co., Ltd	92%	92%
Nan Pao Fine Materials Co., Ltd.	55%	-
PT. Indo Nan Pao Resins Chemical Co., Ltd.	49%	49%
All Saints Enterprises Ltd.	55%	55%
Ongoing Profits Ltd.	32%	32%
Profit Land Ltd.	74%	74%
Nan Pao Philippines Export Inc.	100%	-
		(Concluded)

Refer to Note 33 for details of the indirect investments in subsidiaries.

b. Investment in associates

	December 31	
	2020	2019
Investments in associates		
Associates that are not individually material	\$ <u>367,753</u>	\$ <u>322,657</u>

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

	For the Year Ended December 31	
	2020	2019
The Company's share of:		
Net income and total comprehensive income for the year	\$ <u>48,096</u>	\$ <u>33,477</u>

13. PROPERTY, PLANT AND EQUIPMENT

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

Leasehold improvements	4 - 7 years
Buildings	2 - 55 years
Machinery	2 - 30 years
Transportation equipment	2 - 20 years
Miscellaneous equipment	2 - 20 years

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

No impairment assessment was performed for the year ended December 31, 2020 and 2019 as there were no indications of impairment.

As of December 31, 2020 and 2019, all of the Company's property, plant and equipment were not pledged as collateral.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	Buildings	Machinery	Total
<u>Cost</u>			
Balance at January 1, 2020	\$ 47,348	\$ 151	\$ 47,499
Additions	2,052	190	2,242
Disposals	<u>(6,444)</u>	<u>-</u>	<u>(6,444)</u>
Balance at December 31, 2020	<u>\$ 42,956</u>	<u>\$ 341</u>	<u>\$ 43,297</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2020	\$ 6,010	\$ 95	\$ 6,105
Depreciation expenses	7,967	96	8,063
Disposals	<u>(3,051)</u>	<u>-</u>	<u>(3,051)</u>
Balance at December 31, 2020	<u>\$ 10,926</u>	<u>\$ 191</u>	<u>\$ 11,117</u>
Carrying amount at December 31, 2020, net	<u>\$ 32,030</u>	<u>\$ 150</u>	<u>\$ 32,180</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 32,257	\$ 151	\$ 32,408
Additions	<u>15,091</u>	<u>-</u>	<u>15,091</u>
Balance at December 31, 2019	<u>\$ 47,348</u>	<u>\$ 151</u>	<u>\$ 47,499</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2019	\$ -	\$ -	\$ -
Depreciation expenses	<u>6,010</u>	<u>95</u>	<u>6,105</u>
Balance at December 31, 2019	<u>\$ 6,010</u>	<u>\$ 95</u>	<u>\$ 6,105</u>
Carrying amount at December 31, 2019, net	<u>\$ 41,338</u>	<u>\$ 56</u>	<u>\$ 41,394</u>

b. Lease liabilities

	December 31, 2020	December 31, 2019
<u>Carrying amounts</u>		
Current	\$ 6,232	\$ 7,800
Non-current	<u>\$ 26,226</u>	<u>\$ 33,762</u>

Range of discount rate for lease liabilities was as follows:

	December 31, 2020	December 31, 2019
Buildings	0.81% ~ 1.05%	1.05%
Machinery	1.05%	1.05%

c. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	<u>\$ 1,643</u>	<u>\$ 3,402</u>
Expenses relating to low-value asset leases	<u>\$ 820</u>	<u>\$ 610</u>
Total cash outflow for leases	<u>\$ 10,559</u>	<u>\$ 8,502</u>

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

15. INVESTMENT PROPERTIES

	Land
Balance at December 31, 2020, and 2019	<u>\$ 17,760</u>

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

These investment properties were not pledged as collateral.

16. OTHER INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance at January 1, 2020	\$ 63,167
Additions	<u>3,139</u>
Balance at December 31, 2020	<u>\$ 66,306</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2020	\$ 27,172
Amortization expenses	<u>9,845</u>
Balance at December 31, 2020	<u>\$ 37,017</u>

(Continued)

	Computer Software
Carrying amount at December 31, 2020, net	\$ <u>29,289</u>
<u>Cost</u>	
Balance at January 1, 2019	\$ 31,888
Additions	<u>31,279</u>
Balance at December 31, 2019	\$ <u>63,167</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2019	\$ 19,804
Amortization expenses	<u>7,368</u>
Balance at December 31, 2019	\$ <u>27,172</u>
Carrying amount at December 31, 2019, net	\$ <u>35,995</u> (Concluded)

The intangible assets above are amortized on a straight-line basis over 2 - 5 years estimated useful lives.

17. OTHER ASSETS

	December 31	
	2020	2019
<u>Current</u>		
Prepayments for investment	\$ 21,300	\$ -
Prepayments	-	1,457
Prepaid expenses	16,122	18,485
Others	<u>2,408</u>	<u>2,012</u>
	\$ <u>39,830</u>	\$ <u>21,954</u>
<u>Non-Current</u>		
Prepayments for equipment	\$ <u>33,226</u>	\$ <u>61,232</u>

18. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
<u>Unsecured borrowings</u>		
Unsecured bank loans	\$ <u>935,174</u>	\$ <u>710,000</u>

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

	December 31	
	2020	2019
Unsecured bank loans	0.75% ~ 0.85%	0.91% ~ 1%
b. Long-term borrowings		
	December 31	
	2020	2019
Unsecured bank loans (Note)	<u>\$ 1,265,382</u>	<u>\$ 1,459,103</u>

Note : As of December 31, 2020 and 2019, the range of weighted average effective interest rates of unsecured bank loans was 0.38%- 0.95% and 0.6%-1.1839% per annum, respectively. Long-term borrowings mentioned above will expire March 2025, and payments of interest and principal are made on schedule.

19. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31	
	2020	2019
<u>Notes Payable</u>		
Operating	<u>\$ 5,466</u>	<u>\$ 10,415</u>
<u>Accounts Payable</u>		
Operating	<u>\$ 646,847</u>	<u>\$ 532,446</u>

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

20. OTHER LIABILITIES

	December 31	
	2020	2019
Other payables		
Payables for salaries and bonuses	\$ 171,358	\$ 150,245
Payables for compensation of employees	42,000	42,000
Payables for remuneration of directors	20,000	20,000
Payables for annual leave	21,918	19,888
Payables for commission	21,527	11,852
Payables for repair expenses	13,468	9,269
Payables for purchases of equipment	9,133	12,079
Payables for shipping expenses	7,725	3,428
Payables for professional service fees	7,354	6,478
Payables for labor and health insurance	9,222	9,523
Others	<u>62,331</u>	<u>68,259</u>

(Continued)

	December 31	
	2020	2019
	\$ 386,036	\$ 353,021
<u>Current</u>		
Other liabilities		
Refund liabilities	\$ 27,880	\$ 23,681
Others	<u>2,009</u>	<u>1,837</u>
	<u>\$ 29,889</u>	<u>\$ 25,518</u>
		(Concluded)

21. RETIREMENT BENEFIT PLANS

b. Defined contribution plan

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

b. Defined benefit plans

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

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

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 404,102	\$ 403,774
Fair value of plan assets	<u>(326,604)</u>	<u>(304,107)</u>
Net defined benefit liabilities	<u>\$ 77,498</u>	<u>\$ 99,667</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2019	\$ 412,275	\$ (279,054)	\$ 133,221
Service cost			
Current service cost	5,232	-	5,232
Past service cost	(1,139)	-	(1,139)
Net interest expense (income)	4,023	(2,801)	1,222
Recognized in profit or loss	<u>8,116</u>	<u>(2,801)</u>	<u>5,315</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(9,864)	(9,864)
Actuarial gain – experience adjustments	8,256	-	8,256
Recognized in other comprehensive income	<u>8,256</u>	<u>(9,864)</u>	<u>(1,608)</u>
Contributions from the employer	<u>-</u>	<u>(23,797)</u>	<u>(23,797)</u>
Benefits paid	<u>(24,873)</u>	<u>11,409</u>	<u>(13,464)</u>
Balance at December 31, 2019	<u>403,774</u>	<u>(304,107)</u>	<u>99,667</u>
Service cost			
Current service cost	3,950	-	3,950
Net interest expense (income)	2,779	(2,154)	625
Recognized in profit or loss	<u>6,279</u>	<u>(2,154)</u>	<u>4,575</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(9,946)	(9,946)
Actuarial loss – changes in financial assumptions	13,471	-	13,471
Actuarial gain – experience adjustments	(6,493)	-	(6,493)
Recognized in other comprehensive income	<u>6,978</u>	<u>(9,946)</u>	<u>(2,968)</u>
Contributions from the employer	<u>-</u>	<u>(23,187)</u>	<u>(23,187)</u>
Benefits paid	<u>(13,379)</u>	<u>12,790</u>	<u>(589)</u>
Balance at December 31, 2020	<u>\$ 404,102</u>	<u>\$ (326,604)</u>	<u>\$ 77,498</u> (Concluded)

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

	For the Year Ended December 31	
	2020	2019
Operating costs	\$ 2,683	\$ 3,763
Selling and marketing expenses	543	752
General and administrative expenses	877	113
Research and development expenses	<u>472</u>	<u>687</u>
	<u>\$ 4,575</u>	<u>\$ 5,315</u>

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

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

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

	<u>December 31</u>	
	2020	2019
Discount rates	0.3%	0.7%
Expected rates of salary increase	2.5%	2.5%

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

	<u>December 31</u>	
	2020	2019
Discount rates		
0.25% increase	\$ (8,499)	\$ (8,951)
0.25% decrease	\$ 8,772	\$ 9,249
Expected rates of salary increase		
0.25% increase	\$ 8,559	\$ 9,061
0.25% decrease	\$ (8,339)	\$ (8,817)

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

	<u>December 31</u>	
	2020	2019
Expected contributions to the plans for the next year	\$ 20,302	\$ 20,805
Average duration of the defined benefit obligation	8 years	9 years

22. EQUITY

b. Share capital

Ordinary shares

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Number of shares authorized (in thousands)	200,000	200,000
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	120,571	120,571
Shares issued	<u>\$ 1,205,707</u>	<u>\$ 1,205,707</u>

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

b. Capital surplus

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 2,040,204	\$ 2,040,204
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual acquisition	2	2
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in subsidiaries (2)	17,249	19,424
Employee share options	44,083	44,083
Expired employee share options	<u>135</u>	<u>135</u>
	<u>\$ 2,101,673</u>	<u>\$ 2,103,848</u>

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

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

c. Retained earnings and dividends policy

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

remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 24-g.

