



Stock Code: 4766

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

# **2019 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, 2020**

**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, job titles, contact numbers, and email addresses of the Company's spokesperson and deputy spokesperson**

	Spokesperson	Acting Spokesperson
Name	Lin, Kun-Chin	Kuo, Sen-Mao
Job Title	Assistant General Manager of Financial Management Division	Executive General Manager of Adhesives and Specialties Business Division
Telephone No.	(06)795-4766	(06)795-4766
Email	<a href="mailto:IR@nanpao.com">IR@nanpao.com</a>	<a href="mailto:IR@nanpao.com">IR@nanpao.com</a>

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

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

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

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

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

Name of the CPA	Liao, Hung-Ju, Kung, Chun-Chi
Name of the Firm	Deloitte & Touche Taiwan
Address	13F., No. 189, Sec. 1, Yongfu Rd., Zhongxi Dist., Tainan City
Website:	<a href="http://www.deloitte.com.tw/">http://www.deloitte.com.tw/</a>
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

Ladies and Gentlemen,

Looking back at 2019, the Company's overall profitability was positively affected by continued top line growth, an improved product mix and moderating raw material prices. Key contributors to top line growth were footwear adhesives and non-woven adhesives. We expect the positive momentum in these businesses to continue. In the meanwhile, we continued to expand into new overseas markets as we pursue our goal of becoming a company with global scale and reach. We continue to expand our market share to support stable revenue growth. The consolidated 2019 results of the parent company and its subsidiaries are reported below:

### I. Review of Business Performance in 2019

#### 1. Results of business plan

The total consolidated revenue of 2019 was NT\$ 17.11 billion, an increase of 6.81% from the previous year; the total gross profit was NT\$4.72 billion, an increase of 23.90% from the previous year; the operating profit was NT\$ 1,682 million, an increase of 86.68% from the previous year; the net income was NT\$ 1,315 million, an increase of 83.53% from the previous year; Earning Per Share after taxes was NT\$10.19.

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

Item	Year	2019		2018		Varieties	
		Amount	%	Amount	%	%	%
Net Operating Revenue		17,113,546	100	16,022,220	100	1,091,326	6.81
Gross Profit		4,717,529	28	3,807,414	24	910,115	23.90
Operating Profit		1,682,029	10	901,010	6	781,019	86.68
Pre-tax Income		1,792,682	11	1,035,812	7	756,870	73.07
Net Income		1,315,224	8	716,630	5	598,594	83.53
Net Income attributed to	Shareholders	1,228,200	7	672,775	4	555,425	82.56
	Not Controlling Interest	87,024	1	43,855	1	43,169	98.44
Earning Per Share(dollar)		10.19		6.15		4.04	65.69

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	2019	2018
Cash inflow from operating	1,863,989	155,920
Cash outflow from investing	(1,335,454)	(688,274)
Cash inflow from fundraising	(327,022)	307,123
Return on Assets (%)	7.63	4.67
Return on Equity (%)	12.58	7.76
Profit before tax to capital stock (%)	148.68	85.91
Net Profit Margin (%)	7.69	4.47

#### 4. Research and Development

The Company is active in industry-university cooperative research, pursuing continuously growth and innovation improvement, and invests 2% to 3% of the revenue every year on R&D costs, for the training and specialization of the qualified personnel. The R&D expenses in 2019 was 2.61% of the revenue. Our chemists and engineers overcome difficulties and strive for more the latest innovations to develop the high value added of new products. We grows the competitive advantages and creates the new value for the Company; we aims at “environment-protection, energy-saving and carbon reduction” as the most recent research directions. The most 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 low melting point polyester. We devote in developing innovative manufacturing processes and materials to drive us 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

Outlook for the COVID-19 pandemic outbreak in begging of 2020, we can reasonably to have foreseen the impacts of the original business plan. Our business plan is more conservative than usual, however we continuously dedicates to the current markets, integrates all of the resources, expands manufacturing bases and layouts new territories. The main manufacturing and sales policies are listed as follows:

1. Key contributors to top line growth were footwear adhesives and non-woven adhesives, we have foreseen the price range of such products are more likely maintain stable. Our footwear adhesives business growth was driven by market share gains with Tier 1 International brands and with Chinese domestic brands; the momentum for specialty adhesives grew with hot melt glue for domestic China consumer applications spurring growth. Applications are diapers, home appliances and pressure-sensitive adhesives.
2. The Company builds on carbon fiber composite substrate as the further development, and plan to establish a joint venture operating site of establish carbon fiber composite substrate manufacturing in Jiangsu Province, China. Compound injection will be used to mate plastic parts to the Company’s carbon fiber composite substrate which is a positive and stable developing factor.
3. In response to the pandemic, the Company planned out the off-site production policy for multiple raw materials in different manufactures and countries, meanwhile strengthening the management on suppliers to build a resilient supply chain.

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

In the future prospect in 2020, although facing the economy uncertainty, we will stand on our business corner stone of “leading, integrity, teamwork and efficiency” as our guideline to build the business, we will implement corporate governance and corporate social responsibility on managing, manufacturing, environmental protecting and society caring, also stick with our quality policy “quality first, technological leadership and service oriented”. We continuously pursue technology innovations and pay 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 an increasingly severe impact made by global warming and environmental pollution, the Company has already invested significant resources to develop water-based, low-pollutant products for many years, working toward a green chemical industry. We continuously improve our green product R&D and production technologies and reduce the quantities of organic solvents and the consumption of hazardous chemical substances. Nan Pao adopts the circular economy as the R&D design concept and launched “Innovative recycled upper”, ”Biomass materials” and “Thermoplastic carbon fiber composites” in 2018, which those either use the recycled materials or the end products can be recycled and back into a new manufacturing processes to meet the goal of circular economy. Nan Pao also shoulders the mission and faith of environmental protection. We continue to monitor and reduce carbon emissions and wastewater solid waste volume, strive to protect the environment, and implement standard environmental management systems.