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

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

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

The appropriations of earnings for 2019 and 2018 which were approved in the shareholders' meetings in June, 2020 and 2019, respectively, were as follows:

	Appropriation of Earnings		Dividends per share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Legal reserve	\$ 122,820	\$ 67,277		
Cash dividends	723,425	602,854	\$ 6	\$ 5

The appropriation of earnings for 2020 which had been proposed by the Company's board of directors on March, 2021 was as follows:

	Appropriation of Earnings	Dividends per share (NT\$)
Legal reserve	\$ 122,139	
Cash dividends	843,995	\$ 7

The appropriation of earnings for 2020 is subject to the resolution of the shareholders in the shareholders' meeting to be held in June, 2021.

d. Special reserve

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

e. Other equity items

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ (390,008)	\$ (225,544)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(97,839)	(162,604)
Share from subsidiaries accounted for using the equity method	<u>30</u>	<u>(1,860)</u>
Balance at December 31	<u>\$ (487,817)</u>	<u>\$ (390,008)</u>

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 711,113	\$ 1,027,000
Recognized for the year		
Unrealized gain (loss) – equity instruments	107,602	(316,702)
Share from subsidiaries accounted for using the equity method	<u>20,280</u>	<u>815</u>
Balance at December 31	<u>\$ 838,995</u>	<u>\$ 711,113</u>

23. REVENUE

b. Disaggregation of revenue

	For the Year Ended December 31	
	2020	2019
Adhesives	\$ 3,757,792	\$ 4,165,016
Paint	545,249	520,296
Others	<u>332,593</u>	<u>487,957</u>
	<u>\$ 4,635,634</u>	<u>\$ 5,173,269</u>

b. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Accounts receivable (including related parties)	<u>\$ 1,321,915</u>	<u>\$ 934,335</u>	<u>\$ 974,709</u>
Contract liabilities – current			
Sale of goods	<u>\$ 5,779</u>	<u>\$ 9,430</u>	<u>\$ 10,442</u>

The changes in the balance of contract assets and contract liabilities primarily result from the timing difference between the Company's satisfaction of performance obligations and the respective

customer's payment.

24. NET PROFIT

b. Interest income

	For the Year Ended December 31	
	2020	2019
Bank deposits	\$ <u>1,210</u>	\$ <u>5,050</u>

b. Other income

	For the Year Ended December 31	
	2020	2019
Dividend income	\$ 45,925	\$ 55,462
Grant income (Note)	43,367	8,767
Rental income	1,598	1,272
Other income	<u>16,727</u>	<u>12,840</u>
	\$ <u>107,617</u>	\$ <u>78,341</u>

Note: The Company received total \$41,841 thousand for wage and working capital subsidy in June and September, 2020 in accordance with "Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens".

c. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Net foreign exchange gain (loss)	\$ (47,511)	\$ (24,980)
Others	<u>(186)</u>	<u>(1,275)</u>
	\$ <u>(47,697)</u>	\$ <u>(26,255)</u>

d. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on bank loans	\$ 21,764	\$ 20,466
Interest on lease liabilities	<u>402</u>	<u>370</u>
	\$ <u>22,166</u>	\$ <u>20,836</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
An analysis of depreciation by function		
Operating costs	\$ 110,364	\$ 100,843
Operating expenses	<u>37,379</u>	<u>31,526</u>
	<u>\$ 147,743</u>	<u>\$ 132,369</u>
An analysis of amortization by function		
Operating costs	\$ 340	\$ 28
Operating expenses	<u>9,505</u>	<u>7,340</u>
	<u>\$ 9,845</u>	<u>\$ 7,368</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits		
Salaries	\$ 697,869	\$ 680,473
Labor and health insurance	54,586	54,500
Others	<u>49,234</u>	<u>50,520</u>
	<u>801,689</u>	<u>785,493</u>
Post-employment benefits		
Defined contribution plans	21,347	21,229
Defined benefit plans (Note 21)	<u>4,575</u>	<u>5,315</u>
	<u>25,922</u>	<u>26,544</u>
	<u>\$ 827,611</u>	<u>\$ 812,037</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 260,991	\$ 261,162
Operating expenses	<u>566,620</u>	<u>550,875</u>
	<u>\$ 827,611</u>	<u>\$ 812,037</u>

g. Employees' compensation and remuneration of directors

According to the Company's Articles, the Company accrued employees' compensation and remuneration of directors at rates of 2% to 6% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and the remuneration of directors for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on March, 2021 and 2020, respectively, are as follows:

b) Accrual rate

	For the Year Ended December 31	
	2020	2019
Employees' compensation	2.9%	2.7%
Remuneration of directors	1.4%	1.3%

2) Amount

	For the Year Ended December 31	
	2020	2019
	Cash	Cash
Employees' compensation	\$ 42,000	\$ 42,000
Remuneration of directors	20,000	20,000

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the standalone financial statements for the years ended December 31, 2019 and 2018.

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

h. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2020	2019
	Foreign exchange gains	\$ 36,110
Foreign exchange losses	<u>(83,621)</u>	<u>(71,633)</u>
	<u>\$ (47,511)</u>	<u>\$ (24,980)</u>

25. INCOME TAXES

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

	For the Year Ended December 31	
	2020	2019
	Current tax	
In respect of the current year	\$ 158,925	\$ 133,531
Adjustments for prior years	(14,402)	14,337
Repatriation of overseas funds	<u>30,482</u>	<u>33,648</u>
	<u>175,005</u>	<u>181,516</u>
Deferred tax		
In respect of the current year	<u>(29,794)</u>	<u>79,194</u>
	<u>\$ 145,211</u>	<u>\$ 260,710</u>

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

	For the Year Ended December 31	
	2020	2019
Profit before income tax	\$ 1,364,964	\$ 1,488,910
Income tax expense calculated at the statutory rate	\$ 272,993	\$ 297,781
Non-deductible expenses in determining taxable income	16,204	24,534
Tax-exempt income	(9,185)	(11,092)
Temporary differences	(76,206)	(66,708)
Unrecognizable income in determining taxable income	(5,884)	(8,990)
Adjustments for prior year	(14,402)	14,337
Overseas investment interest changed to permanent investment for prior year	(68,791)	(22,800)
Repatriation of overseas funds	<u>30,482</u>	<u>33,648</u>
	<u>\$ 145,211</u>	<u>\$ 260,710</u>

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Company only deducts the amount of capital expenditure from the unappropriated earnings in 2018 that was actually reinvested when calculating the tax on unappropriated earnings for the year ended December 2019.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	\$ 24,452	\$ 41,115
Remeasurement of defined benefit plans	<u>(593)</u>	<u>(321)</u>
	<u>\$ 23,859</u>	<u>\$ 40,794</u>

c. Current tax liabilities

	December 31	
	2020	2019
Income tax payable	<u>\$ 186,570</u>	<u>\$ 127,499</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Exchange differences on translating the financial statements of foreign operations	\$ 97,502	\$ -	\$ 24,452	\$ 121,954
Defined benefit obligations	19,934	(3,841)	(593)	15,500
Loss on decline in market price of inventories	17,181	569	-	17,750
Refund liabilities	4,735	840	-	5,575
Payables for annual leave	3,977	407	-	4,384
Unrealized gross profit	22,114	14,578	-	36,692
Others	2,884	650	-	3,534
	<u>\$ 168,327</u>	<u>\$ 13,203</u>	<u>\$ 23,859</u>	<u>\$ 205,389</u>

Deferred Tax Liabilities

Temporary differences				
Foreign investment income	\$ 553,046	\$ (16,591)	\$ -	\$ 536,455
Provision for land appreciation tax	<u>231,769</u>	<u>-</u>	<u>-</u>	<u>231,769</u>
	<u>\$ 784,815</u>	<u>\$ (16,591)</u>	<u>\$ -</u>	<u>\$ 768,224</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Exchange differences on translating the financial statements of foreign operations	\$ 56,387	\$ -	\$ 41,115	\$ 97,502
Defined benefit obligations	26,644	(6,389)	(321)	19,934
Loss on decline in market price of inventories	17,509	(328)	-	17,181
Refund liabilities	3,972	763	-	4,735
Payables for annual leave	3,593	384	-	3,977
Unrealized gross profit	14,749	7,365	-	22,114
Others	151	2,733	-	2,884
	<u>\$ 123,005</u>	<u>\$ 4,528</u>	<u>\$ 40,794</u>	<u>\$ 168,327</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Foreign investment income	\$ 469,324	\$ 83,722	\$ -	\$ 553,046
Provision for land appreciation tax	231,769	-	-	231,769
	<u>701,093</u>	<u>83,722</u>	<u>-</u>	<u>784,815</u>
				(Concluded)

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

As of December 31, 2020 and 2019, the taxable temporary differences related to the investment of subsidiaries and unrecognized deferred income tax liabilities are \$190,948 thousand and \$122,157 thousand, respectively.

- f. Income tax assessments

The income tax returns of the Company through 2018 have been assessed by the tax authorities.

26. EARNINGS PER SHARE

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

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2020	2019
Profit for the year of the Company	\$ <u>1,219,753</u>	\$ <u>1,228,200</u>

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

	<u>For the Year Ended December 31</u>	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	120,571	120,571
Effect of potentially dilutive ordinary shares		
Employees' compensation or bonuses issued to employees	<u>361</u>	<u>331</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>120,932</u>	<u>120,902</u>

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be

distributed to employees is resolved in the following year.

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

- a. In December 2019, the Company did not subscribe the issuance of ordinary share in the amount of \$ 75,000 thousand for cash of Prince Pharmaceutical Co., Ltd. In accordance with the shareholding ratio, increasing its continuing interest from 49.9% to 52.3%.
- b. In May 2020, Prince Pharmaceutical Co., Ltd. Exercised employee share options, resulting in a decrease in the shareholding ration from 52.3% to 50.51%.
- c. In November 2020, the Company did not subscribe to the issuance of ordinary share in the amount of CNY 15,000 thousand for cash of Foshan Nan Pao Advanced Materials Co., Ltd. In accordance with the shareholding ratio, decreasing its shareholding ratio from 67.68% to 60.47%.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries. Refer to Note 30 of the consolidated financial report in 2020 of the Company for related information.

28. CAPITAL RISK MANAGEMENT

The Company requires significant amounts of capital to build and expand its production facilities and equipment.

Therefore, the Company manages its capital to ensure that the Company will have sufficient financial resources and operating plans to fund its working capital needs, capital asset purchases, stock dividends and other business requirements associated with its existing operations.

29. FINANCIAL INSTRUMENTS

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

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

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

b) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investment in equity instruments				
Unlisted shares	\$ _____ -	\$ _____ -	\$ 1,080,530	\$ 1,080,530

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investment in equity instruments				
Unlisted shares	\$ _____ -	\$ _____ -	\$ 968,288	\$ 968,288

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

Financial assets at FVTOCI

	<u>For the Year Ended December 31</u>	
	2020	2019
Balance at January 1	\$ 968,288	\$ 1,202,938
Recognized in other comprehensive income (included in unrealized valuation gain or loss on financial assets at FVTOCI)	107,602	(316,702)
Purchases	5,330	82,367
Proceeds from capital reduction	(315)	(315)
Dividends paid from capital surplus	(375)	-
Balance at December 31	<u>\$ 1,080,530</u>	<u>\$ 968,288</u>

3) Valuation techniques and inputs used in Level 3 fair value measurement

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

c. Categories of financial instruments

	<u>December 31</u>	
	2020	2019
<u>Financial assets</u>		
Financial asset at amortized cost (1)	\$ 2,361,200	\$ 2,211,585
Financial asset at FVTOCI – investment in equity instruments	1,080,530	968,288
<u>Financial liabilities</u>		
Amortized cost (2)	3,238,904	3,064,985

b) The balances include financial assets at amortized cost, which comprise cash, debt investments, accounts receivable (including related parties) and other receivables.

2) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, accounts payable, other payables and long-term borrowings.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, accounts receivable, accounts payable, borrowings and lease liabilities. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Company through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

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

b) Market risk

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

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

b) Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the year are set out in Note 32.

Sensitivity analysis

The Company is mainly exposed to the USD.

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

	USD Impact	
	For the Year Ended December 31	
	2020	2019
Profit (loss)	\$ 6,077	\$ 13,827

This was mainly attributable to the exposure on outstanding cash and cash equivalents, accounts receivable and payables and borrowings in USD that were not hedged at the end of the year. The reason of changes is the amount of cash in USD decreased.

b) Interest rate risk

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

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

	December 31	
	2020	2019
Fair value interest rate risk		
Financial liabilities	\$ 32,458	\$ 41,562
Cash flow interest rate risk		
Financial assets	262,293	964,468
Financial liabilities	2,200,555	2,169,103

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for both derivative and non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. If interest rates had been 0.25% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2020 and 2019 would decrease/increase by \$5,501 thousand and \$5,423 thousand, respectively, which was mainly a result of variable-rate borrowings.

c) Other price risk

The Company was exposed to equity price risk through its investments in domestic unlisted shares. As there is no open market quotation for such equity pricing, the price risk is immaterial.

2) Credit risk

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

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

Because the customer base of the Company is large and unrelated with each other, the concentration of credit risk is not high.

As of December 31, 2020 and 2019, the maximum amount of credit risk that the Company provides endorsements / guarantees is \$ 802,110 thousand and \$ 564,650 thousand, respectively.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with

loan covenants.

The Company's working capital and the credit line which the Company has obtained are sufficient to support future operational needs, so there is no liquidity risk due to the inability to raise funds to fulfill contractual obligations.

b) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables' details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the year.

December 31, 2020

	Less than 1 Year	1 – 5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 1,038,349	\$ -	\$ -
Lease liabilities	6,641	20,670	6,190
Variable interest rate liabilities	938,819	1,288,258	-
Financial guarantee contracts	<u>193,604</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,177,413</u>	<u>\$ 1,308,928</u>	<u>\$ 6,190</u>

December 31, 2019

	Less than 1 Year	1 – 5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 895,882	\$ -	\$ -
Lease liabilities	8,198	25,724	9,048
Variable interest rate liabilities	713,454	1,271,942	220,226
Financial guarantee contracts	<u>106,395</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,723,929</u>	<u>\$ 1,297,666</u>	<u>\$ 229,274</u>

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

b) Financing facilities

	December 31	
	2020	2019
Unsecured bank overdraft facilities, reviewed annually and payable at call:		
Amount used	\$ 2,294,503	\$ 2,263,877
Amount unused	<u>4,670,897</u>	<u>4,328,723</u>
	<u>\$ 6,965,400</u>	<u>\$ 6,592,600</u>

30. TRANSACTIONS WITH RELATED PARTIES

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

b. Related party name and category

Name of Related Party	Related Party Category
Nan Pao Chemical Co. Ltd.	Subsidiary
Nan Pao Fine Materials Co., Ltd.	Subsidiary
Nan Pao Electronic Material Co.	Subsidiary
ITLS International Development Co., Ltd.	Subsidiary
ITLS Holding Pte. Ltd.	Subsidiary
ITLS-Rich (S) Pte. Ltd.	Subsidiary
Phymed Bio-Tec Co., Ltd.	Subsidiary
Biorich Biotechnology Co., Ltd.	Subsidiary
Nan Pao Advanced Materials Co., Ltd.	Subsidiary
Fuqing Nan Pao Resins Co., Ltd	Subsidiary
Nan Pao New Materials (Huaian) Co., Ltd.	Subsidiary
Thai Nanpao Resins Chemical Co., Ltd.	Subsidiary
Nan Pao Resins India Pvt. Ltd.	Subsidiary
Nan Pao Materials Vietnam Co., Ltd.	Subsidiary
PT. Indo Nan Pao Resins Chemical Co., Ltd.	Subsidiary
Nan Pao Company Holdings Ltd.	Subsidiary
Nan Pao Resins (Foshan) Co., Ltd	Subsidiary
Foshan Nan Pao Advanced Materials Co., Ltd.	Subsidiary
Nan Pao Resins (HK) Limited	Subsidiary
Dongguan Jia Chin Electronics Co., Ltd.	Subsidiary
Nan Pao Resins (China) Co., Ltd	Subsidiary
Progroups Technology Co., Ltd	Subsidiary
Nan Pao Advanced Material Vietnam Co., Ltd.	Subsidiary
RLA Polymers Pty. Ltd.	Subsidiary
Nan Pao Resins (Vietnam) Enterprise Ltd.	Subsidiary
Nan Pao Resins Chemical Philippines, Inc.	Subsidiary
Nan Pao Resins International Ltd.	Subsidiary
RLA Polymers (M) SDN BHD	Subsidiary

(Continued)

Name of Related Party	Related Party Category
Prince Pharmaceutical Co., Ltd.	Subsidiary
Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Subsidiary
Total Acrylic Polymer Industry (Tapi) Corporation	Associate
Pou Chen Corporation and Subsidiaries	Investors with significant influence
Opulence Optronics Co., Ltd.	The Company is an executive of the other company

(Concluded)

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Investors with significant influence	\$ 46,138	\$ 52,098
Subsidiary		
Nan Pao Resins (Vietnam) Enterprise Ltd.	1,102,027	1,053,120
Others	<u>976,356</u>	<u>1,213,117</u>
	<u>\$ 2,124,521</u>	<u>\$ 2,318,335</u>

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

c. Purchases of goods

Related Party Category	For the Year Ended December 31	
	2020	2019
Subsidiary	\$ 98,285	\$ 173,843
Associate	<u>682</u>	<u>18</u>
	<u>\$ 98,967</u>	<u>\$ 173,861</u>

There were no comparable purchase prices of similar products with third parties. The purchase prices were not significantly different from those with third parties. The payment term is 30 days to 90 days, which is not significantly different from that for non-affiliates.

d. Receivables from related parties (Excluding loans to related parties)

Line Item	Related Party Category / Name	December 31	
		2020	2019
Accounts receivable	Subsidiary		
	Nan Pao Resins (Vietnam) Enterprise Ltd.	\$ 562,394	\$ 254,494
	PT. Indo Nan Pao Resins Chemical Co., Ltd.	107,492	130,066
	Others	230,806	219,291
	Investors with significant influence	10,064	11,091
		<u>\$ 910,756</u>	<u>\$ 614,942</u>
Other receivables	Subsidiary	<u>\$ 244</u>	<u>\$ 1,498</u>

The outstanding accounts receivable from related parties are unsecured.

e. Payables to related parties

Line Item	Related Party Category	December 31	
		2020	2019
Accounts payable	Subsidiary	<u>\$ 17,737</u>	<u>\$ 33,250</u>
Other payables	Subsidiary	<u>\$ 1,059</u>	<u>\$ 1,931</u>

The outstanding accounts payable to related parties are unsecured.

f. Others - refund liabilities

Line Item	Related Party Category / Name	December 31	
		2020	2019
Other current liabilities	Investors with significant influence		
	Pou Chen Corporation and its subsidiaries	<u>\$ 4,227</u>	<u>\$ 3,243</u>

g. Loans to related parties (Accounter for other receivables) in 2019

Related Party Category/Name	Amount
Subsidiary	
RLA Polymers (M) SDN BHD	<u>\$ 89,940</u>
<u>Interest revenue</u>	
Related Party Category/Name	Amount
Subsidiary	
RLA Polymers (M) SDN BHD	<u>\$ 965</u>

The annual interest rate of 4.2% for the short-term unsecured loans provided by the Company to its subsidiary is similar to the local market interest rate.

h. Endorsements and guarantees

Endorsements and guarantees provided by the Company

Related Party Category	December 31	
	2020	2019
Subsidiary		
Amount endorsed	\$ 802,110	\$ 564,650
Amount utilized	\$ 193,604	\$ 106,395

i. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 63,688	\$ 60,485
Post-employment benefits	2,319	7,114
	\$ 66,007	\$ 67,599

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

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Company at December 31, 2020 and 2019 were as follows:

- a. As of December 31, 2020 and 2019, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$85,261 thousand and \$85,178 thousand, respectively.
- b. Unrecognized commitments are as follows:

	December 31	
	2020	2019
Acquisition of property, plant and equipment	\$ 568,369	\$ 699,276

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 40,408	28.48	\$ 1,150,824
<u>Non-monetary items</u>			
Investment accounted for using equity method			
USD (Note)	225,878	28.48	6,433,007
IDR	103,896,347	0.00203	210,910
VND	319,803,097	0.00123	394,458
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	19,064	28.49	543,162

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 51,015	29.98	\$ 1,529,450
<u>Non-monetary items</u>			
Investment accounted for using equity method			
USD (Note)	206,870	29.98	6,201,970
IDR	95,795,443	0.00218	208,834
VND	315,892,705	0.00129	408,774
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	4,889	30.01	146,719

Note: The difference between the amounts of investments accounted for using equity method is the unrealized gross profit.