In order to fit in the ever-changing business environment, Nan Pao adheres to “innovation” and “continuous improvement” as the foundation to remain the sustainability in order to become indispensable strategic partners in many industries, and uphold dependability and openness and transparency throughout our business. We expect ourselves to continuously deliver excellent business results and create a better value to give back to the support from shareholders.

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

## Chapter II COMPANY PROFILE

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

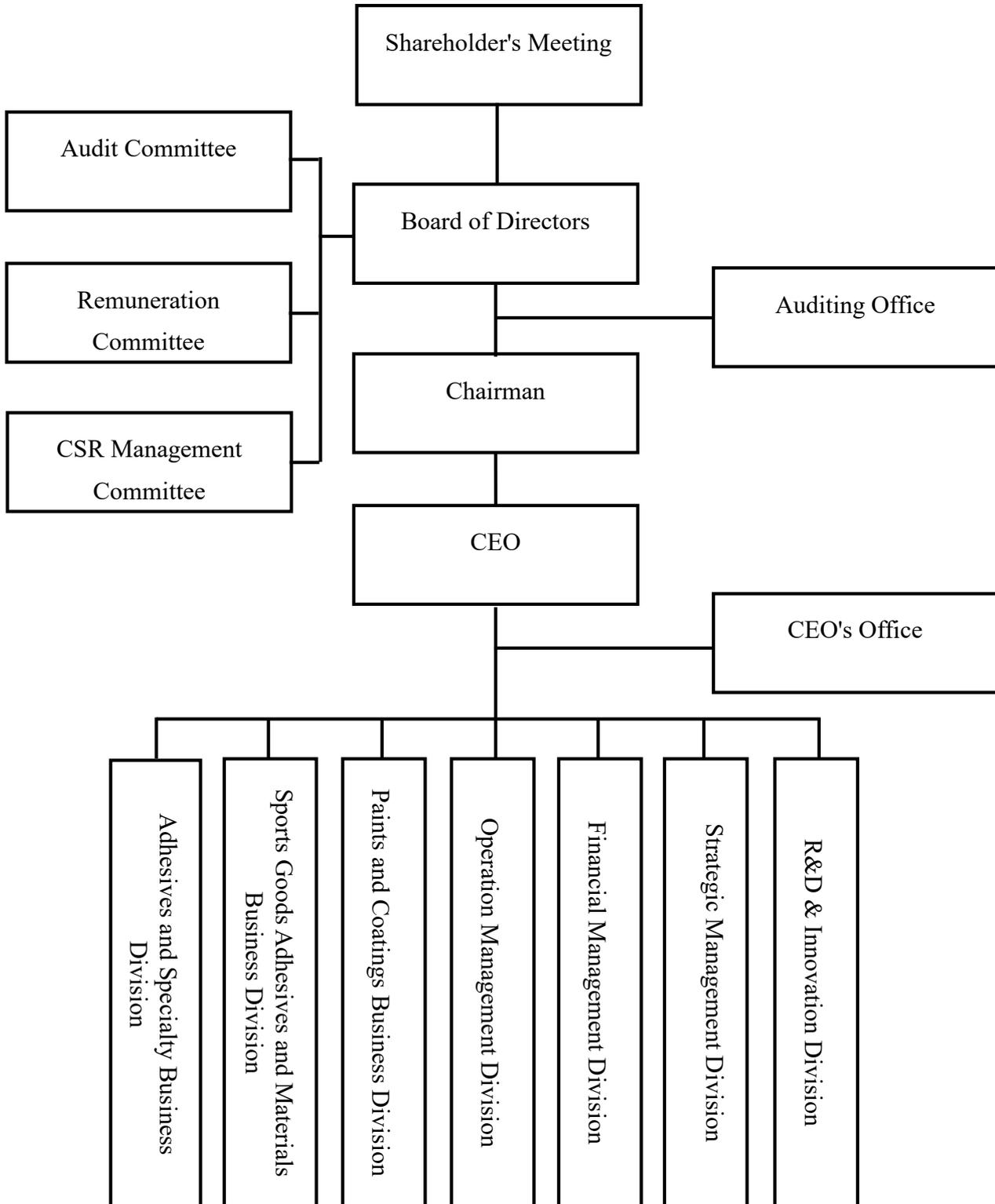
**II. Company History**

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.
2007	Established Nan Pao Chemical Co., Ltd. Produced reactive PU hot melt adhesive and non-chrome water-based metal anti-fingerprint surface treatment agent.

Year	Important Events
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.