The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

Functional Currency	For the Year Ended December 31			
	2020		2019	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	29.549(USD:NTD)	\$ (47,779)	30.912 (USD:NTD)	\$ (23,879)
Others		<u>268</u>		<u>(1,101)</u>
		<u>\$ (47,511)</u>		<u>\$ (24,980)</u>

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (N/A)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (N/A)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (N/A)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
- 9) Trading in derivative instruments (N/A)

b. Information on invests (Table 6)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 7)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 8):

- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- d. Information of major shareholders : List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed(Note 5)	Interest Rate (%)	Nature of Financing (Note 1)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
0	Nan Pao Resins Chemical Co., Ltd.	RLA Polymers (M) Sdn. Bhd.	Other accounts receivable-related parties	Yes	\$ 90,750	\$ -	\$ -	4.2	2	\$ -	Operating turnover	\$ -	-	\$ -	\$ 2,053,320	\$ 4,106,640
1	Nan Pao Group Holdings Ltd.	RLA Polymers (M) Sdn. Bhd.	Other accounts receivable-related parties	Yes	90,750	-	-	2.75	2	-	Operating turnover	-	-	-	3,985,059	3,985,059

Note 1: The nature of financing is numbered as follows:

1. Has business relationship
2. Short-term financing needs

Note 2: The Company's regulations regarding the procedures for financing provided to others are as follows:

1. The aggregate financing limit is 40% of the Company's net value.
2. The financing limit for each borrower is as follows:
 - (1) For financing provided to counterparties that have business relationships with the Company, the financing limit for each borrower should not exceed the higher of the total sales or purchase amount between the two parties for the most recent year, and the financing limit should not exceed the aggregate financing limit.
 - (2) For financing provided to those with short-term financing needs, the financing limit for each borrower should not exceed 20% of the Company's net value.

Note 3: The regulations regarding the procedures for financing provided by the subsidiaries directly or indirectly owned by the Company to others are set out below:

1. The aggregate financing limit is 100% of the lender's net value.
2. The financing limit for each borrower is as follows:
 - (1) For financing provided to counterparties that have business relationships with the Company, the financing limit for each borrower should not exceed the higher of the total sales or purchase amount between the two parties for the most recent year, and the financing limit should not exceed the aggregate financing limit.
 - (2) For financing provided to those with short-term financing needs, the financing limit for each borrower should not exceed 20% of the Company's net value.

Note 4: For foreign companies which the Company directly or indirectly owns 100% of their voting shares, both the aggregate financing limit and financing limit for each borrower should not exceed the net value of the borrower.

Note 5: Eliminated during the preparation of the consolidated financial statements.

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

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2 & 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2 & 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	
		Name	Relationship(N ote 1)											
0	Nan Pao Resins Chemical Co., Ltd.	Phymed Bio-tec Co., Ltd.	2	\$ 2,053,320	\$ 10,000	\$ 10,000	\$ 2,400	\$ -	0.10	\$ 7,186,621	Y	N	N	
		Nan Pao Philippines Export, Inc	2	2,053,320	15,125	14,240	-	-	0.14	7,186,621	Y	N	N	
		ITLS International Development Co., Ltd.	2	2,053,320	20,000	20,000	1,411	-	0.19	7,186,621	Y	N	N	
		Nan Pao Resins (HK) Limited (Note 5)	2	2,053,320	24,319	-	-	-	-	7,186,621	Y	N	N	
		Nan Pao Resins (Vietnam) Enterprise Ltd. (Note 5)	2	2,053,320	24,319	-	-	-	-	7,186,621	Y	N	N	
		Eastlion Enterprises Limited (Note 4)	2	2,053,320	25,319	-	-	-	-	7,186,621	Y	N	N	
		Nan Pao Resins (HK) Limited (Note 4)	2	2,053,320	25,319	-	-	-	-	7,186,621	Y	N	N	
		Nan Pao Resins (Vietnam) Enterprise Ltd. (Note 4)	2	2,053,320	25,319	-	-	-	-	7,186,621	Y	N	N	
		Nan Pao Advanced Materials Vietnam Co., Ltd.	2	2,053,320	30,250	-	-	-	-	7,186,621	Y	N	N	
		Nan Pao Resins Chemical Philippines Inc.	2	2,053,320	30,250	28,480	14,240	-	-	0.28	7,186,621	Y	N	N
		Nan Pao Resins International Ltd.	2	2,053,320	75,625	71,200	-	-	-	0.69	7,186,621	Y	N	N
		Nan Pao Group Holdings Ltd.	2	2,053,320	90,750	56,960	-	-	-	0.55	7,186,621	Y	N	N
		RLA Polymers (M) Sdn. Bhd.	2	2,053,320	90,750	85,440	81,168	-	-	0.83	7,186,621	Y	N	N
		Nan Pao Resins (HK) Limited	2	2,053,320	136,125	128,160	-	-	-	1.25	7,186,621	Y	N	N
		RLA Polymers Pty Ltd.	2	2,053,320	151,250	142,400	94,385	-	-	1.39	7,186,621	Y	N	N
		Fuqing Nan Pao Resins Co., Limited (Note 5)	2	2,053,320	24,319	-	-	-	-	-	7,186,621	Y	N	Y
		Nan Pao Resins (China) Co., Ltd. (Note 5)	2	2,053,320	24,319	-	-	-	-	-	7,186,621	Y	N	Y
		Nan Pao Resins (Fo Shan) Co., Ltd. (Note 5)	2	2,053,320	24,319	-	-	-	-	-	7,186,621	Y	N	Y
		Nan Pao Resins (China) Co., Ltd. (Note 4)	2	2,053,320	25,319	-	-	-	-	-	7,186,621	Y	N	Y
		Nan Pao Resins (Fo Shan) Co., Ltd. (Note 4)	2	2,053,320	25,319	-	-	-	-	-	7,186,621	Y	N	Y
		Fuqing Nan Pao Resins Co., Limited (Note 4)	2	2,053,320	25,319	-	-	-	-	-	7,186,621	Y	N	Y
		Progroups Technology co. Ltd.	2	2,053,320	10,000	-	-	-	-	-	7,186,621	Y	N	N
		PT. Indo Nan Pao Resins Chemical (Note 4)	2	2,053,320	25,319	-	-	-	-	-	7,186,621	Y	N	N
PT. Indo Nan Pao Resins Chemical (Note 5)	2	2,053,320	24,319	-	-	-	-	-	7,186,621	Y	N	N		
RLA Polymers (M) Sdn. Bhd	2	2,053,320	120,080	113,920	-	-	-	1.11	7,186,621	Y	N	N		
Nan Pao New Materials (Huaian) Co., Ltd.	2	2,053,320	131,370	131,310	-	-	-	1.28	7,186,621	Y	N	Y		
1	NP Australia Pty Ltd.	RLA Polymers Pty Ltd.	2	139,491	107,555	107,555	21,950	-	15.42	488,217	N	N	N	

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

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

Note 2: The limit on endorsement/guarantee given on behalf of each party is 20% of the Company's net value at the end of the period, while the aggregate endorsement/guarantee limit is 70% of the Company's net value.

Note 3: The limit on endorsement/guarantee given by subsidiaries directly or indirectly owned by the Company on behalf of each party is 20% of the endorsee company's net value at the end of the period, while the aggregate endorsement limit is 70% of the endorsee company's net value.

Note 4: The credit limit of letter of credit is USD837,000 shared by 7 subsidiaries. The balance of the company's endorsement / guarantee for subsidiaries is also USD837,000. Therefore, maximum total actual borrowing amount of each subsidiary is limited to USD837,000.

Note 5: The credit limit of letter of credit is USD804,600 shared by 6 subsidiaries. The balance of the company's endorsement / guarantee for subsidiaries is also USD804,600. Therefore, maximum total actual borrowing amount of each subsidiary is limited to USD804,600.

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

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Nan Pao Resins Chemical Co., Ltd.	Dairen Chemical Corp. - publicly owned company	None	Financial assets at fair value through other comprehensive income - non-current	6,515,606	\$ 1,056,114	2	\$ 1,056,114	
	Hua Chi Venture Capital Co., Ltd. - privately-issued equity	"	"	94,737	2,937	1	2,937	
	Contact Organics Pty Ltd- privately-issued equity	"	"	1,191	5,887	8	5,887	
	Revivegen Environmental Technology Co., Ltd. - privately-issued equity	"	"	395,957	13,075	2	13,075	
	FlexUP Technologies Corp. - privately-issued equity	"	"	1,200,000	1,284	7	1,284	
	Opulence Optronics Co., Ltd.- privately-issued equity	The Group is an executive of the Company	"	2,049,200	1,233	11	1,233	
					<u>\$ 1,080,530</u>		<u>\$ 1,080,530</u>	
Nan Pao Chemical Company Ltd.	Ace Chemical Corp. -privately-issued equity	None	Financial assets at fair value through other comprehensive income - non-current	893,265	<u>\$ 28,737</u>	10	<u>\$ 28,737</u>	

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

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

TABLE 4

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

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount (Note)	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note)	% of Total	
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Subsidiary	Sale	\$ (1,102,027)	24	Telegraphic transfer within 90 days	Similar to general transactions	Similar to general transactions	\$ 562,394	38	
	PT Indo Nan Pao Resins Chemical Co., Ltd.	Subsidiary	Sale	(313,152)	7	Telegraphic transfer within 90 days	Similar to general transactions	Similar to general transactions	107,492	7	
	Nan Pao Materials Vietnam Co., Ltd.	Subsidiary	Sale	(170,118)	4	Telegraphic transfer within 90 days	Similar to general transactions	Similar to general transactions	78,650	5	
	Nan Pao Resins (HK) Limited	Subsidiary	Sale	(178,076)	4	Telegraphic transfer within 90 days	Similar to general transactions	Similar to general transactions	47,697	3	
	Nan Pao Resins (Foshan) Co., Ltd.	Subsidiary	Sale	(117,450)	3	Telegraphic transfer within 90 days	Similar to general transactions	Similar to general transactions	46,697	3	
Nan Pao Resins (Vietnam) Enterprise Ltd.	Nan Pao Resins International Ltd.	Same ultimate Parent Company	Sale	(251,829)	10	Telegraphic transfer within 60 ~ 90 days	Similar to general transactions	Similar to general transactions	64,305	11	
Nan Pao Resins (Dongguan) Co., Ltd.	Nan Pao Resins (HK) Limited	Same ultimate Parent Company	Processing Revenue	(334,007)	100	Payment within 90 days	No comparable produce sales for comparison	No third-party transaction for comparison	-	-	
Nan Pao Resins International Ltd.	Pou Chen Group and its subsidiaries	Investors with significant influence	Sale	(390,401)	92	Payment within 90~105 days	Similar to general transactions	Similar to general transactions	94,241	100	
PT. Indo Nan Pao Resins Chemical Co., Ltd.	Pou Chen Group and its subsidiaries	Investors with significant influence	Sale	(321,924)	35	Telegraphic transfer within 90 days	Similar to general transactions	Similar to general transactions	118,820	45	

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

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

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Subsidiary	\$ 562,394	2.7	\$ -	Not applicable	\$ 257,107	\$ -
	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Subsidiary	107,492	2.6	-	Not applicable	80,009	-
PT. Indo Nan Pao Resins Chemical Co., Ltd.	Pou Chen Corporation and its subsidiaries	Investors with significant influence	118,820	2.32	-	Not applicable	64,668	697

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

TABLE 6

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

INFORMATION ON INVESTEEES
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Chemical Company Ltd.	No.12, Nanhaipu, Nanhai Vil., Xigang Dist., Tainan City	Trading of chemical substances	\$ 300,000	\$ 300,000	15,000,000	100	\$ 176,827	\$ 5,185	\$ 5,603	
	Nan Pao Application Material Co., Ltd.	No.12, Nanhaipu, Nanhai Vil., Xigang Dist., Tainan City	Trading of chemical substances	60,000	60,000	200,000	100	9,243	(140)	(140)	
	Nan Pao Electronic Material Company	No.510, Zhongshan Rd., Xigang Dist, Tainan City	Production and trading of electronic materials	63,540	63,540	4,000,000	100	48,126	(1,434)	(1,434)	
	ITLS International Development Co., Ltd.	3F, No.356, Sec.1, NeiHu Rd., Taipei	Trading of construction materials and chemical substances	755,000	755,000	30,500,000	100	278,547	(8,931)	(8,931)	
	Prince Pharmaceutical Co., Ltd.	9F, No. 107, Sec.3, Chung-Shin Rd., Sanchung Dist., New Taipei City	Manufacturing, packaging, and processing of raw materials for various pharmaceutical and health food	324,683	324,683	16,767,305	50.51	341,326	(33,800)	(17,332)	
	Phymed Bio-tec Co., Ltd.	No.12, Nanhaipu, Nanhai Vil., Xigang Dist., Tainan City	R&D and trading of health food	16,000	16,000	600,000	100	2,712	(1,165)	(1,165)	
	Biorich Biotechnology Co., Ltd.	3F, No.356, Sec.1, NeiHu Rd., Taipei	R&D, production, and trading of new high protein business and health food	64,121	64,121	391,462	57.1	7,936	2,258	1,289	
	Nan Pao Advanced Materials Co., Ltd.	No. 521, Zhongshan Rd., Xigang Dist, Tainan City	Trading of adhesives and chemicals	3,500	3,500	350,000	70	8,148	5,866	4,106	
	Progroups Technology Co., Ltd.	No.12, Nanhaipu, Nanhai li., Xigang Dist., Tainan City	Trading of Waterborne PU Resin	70,814	70,814	459,950	91.99	70,321	(204)	(2,221)	
	Nan Pao Fine Materials Co., Ltd.	No.217, Xinxing St., 4 Neighborhood, Qingan Vil., Xigang Dist., Tainan City	Production and trading of adhesives and chemicals	13,750	-	1,375,000	55	13,683	(122)	(67)	
	Total Acrylic Polymer Industry (TAPI) Corporation	12F., No. 117, Sec. 2, Chongqing N. Rd., Datong Dist., Taipei City	Production and trading of chemical materials including adhesives and resins	120,000	120,000	1,500,000	30	367,753	160,321	48,096	
	Fuqing Nan Pao Investment Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	166,699	166,699	4,990,000	100	222,102	27,145	27,145	
	Thai Nan Pao Investment Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	169,909	169,909	5,282,000	100	178,538	6,642	6,642	
	Nan Pao Resins India Pvt Ltd.	204, Abhishek, off New Link Road, Andheri (W) , Mumbai 400053, India	Trading of adhesives	16,499	16,499	3,000,000	100	26,334	(1,058)	(1,058)	
	Nan Pao Materials Vietnam Co., Ltd.	LotA4, A5, A10, A11 Daden Industrial Park, Thu Dau Mot City, Binh Duong Province, Vietnam	Production and trading of adhesives and chemicals	685,094	685,094	-	100	969,581	156,287	156,677	
	Nan Pao Advanced Materials Vietnam Co., Ltd.	Phuc Son Industrial Area, Ninh Phuc Commune, Ninh Binh City, Ninh Binh province	Production and trading of adhesives and chemicals	465,970	465,970	-	100	394,399	4,973	4,973	
	Nan Pao Overseas Holdings Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	2,252,110	2,103,010	73,300,502	100	3,868,876	362,908	365,025	
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General investment	186,588	186,588	983,333	73.75	746,295	114,161	82,403	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	All Saints Enterprises Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	143,375	143,375	5,452,549	54.53	217,310	1,440	(785)	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	Ongoing Profits Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	46,426	46,426	1,560,000	32.18	230,545	279,766	90,012	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Jl. Pajajaran Raya No.44, Jatiuwung Tangerang 15137, Indonesia	Production and trading of adhesives	39,276	39,276	2,756,250	49	210,910	68,241	33,438	Nan Pao Resins Chemical Co., Ltd. and related companies hold 67.5% of voting shares
	Nan Pao Philippines Export Inc.	Lot IL-2 Subic Bay Gateway Park Phase II, Subic Bay Freeport Zone	Trading of adhesives	14,993	-	25,750	100	14,031	(1,066)	(1,066)	
ITLS International Development Co., Ltd.	ITLS Holding Pte. Ltd.	Blk 1049, Eunos Avenue 6, #01-132, Singapore 409628	General investment	545,462	545,462	24,064,549	100	137,583	(11,206)		
	Aftek Materials Vietnam Co., Ltd.	No. 16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and trading of construction materials	49,172	49,172	-	70	31,526	(6,213)		
Fuqing Nan Pao Investment Ltd.	Wealth Castle Development Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	129,869	129,869	10,000	100	222,312	27,240		
				(USD 4,560,000)	(USD 4,560,000)						

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
Thai Nan Pao Investment Ltd.	Thai Nanpao Resins Chemical Co., Ltd.	412 Kor Soi, 1cBangpoo Industrial Tumbon Preaksa Ampur Muang Samutprakarn 10280, Thailand	Production and trading of adhesives	\$ 158,885 (USD 5,578,821)	\$ 158,885 (USD 5,578,821)	21,197,000	100	\$ 133,927	\$ 6,693		
Nan Pao Overseas Holdings Ltd.	Nan Pao Group Holdings Ltd.	4th Floor, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Islands	General investment	2,087,598 (USD 73,300,502)	1,945,198 (USD 68,300,502)	73,300,502	100	3,985,059	363,071		
ITLS Holding Pte. Ltd.	ITLS (Malaysia) SDN BHD	Lot 75289, Lebuhraya Pasir Gudang, Mukim Plentong (PermasJaya), 81750 Masai, Johor, Malaysia	Production and trading of construction materials	-	29,252 (USD 1,027,092)	-	-	-	-		
	PT. ITLS Indonesia	Jl. Pajajaran Raya No. 44, Kel. Gandasari, Kec. Jatiuwung, Tangerang-15137 Indonesia	Production and trading of construction materials	72,101 (USD 2,531,620)	72,101 (USD 2,531,620)	2,437,109	100	18,803	(1,644)		
	ITLS Vietnam Co., Ltd.	No.16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and trading of construction materials	123,987 (USD 4,353,487)	123,987 (USD 4,353,487)	-	100	71,910	(1,791)		
	ITLS-SB SDN BHD	Lot 75289, Lebuhraya Pasir Gudang, Mukim Plentong (PermasJaya), 81750 Masai, Johor, Malaysia	Production and trading of hardware and construction materials	-	20,021 (SGD 928,632)	-	-	-	-		
Nan Pao Group Holdings Ltd.	Greatwill Materials (HK) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	35,885 (USD 1,260,000)	35,885 (USD 1,260,000)	7,172	67.68	397,053	73,374		
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General investment	53,760 (USD 1,887,627)	53,760 (USD 1,887,627)	350,000	26.25	269,102	114,161	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares	
	Nan Pao Resins (Holdings) Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	599,620 (USD 21,054,073)	742,020 (USD 26,054,073)	10,000	100	384,763	60,059		
	All Saints Enterprises Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	151,886 (USD 5,333,075)	151,886 (USD 5,333,075)	4,547,451	45.47	181,205	1,440	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares	
	NP Australia Pty. Ltd.	Collins Square Tower Five Level 22, 727 Collins Street, Docklands VIC 3008	General investment	553,455 (AUD 25,214,354)	553,455 (AUD 25,214,354)	25,214,354	100	697,450	35,740		
	Ongoing Profits Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	109,273 (USD 3,836,817)	109,273 (USD 3,836,817)	3,287,546	67.82	576,615	279,766	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares	
	Treasure Wealth (HK) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	131,293 (USD 4,610,000)	131,293 (USD 4,610,000)	4,610	100	165,531	14,707		
	Goldford Investments Ltd.	Creque Building, P.O. Box 116, Road Town, Tortola, British Virgin Islands	General investment	16,656 (USD 584,844)	16,656 (USD 584,844)	486,000	100	86,072	9,059		
	Nan Pao Resins Chemical Philippines, Inc.	Road 22 Phase 11, Cogevo Village, Antipolo City, Philippines	Trading of adhesives	5,981 (USD 210,000)	5,981 (USD 210,000)	9,000	100	65,027	11,936		
	Nan Pao Resins International Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Trading of chemical substances and related products	735 (HKD 200,000)	735 (HKD 200,000)	1,000	100	9,590	(5,978)		
	Nan Pao Resins (HK) Limited	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Production and trading of adhesives	438,592 (USD 15,400,000)	108,224 (USD 3,800,000)	15,400,000	100	418,157	(6,984)		
Profit Land Ltd.	Giant Profit Development Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	227,840 (USD 8,000,000)	227,840 (USD 8,000,000)	10,000	100	1,016,322	114,205		
Nan Pao Resins (Holdings) Ltd.	Eastlion Enterprises Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	157,782 (USD 5,540,100)	573,590 (USD 20,140,100)	20,240	100	254,861	44,008		
	Nan Pao Resins Development Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	85,440 (USD 3,000,000)	85,440 (USD 3,000,000)	3,000	100	123,102	16,044		
All Saints Enterprises Ltd.	Great Mount Enterprises Ltd.	Unit 2102, 21/F The Broadway, No., 54-62 Lockhart, Road, Wanchai, Hong Kong	General investment	284,800 (USD 10,000,000)	284,800 (USD 10,000,000)	10,000	100	394,503	1,517		
NP Australia Pty Ltd.	RLA Polymers Pty. Ltd.	Collins Square Tower Five Level 22, 727 Collins Street, Docklands VIC 3008	Production and trading of construction materials and chemical substances	358,539 (AUD 16,334,344)	358,539 (AUD 16,334,344)	11,152,080	100	520,155	39,602		
Ongoing Profits Ltd.	Rising Sun Associates Ltd.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Island	General investment	138,058 (USD 4,847,546)	138,058 (USD 4,847,546)	3,000,000	100	848,635	279,854		
Treasure Wealth (HK) Ltd.	Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Kcn Nhon Trach II, Xa Hiep Phuoc, Huyen Nhon Trach, Tinh Dong Nai, Vietnam	Production and trading of coatings	130,723 (USD 4,590,000)	130,723 (USD 4,590,000)	-	50	158,772	29,426		
Goldford Investments Ltd.	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Jl. Pajajaran Raya No. 44, Jatiuwung Tangerang 15137, Indonesia	Production and trading of adhesives	2,112 (IDR 1,040,625,000)	2,112 (IDR 1,040,625,000)	1,040,625	18.5	85,494	68,241	Nan Pao Resins Chemical Co., Ltd. and related companies hold 67.5% of voting shares	
Rising Sun Associates Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	10 Thong Nhat Boulevard, Song Than 2 Industrial Park Di An Town, Binh Duong Province, S.R Vietnam	Production and trading of adhesives	97,066 (USD 3,408,217)	97,066 (USD 3,408,217)	-	100	845,917	279,912		
RLA Polymers Pty Ltd.	RLA Polymers (M) SDN BHD	No.5, Lebuhraya Petai, Pandamaran, 42000 Port Klang, Selangor Darul Ehsan, Malaysia	Production and trading of construction materials and chemical substances	131,081 (AUD 5,971,801)	131,081 (AUD 5,971,801)	18,415,500	100	181,090	1,833		

Note 1: The Company is only required to list the amount of profit and loss of each of the subsidiaries and each investee that is accounted for using the equity method. The rest of the information can be exempted.