# Chapter III CORPORATE GOVERNANCE REPORT

## I. Organizational system (I) Organizational structure



(II) Business Activities of Each Main Division

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

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

### (I) Directors and Supervisors Business Activities of Each Main Division

#### 1. Information on Directors:

April 18, 2020

Title	Nationality or Place of Registration	Name	Gender	Elected Date	Term	First Date Date of meeting	Shares Held when Elected		Shares Held Currently		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Titles also held at the Company and other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Ratio	Number of shares	Ratio	Number of shares	Ratio	Number of shares	Ratio			Title	Name	Relation
Chairman	Taiwan, R.O.C.	Wu, Cheng-Hsien	Male	2017.05.16	3 years	2014.06.27	455,456	0.44	441,808	0.37	196,014	0.16	—	—	M.S. in Applied Chemistry, National Tsing Hua University; Bachelor of Chemistry, ational Tsing Hua University; Adhesive Business Executive General Manager and General Manager of Nan Pao Resins Chemical Co., Ltd.	Note 5	None	None	None
Director.	Taiwan, R.O.C.	Pou Chien Enterprise Co., Ltd (Representative: Ho, Ming-Kun)	—	2017.05.16	3 years	2008.12.12	20,789,459	20.09	10,920,248	9.06	—	—	—	—	—	—	None	None	None
	Taiwan, R.O.C.	Chang, Chia-Li (Note 1)	Male	2017.11.01	3 years	2017.11.01	—	—	—	—	—	—	—	—	Footwear Department, South Fields College, UK; Deputy General Manager of Global Supply Chain Management Head Office, Pou Chen Group	Note 6	None	None	None
	Taiwan, R.O.C.	Tsai Nai-Yung (Note 2)	Male	2019.11.29	3 years	2019.11.29	—	—	—	—	—	—	—	—	LuKang Junior High School Deputy General Manager of Global Supply Chain Management Head Office, Pou Chen Group	Note 7	None	None	None
Director.	Taiwan, R.O.C.	Guang Rong Investment Ltd. (Representative: Lim Boon Seng)	—	2017.05.16	3 years	2014.06.27	8,644,248	8.35	8,868,132	7.36	—	—	—	—	—	—	None	None	None
	Taiwan, R.O.C.	Hsu, Ming-Hsien	Male	2017.05.16	3 years	2014.06.27	473,737	0.46	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 8	None	None	None
Director.	Taiwan, R.O.C.	Guang Rong Investment Ltd. (Representative: Lim Boon Seng)	—	2017.05.16	3 years	2014.06.27	8,644,248	8.35	8,868,132	7.36	—	—	—	—	—	—	None	None	None

Title	Nationality or Place of Registration	Name	Gender	Elected Date	Term	First Date of meeting	Shares Held when Elected		Shares Held Currently		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Titles also held at the Company and other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Ratio	Number of shares	Ratio	Number of shares	Ratio	Number of shares	Ratio			Title	Name	Relation
	Taiwan, R.O.C.	Liu, Chi-Lin	Male	2017.05.16	3 years	2014.06.27	181,787	0.18	185,643	0.15	—	—	—	—	Bachelor of Accounting, Soochow University; Deputy General Manager of DingShin S.K.P. International Management Consulting Co., Ltd.; General Manager and Financial Officer of Nan Pao Resins Chemical Co., Ltd.	Note 9	None	None	None
Director.	Taiwan, R.O.C.	Guang Rong Investment Ltd. (Representative: Lim Boon Seng)	—	2017.05.16	3 years	2014.06.27	8,644,248	8.35	8,868,132	7.36	—	—	—	—	—	—	None	None	None
	Taiwan, R.O.C.	Chang, Kuo-Jung (Note 3)	Male	2018.04.12	3 years	2018.04.12	436,447	0.40	421,447	0.35	188,515	0.16	—	—	Bachelor of Industrial Management Department, National Cheng Kung University ; Executive General Manager of Sports Goods Adhesives and Materials Business Division of Nan Pao Resins Chemical Co., Ltd.	Note 10	None	None	None
Independent Director	Taiwan, R.O.C.	Chen, Yun (Note 4)	Male	2017.12.12	3 years	2017.12.12	—	—	—	—	—	—	—	—	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; Distinguished Professor of National Cheng Kung University	—	None	None	None
Independent Director	Taiwan, R.O.C.	Chiang, Yung-Cheng (Note 4)	Male	2017.12.12	3 years	2017.12.12	—	—	—	—	—	—	—	—	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 11	None	None	None
Independent Director	Taiwan, R.O.C.	Lee, Yi-Hsi (Note 4)	Male	2017.12.12	3 years	2017.12.12	—	—	—	—	—	—	—	—	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; Advisor at Global Capital Market Division of CTBC Bank;	—	None	None	None

Title	Nationality or Place of Registration	Name	Gender	Elected Date	Term	First Date of meeting	Shares Held when Elected		Shares Held Currently		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Titles also held at the Company and other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Ratio	Number of shares	Ratio	Number of shares	Ratio	Number of shares	Ratio			Title	Name	Relation
														Deputy CEO, Open Financial Innovation Lab, FinTech Center at College of Commerce, National Cheng Chi University; Deputy CEO, Block Chain Lab, FinTech Center at College of Commerce, National Cheng Chi 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.					

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

Note 2: The corporate director Pou Chien Chemical Co., Ltd. had reassigned the representative on November 29, 2019 (the former representative: Chang, Chia-Li; the new representative: Tsai, Nai-Yung).

Note 3: The corporate director Guang Rong Investment Ltd. had reassigned the representative on April 12, 2018 (the former representative: Lee, Juh-Shyong; the new representative: Chang, Kuo-Jung).

Note 4: The Company has elected independent directors and established the Audit Committee on December 12, 2017; the supervisors have been terminated.

Note 5: Chairman of ITLS International Development Co., Ltd.; Chairman of Nan Pao Application Material Co., Ltd.; Director of Nan Pao Overseas Holdings Ltd.; Director of Nan Pao Group Holdings Ltd.; Director of Treasure Wealth (HK) Ltd.; Director of Greatwill Materials (HK) Ltd.; Director of Ongoing Profits Ltd.; Director of Rising Sun Associate Ltd.; Director of Nan Pao Resins (Vietnam) Enterprise Ltd.; Director of Nan Pao Resins Chemical Philippines, Inc.; Director of Goldford Investments Ltd.; Director of Nan Pao Resins (Holdings) Ltd.; Director of Eastlion Enterprises Ltd.; Director of Nan Pao Resins (Dongguan) Co. Ltd.; Director of Nan Pao Resins Development Ltd.; Director of Dongguan Jiaqin Electronics Ltd.; Director of NP Australia Pty. Ltd.; Director of RLA Polymers Pty. Ltd.; Director of RLA Polymers (M) SDN. BHD.; Director of Nanpao Advanced Investment Co., Ltd.; Director of Nantong Nanpao Resins Materials Co., Ltd.; Director of Nan Pao (KunShan) Electronic Commerce Co., Ltd.; Director of Nan Pao Resins (Yunan) Co., Ltd.; Director of Nan Pao Resins (HK) Limited; Director of Profit Land Ltd.; Director of Nan Pao Resins (Foshan) Co., Ltd.; Director of All Saints Enterprises Ltd.; Director of Nan Pao Resins (China) Co., Ltd.; Director of Fuqing Nan Pao Investment Ltd.; Director of Fuqing Nan Pao Resins Co., Ltd.; Director of Thai Nan Pao Investments Ltd.; Director of Thai Nanpao Resins Chemical Co., Ltd.; Director of ITLS Holding Pte. Ltd.; Director of ITLS (Malaysia) SDN. BHD.; Director of ITLS-SB SDN. BHD.; Director of Nan Pao Advanced Materials Vietnam Co.,Ltd.; Supervisor of PT. Indo Nan Pao Resins Chemical Co., Ltd.; Supervisor of PT. ITLS Indonesia.

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

Note 7: Deputy General Manager of Global Supply Chain Management Headquarters of Pou Chen Group; Director of Evermore Chemical Industry Co., Ltd.; Director of Chang Yang Material Corp.; Director of Limao Digital Printing Co., Ltd.

Note 8: Director of Greatwill Materials (HK) Ltd.; Director of Ongoing Profits Ltd.; Director of Rising Sun Associate Ltd.; Director of Nan Pao Resins (Vietnam) Enterprise Ltd.; Director of Nan Pao Resins Chemical Philippines, Inc.; Director of Goldford Investments Ltd.; Director of Nan Pao Resins (Holdings) Ltd.; Director of Eastlion Enterprises Ltd.; Director of Nan Pao Resins (Dongguan) Co. Ltd.; Director of Nan Pao Resins Development Ltd.; Director of Nan Pao Resins International Ltd.; Director of Nanpao Advanced Investment Co., Ltd.; Director of Nantong Nanpao Resins Materials Co., Ltd.; Director of Nan Pao (KunShan) Electronic Commerce Co., Ltd. ; Director of Nan Pao Resins (HK) Limited; Director of Giant Profit Development Ltd.; Director of All Saints Enterprises Ltd.; Director of Nan Pao Resins (China) Co., Ltd.; Director of Fuqing Nan Pao Investment Ltd.; Director of Wealth Castle Development Ltd.; Director of Fuqing Nan Pao Resins Co., Ltd.; Director of Thai Nan Pao Investments Ltd.; Director of Thai Nanpao Resins Chemical Co., Ltd.; Director of Prince Pharmaceutical Co., Ltd. ; Director of Nan Pao Advanced Materials Vietnam Co.,Ltd.; Supervisor of Foshan Nan Pao Advanced Materials Co., Ltd.; Supervisor of Dongguan Jiaqin Electronics Co., Ltd.; Supervisor of Nan Pao Resins (Yunan) Co., Ltd.; Supervisor of Nan Pao Resins (Foshan) Co., Ltd; Supervisor of Nan Pao Electronic Material Co., Ltd.

Note 9: Chairman of Ferrule Precision Co., Ltd.; Chairman of Apogee Optocom Co., Ltd.; Director of Sheng Bao Culture Foundation; Director of ITLS Holding Pte. Ltd.; Director of ITLS (Malaysia) SDN. BHD.; Director of ITLS-SB SDN. BHD.

Note 10: Chairman of Nan Pao Electronic Material Co., Ltd.

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

Table 1: Major corporate shareholders

		April 18, 2020
Name of corporate shareholders	Major corporate 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 corporate shareholders

		April 18, 2020
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 18, 2020

Name	Condition	Has more than 5 years of work experience and the following professional qualifications			Compliant to the requirements of independence (Note)												Currently serving as an independent director of other public companies
		Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or other fields related to the Company's businesses	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional or technician related to the Company's businesses that must undergo national examinations and obtain a specialized license.	Having work experience in business administration, legal affairs, finance, accounting, or any other businesses related to the Company's businesses	1	2	3	4	5	6	7	8	9	10	11	12	
Wu, Cheng-Hsien				✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Tsai, Nai-Yung, Representative of Pou Chien Enterprise Co., Ltd.				✓			✓	✓			✓		✓	✓	✓		0
Hsu, Ming-Hsien, Representative of Guang Rong Investment Ltd.				✓			✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Liu, Chi-Lin, Representative of Guang Rong Investment Ltd.				✓			✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Chang, Kuo-Jung, Representative of Guang Rong Investment Ltd.				✓			✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Chen, Yun	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chiang, Yung-Cheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Lee, Yi-Hsi	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

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

- (1) Not 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 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; and
- (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 18, 2020