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

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

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Main Businesses and Products	Paid-in Capital (Note 4)	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020 (Note 4)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
Nan Pao Resins (China) Co., Ltd.	Production and trading of adhesives and coatings	\$ 284,800 (USD 10,000,000)	(2) Great Mount Enterprises Ltd.	\$ 307,297 (USD 10,789,932)	\$ -	\$ -	\$ 307,297 (USD 10,789,932)	\$ 1,519	100	\$ 1,519 (2)B.	\$ 394,370	\$ -
Fuqing Nan Pao Resins Co., Limited	Production and trading of adhesives	129,869 (USD 4,560,000)	(2) Wealth Castle Development Ltd.	142,115 (USD 4,990,000)	-	-	142,115 (USD 4,990,000)	27,382	100	27,382 (2)B.	221,465	134,553
Nan Pao Resins (Dongguan) Co., Ltd.	Processing of adhesive products	76,896 (USD 2,700,000)	(2) Eastlion Enterprises Ltd.	72,392 (USD 2,541,860)	-	-	72,392 (USD 2,541,860)	23,517	100	23,517 (2)B.	145,193	-
Dongguan Jia Chin Electronics Co., Ltd.	Production and trading of coatings and advanced resin	85,440 (USD 3,000,000)	(2) Nan Pao Resins Development Ltd.	87,282 (USD 3,064,683)	-	-	87,282 (USD 3,064,683)	16,045	100	16,045 (2)B.	123,086	-
Foshan Nan Pao Advanced Materials Co., Ltd.	Production and trading of adhesives	48,043 (USD 1,686,900)	(2) Greatwill Materials (HK) Ltd. and Nan Pao Resins (Fo Shan) Co., Ltd.	-	-	-	-	76,729	60	50,824 (2)B.	399,630	-
Nan Pao Resins (Fo Shan) Co., Ltd.	Production and trading of adhesives	227,840 (USD 8,000,000)	(2) Giant Profit Development Ltd.	221,792 (USD 7,787,627)	-	-	221,792 (USD 7,787,627)	114,206	100	114,206 (2)B.	1,015,373	245,298
Goaden Nan Pao Material Technology Co., Ltd.	Trading of footwear materials	21,885 (RMB 5,000,000)	(3) Nan Pao Resins (Fo Shan) Co., Ltd.	-	-	-	-	909	51	464 (2)B.	15,771	-
Gangyi Electronic (Dongguan) Co., Ltd. (Note 5)	Production and trading of magnetic covers, magnetic rings, iron cores and electronic components	-	(2) Qang Yi Electronic Factory Company Ltd.	11,392 (USD 400,000)	-	-	11,392 (USD 400,000)	-	-	-	-	-
Nanpao Advanced Investment Co., Ltd.	General investment	817,376 (USD 28,700,000)	(2) Nan Pao Group Holdings Ltd.	532,576 (USD 18,700,000)	284,800 (USD 10,000,000)	-	817,376 (USD 28,700,000)	(7,133)	100	(7,133) (2)B.	804,197	-
Nan Pao (Kunshan) Electronic Commerce Co., Ltd.	Agency of online business and general merchandise	142,400 (USD 5,000,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	7,928	100	7,928 (2)B.	99,340	-
Nantong Nanpao Resins Materials Co., Ltd.	Production and trading of adhesives	156,640 (USD 5,500,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	(6,804)	100	(6,804) (2)B.	142,957	-
Nan Pao Resins (Yunan) Co., Ltd.	Production and trading of adhesives	227,840 (USD 8,000,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	(1,163)	100	(1,163) (2)B.	237,810	-
Nanpao New Materials (Huaian) Co., Ltd.	Production and trading of carbon fiber	284,800 (USD 10,000,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	(10,051)	100	(10,051) (2)B.	296,169	-

Accumulated Outward Remittance for Investments in Mainland China as of DECEMBER 31, 2020 (Note 4)	Investment Amount Authorized by the Investment Commission, MOEA (Note 4)	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 3)
\$ 1,659,646 (USD 58,274,102)	\$ 1,881,083 (USD 66,049,260)	\$ 6,159,961

Note 1: The methods of investment in mainland China are divided into the following three categories (indicate the category number):

- (1) Direct investment in mainland China.
- (2) Investment in mainland China through companies in a third region (please specify investee company in third region).
- (3) Other methods

Note 2: Recognized in the investment gain (loss) column in the current period:

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

Note 3: The Company's investment limit in mainland China is calculated as follows:
 $\$10,266,601 \times 60\% = \$6,159,961$

Note 4: Relevant amounts are calculated based on the exchange rate of US\$1 = NT\$28.48 at the end of the period.
Relevant amounts are calculated based on the exchange rate of CNY 1 = NT\$4.377 at the end of the period.

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

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

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES

FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Counterparty	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Unrealized Gain (Note)
			Purchase/Sale	Amount (Note)	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note)	% to Total	
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Fo Shan) Co., Ltd.	Subsidiary	Sales	\$ (117,450)	(3)	Payment within 90 days	Similar to general transactions	Similar to general transactions	\$ 46,697	3	\$ 5,703
Foshan Nan Pao Advanced Materials Co., Ltd.	Nan Pao Resins Chemical Co., Ltd.	Ultimate parent company	Sales	(38,724)	-	Payment within 30 days	Similar to general transactions	Similar to general transactions	1,882	-	-
	Greatwill Materials (HK) Ltd.	Same ultimate Parent Company	Sales	(94,969)	(1)	Payment within 90 days	Similar to general transactions	Similar to general transactions	16,214	-	-
	Nan Pao Resins India Pvt Ltd.	Same ultimate Parent Company	Sales	(33,189)	-	Payment within 90 days	Similar to general transactions	Similar to general transactions	13,183	-	-
	Nan Pao Resins (Fo Shan) Co., Ltd.	Same ultimate Parent Company	Sales	(48,615)	(2)	Payment within 90 days	Similar to general transactions	Similar to general transactions	17,170	3	-
Nan Pao Resins (Dongguan) Co., Ltd.	Nan Pao Resins (HK) Limited	Same ultimate Parent Company	Processing Revenue	(334,007)	(100)	Payment within 90 days	No comparable product sales for comparison	No third-party transaction for comparison	-	-	-
Nan Pao Resins (Fo Shan) Co., Ltd.	Fuqing Nan Pao Resins Co., Limited	Same ultimate Parent Company	Sales	(82,302)	(6)	Payment within 90 days	Similar to general transactions	Similar to general transactions	26,674	3	-
	Nan Pao Resins (China) Co., Ltd.	Same ultimate Parent Company	Sales	(46,917)	(3)	Payment within 90 days	Similar to general transactions	Similar to general transactions	17,197	2	-
Fuqing Nan Pao Resins Co., Limited	Nan Pao Resins (China) Co., Ltd.	Same ultimate Parent Company	Sales	(104,497)	(28)	Payment within 90 days	Similar to general transactions	Similar to general transactions	31,681	30	-

Note: Already written off during the preparation of the consolidated financial statements.

TABLE 9**NAN PAO RESINS CHEMICAL CO., LTD. CORPORATION AND SUBSIDIARIES****II INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Pou Chien Enterprise Co., Ltd.	10,920,248	9.05%
Ding-Feng Investment Co., Ltd	10,665,947	8.84%
Yue Dean Technology Corporation	10,285,000	8.53%
Chuan-De Investment Co., Ltd.	10,060,298	8.34%
Guang Rong Investment Ltd.	8,868,132	7.35%
Growth Machine Development Co., Ltd.	7,826,523	6.49%
Pao-Wang Investment Co., Ltd.	7,476,068	6.20%

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

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

NAN PAO RESINS CHEMICAL CO., LTD. AND SUBSIDIARIES

CHANGES IN PROPERTY, PLANT AND EQUIPMENT
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	Land	Land Improvement	Buildings	Machinery and equipment	Transportation equipment	Miscellaneous equipment	Construction in progress	Total
Cost								
Balance at January 1, 2019	\$ 963,621	\$ 5,156	\$ 444,874	\$ 1,032,254	\$ 112,621	\$ 494,312	\$ 15,854	\$ 3,068,692
Additions	6,549	5,160	5,741	74,778	14,344	48,584	13,309	168,465
Disposals	-	-	-	(19,269)	(15,134)	(6,272)	-	(40,675)
Balance at December 31, 2019	<u>\$ 970,170</u>	<u>\$ 10,316</u>	<u>\$ 450,615</u>	<u>\$ 1,087,763</u>	<u>\$ 111,831</u>	<u>\$ 536,624</u>	<u>\$ 29,163</u>	<u>\$ 3,196,482</u>
Accumulated depreciation and impairment								
Balance at January 1, 2019	\$ -	\$ 5,156	\$ 225,307	\$ 670,313	\$ 79,064	\$ 353,644	\$ -	\$ 1,333,484
Depreciation	-	148	12,106	68,723	9,606	35,681	-	126,264
Disposals	-	-	-	(19,020)	(10,733)	(4,017)	-	(33,770)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 5,304</u>	<u>\$ 237,413</u>	<u>\$ 720,016</u>	<u>\$ 77,937</u>	<u>\$ 385,308</u>	<u>\$ -</u>	<u>\$ 1,425,978</u>
Carrying amount at December 31, 2019	<u>\$ 970,170</u>	<u>\$ 5,012</u>	<u>\$ 213,202</u>	<u>\$ 367,747</u>	<u>\$ 33,894</u>	<u>\$ 151,316</u>	<u>\$ 29,163</u>	<u>\$ 1,770,504</u>
Cost								
Balance at January 1, 2020	\$ 970,170	\$ 10,316	\$ 450,615	\$ 1,087,763	\$ 111,831	\$ 536,624	\$ 29,163	\$ 3,196,482
Additions	-	5,782	952	58,253	9,250	30,576	204,409	309,222
Disposals	-	-	-	(31,139)	(7,994)	(16,122)	-	(55,255)
Balance at December 31, 2020	<u>\$ 970,170</u>	<u>\$ 16,098</u>	<u>\$ 451,567</u>	<u>\$ 1,114,877</u>	<u>\$ 113,087</u>	<u>\$ 551,078</u>	<u>\$ 233,572</u>	<u>\$ 3,450,449</u>
Accumulated depreciation and impairment								
Balance at January 1, 2020	\$ -	\$ 5,304	\$ 237,413	\$ 720,016	\$ 77,937	\$ 385,308	\$ -	\$ 1,425,978
Depreciation	-	1,029	11,682	76,180	10,584	40,205	-	139,680
Disposals	-	-	-	(31,139)	(7,994)	(16,122)	-	(55,255)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 6,333</u>	<u>\$ 249,095</u>	<u>\$ 765,057</u>	<u>\$ 80,527</u>	<u>\$ 409,391</u>	<u>\$ -</u>	<u>\$ 1,510,403</u>
Carrying amount at December 31, 2020	<u>\$ 970,170</u>	<u>\$ 9,765</u>	<u>\$ 202,472</u>	<u>\$ 349,820</u>	<u>\$ 32,560</u>	<u>\$ 141,687</u>	<u>\$ 233,572</u>	<u>\$ 1,940,046</u>

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STATEMENT 1

NAN PAO RESINS CHEMICAL CO., LTD.