Title	Nationality	Name	Gender	Appointed on	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Positions currently held in other companies	Managerial officers who have spousal or second-degree family relationships within the Company		
					Number of shares	Ratio	Number of shares	Ratio	Number of shares	Ratio			Job Title	Name	Relations
CEO	Taiwan R.O.C.	Hsu, Ming-Hsien	Male	2016.12.15	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.	Tsai, Chao-Chian	Male	2017.01.01	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.	Tsai, Yi-Fa	Male	2014.04.01	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

Title	Nationality	Name	Gender	Appointed on	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Positions currently held in other companies	Managerial officers who have spousal or second-degree family relationships within the Company		
					Number of shares	Ratio	Number of shares	Ratio	Number of shares	Ratio			Job Title	Name	Relations
Executive General Manager of Adhesives and Specialty Business Division	Taiwan R.O.C	Kuo, Sen-Mao	Male	2017.01.01	77,616	0.06	—	—	—	—	M.S. in Chemical Engineering Dept., National Cheng Kung University; Bachelor of Industrial Chemistry, National Taipei University of 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	Hung, Chung-Yuan	Male	2017.01.01	246,388	0.20	—	—	—	—	Bachelor of Applied Mathematics, National Chung Hsing University; Associate Manager, HR Department and Executive General Manager of Sports Goods Adhesives and Materials Business Division in Nan Pao Resins Chemical Co., Ltd.	None	None	None	None
General Manager of Financial Management Division	Taiwan R.O.C	Liu, Chi-Lin (Note 9)	Male	2015.04.01	185,643	0.15	—	—	—	—	Bachelor of Accounting, Soochow University; Deputy General Manager of DingShin S.K.P. International Management Consulting Co., Ltd.; General Manager and Financial Officer of Nan Pao Resins Chemical Co., Ltd.	Note 5	None	None	None
R&D Deputy General Manager of R&D & Innovation Division (R&D Officer)	Taiwan, R.O.C.	Shen, Yong-Ching	Male	2016.04.01	25,500	0.02	—	—	—	—	Ph.D. in Applied Chemistry from National Chiao Tung University; M.S. in Chemistry of 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 6	None	None	None
R&D Deputy General Manager of R&D & Innovation Division	Taiwan, R.O.C.	Wang, Ping	Male	2008.09.15	14,651	0.01	—	—	—	—	Ph.D. in Chemistry from the University of Massachusetts; M.S. in Chemistry, National Tsing Hua University; Bachelor of Chemistry, Tamkang University; R&D Chemist in HB Fuller Company, Tech Services Manager in Greater China Region; Research Specialist in 3M Company, Senior Chemist in Taiwan; Chemist in Taiwan Cement, Ltd.	None	None	None	None

Title	Nationality	Name	Gender	Appointed on	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Positions currently held in other companies	Managerial officers who have spousal or second-degree family relationships within the Company		
					Number of shares	Ratio	Number of shares	Ratio	Number of shares	Ratio			Job Title	Name	Relations
Vice General Manager of Paints and Coatings Business Division	Taiwan, R.O.C.	Chen,Zhi-Wei	Male	2019.01.25	—	—	—	—	—	—	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 in Sports Goods Adhesives and Materials Business Division	Taiwan, R.O.C.	Fang, Yi-Jen	Male	2016.04.01	11,809	0.01	—	—	—	—	Chemical Engineering Dept., Southern Taiwan University of Science and Technology; Technical Service Manager in Sports Goods Adhesives and Materials Business Division, Nan Pao Resins Chemical Co., Ltd.	None	None	None	None
Assistant Manager of Overseas Sales Division in Sports Goods Adhesives and Materials Business Division	Taiwan, R.O.C.	Hsu, Chin-Fu	Male	2019.11.11	308,666	0.26	3,000	0.00	—	—	EMBA of National Sun Yat-sen University; General Manager of Adhesive Business Division, Nan Pao Chemical Co., Ltd.	None	None	None	None
R&D Assistant Manager in Sports Goods Adhesives and Materials Business Division	Taiwan, R.O.C.	Hung, Sen-Pei	Male	2010.10.01	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.	None	None	None	None
Assistant Manager of Footwear Production Department in Operation Management Division	Taiwan, R.O.C.	Tsai, Ming-Ding	Male	2019.11.11	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
Assistant Manager in Financial Management Division (Company Secretary and Accounting Officer)	Taiwan, R.O.C.	Lin, Kun-Chin (Note 9)	Male	2016.05.03	6,120	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