STATEMENT OF CASH

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Maturity Date	Interest Rate (%)	Amount
Cash on hand			\$ 1,053
Deposits			
Demand deposits			90,790
Check deposits			23,717
Foreign currency deposits (Note)			<u>171,503</u>
			<u>\$ 287,063</u>

Note: Including US\$ 5,530,048.21, JPY\$ 418,817.83, AUD\$ 108,008.06, EUR\$ 130,272.09, HKD\$ 451,768.21 and RMB\$ 1,247,639.67
(US \$1=NT \$ 28.48, JPY 1=NT\$ 0.276, AUD 1=NT\$21.95, EUR 1=NT\$35.02, HKD 1=NT\$3.673 and RMB 1=NT\$4.377)

STATEMENT 2

NAN PAO RESINS CHEMICAL CO., LTD.

STATEMENT OF NOTES RECEIVABLE

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Customer Name	Amount
Unrelated parties	
Customer A	\$ 37,860
Customer B	13,432
Customer C	10,389
Others (Note)	<u>129,100</u>
	<u>\$ 190,781</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

NAN PAO RESINS CHEMICAL CO., LTD.**STATEMENT OF ACCOUNTS RECEIVABLE****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Customer Name	Amount
Unrelated parties	
Customer A	\$ 78,064
Others (Note)	<u>333,095</u>
	411,159
Less: Allowance for impairment loss	<u>527</u>
	<u>\$ 410,632</u>
Related parties	
Nan Pao Resins (Vietnam) Enterprise Ltd.	\$ 562,394
PT Indo Nan Pao Resins Chemical Co., Ltd.	107,492
Nan Pao Material Vietnam Co., Ltd.	78,650
Nan Pao Resins (HK) Limited	47,697
Nan Pao Resins (Foshan) Co., Ltd.	46,697
Others (Note)	<u>67,826</u>
	<u>\$ 910,756</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

STATEMENT 4

NAN PAO RESINS CHEMICAL CO., LTD.

STATEMENT OF OTHER RECEIVABLES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

	Description	Amount
Item		
Tax refund receivable	Business tax refund receivable	\$ 12,578
Other receivable - related parties	Receivables of related parties and endorsements / guarantees fee	244
Others		<u>334</u>
		<u>\$ 13,156</u>

STATEMENT 5**NAN PAO RESINS CHEMICAL CO., LTD.****STATEMENT OF INVENTORIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Market Price
Merchandise	\$ 7,581	\$ 7,905
Finished goods and semi-finished goods	190,585	232,362
Work-in-process	25,248	37,882
Raw materials	236,224	237,948
Supplies	<u>7,208</u>	<u>7,208</u>
	<u>\$ 466,846</u>	<u>\$ 523,305</u>

Note: Market price is meant net realizable value.

NAN PAO RESINS CHEMICAL CO., LTD.

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

Investee Company	Balance at January 1, 2020		Additions (Reductions)		Unrealized Gain (loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Balance at December 31, 2020			Note	Collateral
	Shares	Amount	Shares/Units	Amount (Note 4)		Shares	Amount	Fair Value		
Publicly owned company										
Dairen Chemical Corp.	6,515,606	\$ 937,791	-	\$ -	\$ 118,323	6,515,606	\$ 1,056,114	\$ 1,056,114	Note 1	None
Unlisted shares										
Hua Chi Venture Capital Co., Ltd.	126,316	3,712	(31,579)	(315)	(460)	94,737	2,937	2,937	Note 2	None
Opulence Optronics Co., Ltd.	1,600,000	2,370	449,200	4,492	(5,629)	2,049,200	1,233	1,233	Note 3	None
Revivegen Environmental Technology Co., Ltd.	375,000	12,949	20,957	463	(337)	395,957	13,075	13,075	Note 1	None
FlexUP Technologies Corp.	1,200,000	4,128	-	-	(2,844)	1,200,000	1,284	1,284	Note 1	None
Contact Organics Pty Ltd.	1,191	7,338	-	-	(1,451)	1,191	5,887	5,887	Note 1	None
		\$ 968,288		\$ 4,640	\$ 107,602		\$ 1,080,530	\$ 1,080,530		

Note 1: Fair value is based on market value method used by the appraiser.

Note 2: Fair value is based on the investee company's most recent net asset value.

Note 3: Fair value is based on asset-based approach used by the appraiser.

Note 4: The change in the year is due to the proceeds from capital reduction of the investee company in the amount of RMB 315 thousand, cash dividends in the amount of RMB 375 thousand from capital surplus- paid-in capital in excess of par and the additional investment in the amount of RMB 5,330 thousand.

NAN PAO RESINS CHEMICAL CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Investee Company	Balance, January 1, 2020		Additions (Reductions)		Note	Gain (loss) on Investments	Cumulative Translation Adjustment	Adjustments in other comprehensive income	Balance, December 31, 2020					
	Shares	Amount	Shares/Units	Amount					Shares	Proportion of Ownership (%)	Amount	Fair Value	Collateral	
Investment accounted for using the equity method														
Nan Pao Overseas Holdings Ltd. (foreign company)	68,300,502	\$ 3,722,798	5,000,000	\$ (194,484)	Note 1	\$ 365,025	\$ (24,229)	\$ (234)	73,300,502	100	\$ 3,868,876	\$ 3,990,462	None	
Fuqing Nan Pao Investment Ltd. (foreign company)	4,990,000	191,351	-	(126)	Note 2	27,145	3,732	-	4,990,000	100	222,102	222,561	None	
Thai Nan Pao Investment Ltd. (foreign company)	5,282,000	181,007	-	433	Note 3	6,642	(9,544)	-	5,282,000	100	178,538	178,943	None	
Nan Pao Resins India Pvt. Ltd. (foreign company)	3,000,000	29,977	-	-		(1,058)	(2,585)	-	3,000,000	100	26,334	26,334	None	
Nan Pao Materials Vietnam Co., Ltd. (foreign company)	-	874,455	-	(11,804)	Note 2	156,677	(49,747)	-	-	100	969,581	987,809	None	
Nan Pao Advanced Materials Vietnam Co., Ltd. (foreign company)	-	408,490	-	225	Note 3	4,973	(19,289)	-	-	100	394,399	394,458	None	
Nan Pao Electronic Material Co. (unlisted company)	4,000,000	49,560	-	-		(1,434)	-	-	4,000,000	100	48,126	48,126	None	
Nan Pao Chemical Co. Ltd. (unlisted company)	15,000,000	150,945	-	-		5,603	-	20,280	15,000,000	100	176,828	179,249	None	
ITLS International Development Co., Ltd. (unlisted company)	30,500,000	287,347	-	101	Note 3	(8,931)	30	-	30,500,000	100	278,547	279,443	None	
Phymed Bio-Tec Co., Ltd. (unlisted company)	600,000	3,877	-	-		(1,165)	-	-	600,000	100	2,712	2,712	None	
Nan Pao Application Material Co. (unlisted company)	200,000	9,383	-	-		(140)	-	-	200,000	100	9,243	9,243	None	
Biorich Biotechnology Co., Ltd. (unlisted company)	391,462	6,647	-	-		1,289	-	-	391,462	57.1	7,936	7,936	None	
Prince Pharmaceutical Co., Ltd. (unlisted company)	16,767,305	356,889	-	1,655	Note 4	(17,332)	-	114	16,767,305	50.51	341,326	341,326	None	
Nan Pao Advanced Materials Co., Ltd. (unlisted company)	350,000	5,996	-	(1,954)	Note 5	4,106	-	-	350,000	70	8,148	8,148	None	
Progroup Technology Co., Ltd (unlisted company)	459,950	72,542	-	-		(2,221)	-	-	459,950	91.99	70,321	72,354	None	
PT. Indo Nan Pao Resins Chemical Co., Ltd. (foreign company)	2,756,250	208,834	-	(12,477)	Note 6	33,438	(18,265)	(620)	2,756,250	49	210,910	226,444	None	
All Saints Enterprises Ltd. (foreign company)	5,452,549	213,323	-	-		785	3,202	-	5,452,549	54.53	217,310	217,310	None	
Ongoing Profits Ltd. (foreign company)	1,560,000	305,173	-	(148,740)	Note 7	90,012	(15,900)	-	1,560,000	32.18	230,545	273,599	None	
Profit Land Ltd. (foreign company)	983,333	716,775	-	(63,113)	Note 8	82,403	10,230	-	983,333	73.75	746,295	756,049	None	
Total Acrylic Polymer Industry (Tapi) Corporation (unlisted company)	1,500,000	322,657	-	(3,000)	Note 5	48,096	-	-	1,500,000	30	367,753	367,753	None	
Nan Pao Philippines Export Inc. (foreign company)	-	-	25,750	14,993	Note 9	(1,066)	104	-	25,750	100	14,031	14,031	None	
Nan Pao Fine Materials Co., Ltd. (unlisted company)	-	-	1,375,000	13,750	Note 9	(67)	-	-	1,375,000	55	13,683	13,683	None	
		\$ 8,118,026		\$ (404,541)		\$ 792,780	\$ (122,261)	\$ 19,540			\$ 8,403,544	\$ 8,617,973		

Note 1: The details of increase (decrease) were as follows:

Addition of investments	\$ 298,549
Cash dividends paid	(289,161)
Adjustments of unrealized gain on downstream transactions	(50,630)
Refund from capital reduction	(149,450)
Decrease on capital surplus of change on equity of subsidiaries	(3,792)
	<u>\$ (194,484)</u>

Note 2: Adjustments of unrealized gain on downstream transactions

Note 3: Adjustments of realized gain on downstream transactions

Note 4: Increase on capital surplus of change on equity of subsidiaries

Note 5: Cash dividends paid

Note 6: The details of increase (decrease) were as follows:

Cash dividends paid	\$ (28,432)
Adjustments of realized gain on downstream transactions	15,955
	<u>\$ (12,477)</u>

Note 7: The details of increase (decrease) were as follows:

Cash dividends paid	\$ (122,615)
Adjustments of unrealized gain on downstream transactions	(26,125)
	<u>\$ (148,740)</u>

Note 8: The details of increase (decrease) were as follows:

Cash dividends paid	\$ (62,153)
Adjustments of unrealized gain on downstream transactions	(922)
Decrease on capital surplus of change on equity of subsidiaries	(38)
	<u>\$ (63,113)</u>

Note 9: Addition of investments

NAN PAO RESINS CHEMICAL CO., LTD.**STATEMENT OF SHORT-TERM BORROWINGS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

	Maturity Date	Interest rate (%)	Balance	Credit Line	Collateral
Borrowings of unsecured loans					
HSBC Bank	2020.10 - 2021.03	0.75	\$ 280,000	284,800	None
Standard Chartered Bank	2020.11 - 2021.02	0.75 - 0.83	280,182	284,800	None
E.Sun Commercial Bank	2020.11 - 2021.03	0.78	150,000	200,000	None
Mizuho Bank	2020.12 - 2021.02	0.85	<u>224,992</u>	712,000	None
			<u>\$ 935,174</u>		

STATEMENT 9

NAN PAO RESINS CHEMICAL CO., LTD.

STATEMENT OF NOTES RECEIVABLE

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Fu Tong Enterprise	\$ 594
Kao Heng Weaving Enterprise Co., Ltd.	341
Sin Hong Chang Wood Industry Co., Ltd.	312
Institute for Information Industry	303
Jiang Bang Xing Machinery Co., Ltd.	284
Others (Note)	<u>3,632</u>
	<u>\$ 5,466</u>

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

STATEMENT 10

NAN PAO RESINS CHEMICAL CO., LTD.

**STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Vendor Name	Amount
Dairen Chemical Corp.	\$ 41,453
Others (Note)	<u>605,394</u>
	<u>\$ 646,847</u>

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

NAN PAO RESINS CHEMICAL CO., LTD.

STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

		Contract Period and Repayment Method	Interest rate (%)	Current	Balance, December 31, 2020 Over 1 Year	Total	Collateral
Borrowings of unsecured loans							
CTBC Bank		2020.09 – 2022.09, repaid in the due date with revolving basis within the quota	0.7964 – 0.7965	\$ -	\$ 100,000	\$ 100,000	None
Mizuho Bank		2020.12 – 2022.12, repaid in the due date with revolving basis within the quota	0.82	-	500,000	500,000	None
Taipei Fubon Bank		2020.12 – 2022.12, repaid in the due date with revolving basis within the quota	0.95	-	15,000	15,000	None
KGI Bank		2020.11 – 2023.11, repaid in the due date with revolving basis within the quota	0.88656	-	150,000	150,000	None
Mega Bank		2020.11 – 2022.11, repaid in the due date with revolving basis within the quota	0.88	-	100,000	100,000	None
DBS Bank		2020.12 – 2022.12, repaid in the due date with revolving basis within the quota	0.90	-	140,000	140,000	None
E.Sun Commercial Bank		2019.11 – 2024.11, not with revolving basis within the quota, monthly repays the principal portion of the borrowings since December 2022	0.40	-	39,425	39,425	None
CTBC Bank		2019.11 – 2024.11, not with revolving basis within the quota, monthly repays the principal portion of the borrowings since December 2022	0.40	-	39,425	39,425	None
CTBC Bank		2019.12 – 2024.12, not with revolving basis within the quota, monthly repays the principal portion of the borrowings since January 2023	0.40	-	49,270	49,270	None
Taipei Fubon Bank		2019.12 – 2024.12 not with revolving basis within the quota, monthly repays the principal portion of the borrowings since December 2022	0.38	-	39,417	39,417	None
Taipei Fubon Bank		2020.03 – 2025.03 not with revolving basis within the quota, monthly repays the principal portion of the borrowings since March 2023	0.38	-	53,428	53,428	None
O - Bank		2019.12 – 2024.12 not with revolving basis within the quota, monthly repays the principal portion of the borrowings since December 2022	0.8457	-	39,417	39,417	None
				\$ -	\$ 1,265,382	\$ 1,265,382	

NAN PAO RESINS CHEMICAL CO., LTD.**STATEMENT OF OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Quantities (Ton)	Amount
Adhesives	46,678	\$ 3,842,686
Paint	5,958	577,970
Others (Note)	-	<u>305,236</u>
		4,725,892
Less : Sales returns		5,092
Sales discounts		<u>85,166</u>
Net operating revenue		<u>\$ 4,635,634</u>

Note: The amount of individual category included in others does not exceed 10% of the account balance.

NAN PAO RESINS CHEMICAL CO., LTD.

**STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Amount
Merchandise, beginning of year	\$ 2,130
Add: Merchandise purchased	145,329
Less: Merchandise, end of year	7,581
Others	238
Cost of commodity transaction	<u>139,640</u>
Raw materials, beginning of year	253,512
Add: Raw material purchased	2,199,381
Less: Raw materials, end of year	236,224
Raw materials costs of sales	122,568
Others	<u>8,861</u>
Raw material consumption	<u>2,085,240</u>
Supplies beginning of year	7,415
Add: Supplies purchased	183,139
Less: Supplies, end of year	7,208
Supplies costs of sales	1,404
Others	<u>2,470</u>
Supplies consumption	<u>179,472</u>
Direct labor	138,617
Manufacturing expenses	<u>489,453</u>
Cost input during the year	2,892,782
Add: Work-in-process, beginning of year	19,322
Work-in-process and semi-finished goods reworked	554,540
Others	5
Less: Work-in-process, end of year	<u>25,248</u>
Manufacturing cost	3,441,401
Add: Semi-finished goods, beginning of year	19,236
Less: Semi-finished goods, end of year	19,017
Semi-finished goods used	336,433
Others	<u>874</u>
Finished goods costs	3,104,313
Add: Finished goods, beginning of year	181,462
Less: Finished goods, end of year	171,568
Finished goods used	218,107
Others	<u>14,756</u>
Finished goods costs of sales	<u>2,881,524</u>
Subtotal	3,021,164
Loss from physical count and disposal	1,094
Costs from sale of raw materials and supplies	123,972
Revenue from sale of scraps	<u>(1,191)</u>
The cost of inventories	3,145,039
Gain on disposals of property, plant and equipment	<u>(973)</u>
	<u>\$ 3,144,066</u>

NAN PAO RESINS CHEMICAL CO., LTD.**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Selling Expenses	General and Administrative Expenses	Research and Development Expenses	Estimated credit loss (gain)	Total
Payroll expense	\$ 193,492	\$ 162,330	\$ 126,469	\$ -	\$ 482,291
Traveling expense	10,364	940	837	-	12,141
Shipping expense	33,408	166	602	-	34,176
Remuneration of director	-	20,000	-	-	20,000
Depreciation	5,024	16,821	15,534	-	37,379
Commission expense	35,982	-	-	-	35,982
Export and import expense	42,255	-	-	-	42,255
Professional service fee	2,541	23,880	2,133	-	28,554
Labor and health insurance expense	12,048	10,595	10,050	-	32,693
Estimated credit loss(gain)	-	-	-	(2,493)	(2,493)
Others	<u>58,670</u>	<u>60,658</u>	<u>43,149</u>	<u>-</u>	<u>162,477</u>
Total	<u>\$ 393,784</u>	<u>\$ 295,390</u>	<u>\$ 198,774</u>	<u>\$ (2,493)</u>	<u>\$ 885,455</u>

NAN PAO RESINS CHEMICAL CO., LTD.

**STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

(In Thousands of New Taiwan Dollars, Except Average Labor Cost and Average Salary and Bonus)

	For the Year Ended December 31, 2020			For the Year Ended December 31, 2019		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salaries	\$ 215,578	\$ 482,291	\$ 697,869	\$ 214,734	\$ 465,739	\$ 680,473
Labor and health insurance	21,893	32,693	54,586	21,749	32,751	54,500
Post-employment benefits	9,784	16,138	25,922	10,626	15,918	26,544
Remuneration of directors	-	20,000	20,000	-	20,000	20,000
Others	13,736	15,498	29,234	14,053	16,467	30,520
	<u>\$ 260,991</u>	<u>\$ 566,620</u>	<u>\$ 827,611</u>	<u>\$ 261,162</u>	<u>\$ 550,875</u>	<u>\$ 812,037</u>
Depreciation	\$ 110,364	\$ 37,379	\$ 147,743	\$ 100,843	\$ 31,526	\$ 132,369
Amortization	340	9,505	9,845	28	7,340	7,368

Note 1: For the years ended December 31, 2020 and 2019, there were 828 and 838 employees in the Company, respectively. In addition, the Company had 4 non-employee directors for the years then ended.

Note 2:

- a. Average labor cost for the years ended December 31, 2020 and 2019 were NT\$980 thousand and NT\$950 thousand, respectively.
- b. Average salary and bonuses for the years ended December 31, 2020 and 2019 were NT\$847 thousand and NT\$816 thousand, respectively.
- c. The average salary and bonuses increased by 3.8% year-over-year.

Note 3: The Company has established audit committee with no supervisor.

Note 4: Remuneration policy was as follows:

- a. According to the Company's Article No.17, when the directors of the Company do business, it was authorized to the board of directors that they determine the remuneration based on their devoted time and contribution to the Company's operations with not exceeding the highest level (industry standard) of the Company's compensation police. In addition, according to the Company's Article No.25, if the Company makes a profit in the year, the board of directors could decide no more than 3% of the profit as director's remuneration.
- b. According to the Company's Article No.23, the Company's managers process business based on the orders of the board of directors, and their compensation is determined with the Article 29 of "Company Act". The compensation is based on their performance and contribution to the Company's operations with market standard.
- c. For the directors and managers listed above, the policies, regulations, standards and structures of salary, and remuneration all are approved by the Salary and Compensation Committee in accordance with "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange".
- d. Employee benefits include basic fixed salary, bonus and compensation of employees. It is determined by their performance, contribution, the market value of their duty and considering the future operation risk of the Company. It is positively related to business performance of the Company. According to the Company's Article, if the Company makes a profit in the year, the Company accrued employees' compensation at rates of 2% to 6%.