Title	Nationality	Name	Gender	Appointed on	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Positions currently held in other companies	Managerial officers who have spousal or second-degree family relationships within the Company		
					Number of shares	Ratio	Number of shares	Ratio	Number of shares	Ratio			Job Title	Name	Relations
Assistant Manager in HR Dept. of Strategic Development Division	Taiwan, R.O.C.	Lee, Hui-Fen	Female	2016.04.01	33,883	0.03	—	—	—	—	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 Strategic Development Division	Taiwan, R.O.C.	Luo, Yuan-Yang	Male	2018.04.12	14,280	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
Q&A Assistant General Manager of R&D & Innovation Division	Taiwan, R.O.C	Lin, Zhi-Cheng	Male	2018.11.08	—	—	—	—	—	—	M.S. in Chemical Engineering at National Cheng Kong University; Bachelor of Chemical, Chun -Yuan University; General Manager, Chia-Wang Technology Ltd.; Manufacturing Special Assistant and QC Director, AOI(Ning-Bo), Ltd.; Manufacturing Deputy Director and Assistant General Manager, AOI(Shiang-Mao)	None	None	None	None
Polyester polyol Technology Assistant General Manager of R&D & Innovation Division	Taiwan, R.O.C	Chen, Yan-Cheng	Male	2018.11.08	7,000	0.01	—	—	—	—	M.S. in Chemical Department at Chun -Yuan University; Bachelor of Chemical Department at Chun -Yuan University; R&D Manager at Eternal Materials Co., Ltd.	None	None	None	None
Deputy Manager of the Auditing Office (Audit Officer)	Taiwan, R.O.C.	Tu, Chi-Feng	Male	2016.03.21	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.; Director of Ongoing Profits Ltd.; Director of Rising Sun Associate Ltd.; Director of Nan Pao Resins (Vietnam) Enterprise Ltd.; Director of Nan Pao Resins Chemical Philippines, Inc.; Director of Goldford Investments Ltd.; Director of Nan Pao Resins (Holdings) Ltd.; Director of Eastlion Enterprises Ltd.; Director of Nan Pao Resins (Dongguan) Co. Ltd.; Director of Nan Pao Resins Development Ltd.; Director of Nan Pao Resins International Ltd.; Director of Nanpao Advanced Investment Co., Ltd.; Director of Nantong Nanpao Resins Materials Co., Ltd.; Director of Nan Pao (KunShan) Electronic Commerce Co., Ltd.; Director of Nan Pao Resins (HK) Limited; Director of Giant Profit Development Ltd.; Director of All Saints Enterprises Ltd.; Director of Nan Pao Resins (China) Co., Ltd.; Director of Fuqing Nan Pao Investment Ltd.; Director of Wealth Castle Development Ltd.; Director of Fuqing Nan Pao Resins Co., Ltd.; Director of Thai Nan Pao Investments Ltd.; Director of Thai Nanpao Resins Chemical Co., Ltd.; Director of Prince Pharmaceutical Co., Ltd. ; Director of Nan Pao Advanced Materials Vietnam Co.,Ltd.; Supervisor of Foshan Nan Pao Advanced Materials Co., Ltd.; Supervisor of Dongguan Jiaqin Electronics Co., Ltd.; Supervisor of Nan Pao Resins (Yunan) Co., Ltd.; Supervisor of Nan Pao Resins (Foshan) Co., Ltd; Supervisor of Nan Pao Electronic Material Co., Ltd.
- Note 2: Chairman of Nan Pao Chemical Co., Ltd.; Chairman of Nan Pao Advanced Materials Co., Ltd.; Director of Thai Nan Pao Investments Ltd.; Director of 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 Norro-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.; Director of Nan Pao Electronic Material Co., Ltd.; Director of Biorich Biotechnology Co., Ltd.; Supervisor of Nan Pao Application Material Co., Ltd.; Supervisor of Nanpao Advanced Investment Co., Ltd.; Supervisor of Nantong Nanpao Resins Materials Co., Ltd.; Supervisor of Nan Pao (KunShan) Electronic Commerce Co., Ltd.; Supervisor of Nan Pao Resins (China) Co., Ltd.; Supervisor of Fuqing Nan Pao Resins Co., Ltd.
- Note 4: Director of Nan Pao Resins Chemical Philippines, Inc.; Director of NP Australia Pty. Ltd.; Director of RLA Polymers Pty. Ltd.; Director of RLA Polymers (M) SDN. BHD.; Director of ITLS International Development Co., Ltd.; Director of Nan Pao Resins India Pvt. Ltd.; Director of Nan Pao Philippines Export Inc.
- Note 5: Chairman of Ferrule Precision Co., Ltd.; Chairman of Apogee Optocom Co., Ltd.; Director of Sheng Bao Culture Foundation; Director of ITLS Holding Pte. Ltd.; Director of ITLS (Malaysia) SDN. BHD.; Director of ITLS-SB SDN. BHD.
- Note 6: Chairman of Phymed Bio-Tec Co., Ltd.; Director of Profit Land Ltd.; Director of Prince Pharmaceutical Co., Ltd.; Director of Nan Pao Advanced Materials Co., Ltd.
- Note 7: Director of Phymed Bio-Tec Co., Ltd.; Supervisor of Prince Pharmaceutical Co., Ltd.; Supervisor of Jointech Fasteners Industrial Co., Ltd.; Supervisor of Apogee Optocom Co., Ltd.
- Note 8: Director of Nan Pao Chemical Co., Ltd.; Supervisor of Progroups Technology Co., Ltd.; Supervisor of Prince Pharmaceutical Co., Ltd.
- Note 9: Liu, Chi-Lin retired on January 17th, 2020, Lin, Kun-Chin took over the Financail Office position.

### III. Compensations to Directors, Supervisors, General Managers and Deputy General Managers

#### (I) Compensations to Directors and Supervisors in the Most Recent Year (2019)

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

Unit: NT\$1,000

Job Title	Name	Director's remuneration								Percentage of the total sums of A, B, C, and D on the net profit		Employee remuneration for other activities								Percentage of the total sums of A, B, C, D, E, F, and G on the net profit		Whether or not the person receives remuneration from other non-subsidiary companies that the Company has invested in	
		Remuneration (A)		Retirement Pension (B)		Director's remuneration (C)		Expenses on professional service (D)				Salaries, bonuses, and special expenses (E)		Retirement pension (F)		Employee benefits (G)							
		The Company	All companies listed in the financial report	The Company	All companies listed in the financial report	The Company	All companies listed in the financial report	The Company	All companies listed in the financial report	The Company	All companies listed in the financial report	The Company	All companies listed in the financial report	The Company	All companies listed in the financial report	Cash	Shares	Cash	Shares	The Company	All companies listed in the financial report		
Chairman	Wu, Cheng-Hsien																						
Director	Pao Chien Enterprise Co., Ltd.																						
	Representative: (Note 1) Lu, Chin-Chu (Relieved of duty) Chang, Chia-Li (Relieved of duty) Tsai, Nai-Yung	-	-	-	-	18,800	18,800	-	-	1.53%	1.53%	13,230	13,230	506	506	2,344	-	2,344	-	2.84%	2.84%	-	
	Guang Rong Investment Ltd.																						
Director	Representative: Hsu, Ming-Hsien																						
	Representative: Liu, Chi-Lin																						
	Representative: (Note 2) Lee, Juh-Shyong (Relieved of duty) Chang, Kuo-Jung																						
Independent Director	Chen, Yun (Note 3)																						
Independent Director	Chiang, Yung-Cheng (Note 3)	540	540	-	-	1,200	1,200	-	-	0.14%	0.14%	-	-	-	-	-	-	-	-	0.14%	0.14%	-	
Independent Director	Lee, Yi-Hsi (Note 3)																						

\*In addition to the information disclosed in the table above, director of the Company (CCSB) who provides services to any of the companies included in the consolidated financial statements and receives compensations for such services (e.g. providing consultation services in a non-employee capacity): None

Note 1: Corporate director Pou Chien Enterprise Co., Ltd. had reassigned the representative on November 1, 2017 and November 29, 2019 respectively (the former representative: Lu, Chin-Chu; the new representative: Chang, Chia-Li; and the former representative: Chang, Chia-Li; the new representative: Tsai, Nai-Yung).

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

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

Table of remuneration ranges

Remuneration range for each director in the Company	Name of director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The Company	All companies in the financial report H	The Company	All companies in the financial reports I
Less than NT\$ 1,000,000	Wu, Cheng-Hsien / Chen, Yun / Chiang, Yung-Cheng / Lee, Yi-Hsi	Wu, Cheng-Hsien / Chen, Yun / Chiang, Yung-Cheng / Lee, Yi-Hsi	Chen, Yun / Chiang, Yung-Cheng / Lee, Yi-Hsi	Chen, Yun / Chiang, Yung-Cheng / Lee, Yi-Hsi
Between 1,000,000 NT\$ (inclusive) to 2,000,000 NT\$ (exclusive)	-	-	-	-
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.
Between 3,500,000 NT\$ (inclusive) to 5,000,000 NT\$ (exclusive)	-	-	Wu, Cheng-Hsien / Hsu, Ming-Hsien / Liu, Chi-Lin / Chang, Kuo-Jung	Wu, Cheng-Hsien / Hsu, Ming-Hsien / Liu, Chi-Lin / Chang, Kuo-Jung
Between 5,000,000 NT\$ (inclusive) to 10,000,000 NT\$ (exclusive)	-	-	-	-
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	9 persons	9 persons

2. Remuneration of Supervisors

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

## (II) Remunerations of General Managers and Deputy General Managers in the Most Recent Year (2019) (range of remuneration with name disclosure)

Unit: NT\$1,000

Title	Name	Salary (A)		Retirement pension (B)		Bonuses and Allowances (C)		Employee's remuneration (D)				Proportion of NIAT after summing up the four items of A, B, C, and D		Whether or not the person receives remuneration from other non-subsidiary companies that the company has invested in
		The Company	All companies listed in the financial report	The Company	All companies listed in the financial report	The Company	All companies listed in the financial report	The Company		All companies listed in the financial report		The Company	All companies listed in the financial report	
								Cash	Shares	Cash	Shares			
CEO	Hsu, Ming-Hsien	15,778	15,778	6,608	6,608	10,612	10,612	3,536	-	3,536	-	2.97%	2.97%	-
Executive General Manager of Sports Goods Adhesives and Materials Business Division	Tsai, Chao-Chian													
Executive General Manager of Paints and Coatings Business Division	Tsai, Yi-Fa													
Executive General Manager of Adhesives and Specialty Business Division	Hsu, Chi-Yuan (Note)													
General Manager of Operation Management Division	Hung, Chung-Yuan													
Financial Management Division General Manager	Liu, Chi-Lin (Note)													
Deputy General Manager of Sports Goods Adhesives and Materials Business Division	Kong, Wen-Hsien (Note)													
Vice General Manager of Coatings Business Division	Chen, Yu-Jen (Note)													
Vice General Manager of Paints and Coatings Business Division	Chen, Zhi-Wei													
Deputy General Manager in Adhesives and Specialty Business Division	Kuo, Sen-Mao													
Deputy General Manager in Adhesives Division II in Adhesives and Specialty Business Division	Chang, Chi-Yao (Note)													
R&D & Innovation Division R&D Manager	Lee, Juh-Shyong (Note)													
R&D Deputy General Manager of R&D & Innovation Division	Shen, Yong-Ching													
Vice General Manager of Paints and Coatings Business Division	Wang, Ping													

Note : Hsu, Chi-Yuan resigned on Mar.26<sup>th</sup>, 2020; Liu, Chi-Lin resigned on Jan. 31<sup>st</sup>, 2020; Kong, Wen-Hsien resigned on Sep. 30<sup>th</sup>, 2019; Chen, Yu-Jen resigned on Jan. 31<sup>st</sup>, 2020; Chang, Chi-Yao resigned on Mar. 18<sup>th</sup>, 2019; Lee, Juh-Shyong resigned on Apr.30<sup>th</sup>, 2019.

Table of remuneration ranges

Levels of compensation paid to each individual general manager and deputy general manager of the Company	Name of the General Manager and Deputy General Manager	
	The Company	All companies listed in the financial report
Less than NT\$ 1,000,000	Chen, Yu-Jen	Chen, Yu-Jen
Between 1,000,000 NT\$ (inclusive) to 2,000,000 NT\$ (exclusive)	Chen,Zhi-Wei / Lee, Juh-Shyong	Chen,Zhi-Wei / Lee, Juh-Shyong
Between 2,000,000 NT\$ (inclusive) to 3,500,000 NT\$ (exclusive)	Kuo, Sen-Mao / Kong, Wen-Hsien / Tsai, Yi-Fa / Hsu, Chi-Yuan / Hung, Chung-Yuan / Shen, Yong-Ching / Liu, Chi-Lin	Kuo, Sen-Mao / Kong, Wen-Hsien / Tsai, Yi-Fa / Hsu, Chi-Yuan / Hung, Chung-Yuan / Shen, Yong-Ching / Liu, Chi-Lin
Between 3,500,000 NT\$ (inclusive) to 5,000,000 NT\$ (exclusive)	Hsu, Ming-Hsien / Tsai, Chao-Chian / Wang, Pin	Hsu, Ming-Hsien / Tsai, Chao-Chian / Wang, Pin
Between 5,000,000 NT\$ (inclusive) to 10,000,000 NT\$ (exclusive)	Chang, Chi-Yao	Chang, Chi-Yao
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	14 persons	14 persons

(III) Names of managerial officers who distribute employee remuneration and the distribution condition in the most recent year (2019)

December 31, 2019; Unit: NT\$1,000

	Title	Name	Shares	Cash amount	Total	Percentage of total compensations to net income
Managerial officers	CEO	Hsu, Ming-Hsien				
	Executive General Manager of Sports Goods Adhesives and Materials Business Division	Tsai, Chao-Chian				
	Executive General Manager of Paints and Coatings Business Division	Tsai, Yi-Fa				
	Executive General Manager of Adhesives and Specialty Business Division	Hsu, Chi-Yuan (Note 1)				
	General Manager of Operation Management Division	Hung, Chung-Yuan				
	Financial Management Division General Manager	Liu, Chi-Lin (Note 1)				
	Deputy General Manager of Sports Goods Adhesives and Materials Business Division	Kong, Wen-Hsien (Note 1)				
	Vice General Manager of Coatings Business Division	Chen, Yu-Jen (Note 1)				
	Vice General Manager of Paints and Coatings Business Division	Chen, Zhi-Wei				
	Deputy General Manager in Adhesives and Specialty Business Division	Kuo, Sen-Mao				
	Deputy General Manager in Adhesives Division II in Adhesives and Specialty Business Division	Chang, Chi-Yao (Note 1)				
	R&D & Innovation Division R&D Manager	Lee, Juh-Shyong (Note 1)				
	R&D Deputy General Manager of R&D & Innovation Division	Shen, Yong-Ching	-	7,384	7,384	0.60%
	Vice General Manager of Paints and Coatings Business Division	Wang, Ping				
	Assistant Manager in Sports Goods Adhesives and Materials Business Division	Fang, Yi-Jen				
	Assistant Manager in Sports Goods Adhesives and Materials Business Division	Fang, Shih-Hao (Note 1)				
	Assistant Manager of Overseas Sales Division in Sports Goods Adhesives and Materials Business Division	Hsu, Chin-Fu				
	R&D Assistant Manager in Sports Goods Adhesives and Materials Business Division	Hung, Sen-Pei				
	Assistant Manager of Footwear Production Department in Operation Management Division	Tsai, Ming-Ding				
	Assistant Manager of Financial Management Division	Lin, Kun-Chin				
	Assistant Manager of HR Dept. of Strategic Development Division	Lee, Hui-Fen				
Assistant Manager in Strategic Development Division	Luo, Yuan-Yang					
Q&A Assistant General Manager of R&D & Innovation Division	Lin, Zhi-Cheng					
Polyester polyol Technology Assistant General Manager of R&D & Innovation Division	Chen, Yan-Cheng					

Note 1: Hsu, Chi-Yuan resigned on Mar. 26<sup>th</sup>, 2020; Liu, Chi-Lin resigned on Jan. 31<sup>st</sup>, 2020; Kong, Wen-Hsien resigned on Sep. 30<sup>th</sup>, 2019; Chen, Yu-Jen resigned on Jan. 31<sup>st</sup>, 2020; Chang, Chi-Yao resigned on Mar. 18<sup>th</sup>, 2019; Lee, Juh-Shyong resigned on Apr. 30<sup>th</sup>, 2019; Fang, Shih-Hao resigned on Mar. 1<sup>st</sup>, 2020.

Note 2: As of the date of publication of this Report, the list of 2019 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 compensation as a percentage of net income after taxes stated in the parent company only or individual financial statements, paid by the Company and by all companies listed in the consolidated financial statement in the most recent two years to the Company's directors, supervisors, general managers, and deputy general managers, and statement of the policies, standards, and packages for payment of compensation, the procedures for determining compensation, and its linkage to business performance and future risk exposure:

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

Title	2018		2019	
	Percentage of net income after taxes (%)		Percentage of net income after taxes (%)	
	The Company	All companies listed in the consolidated financial report	The Company	All companies listed in the consolidated financial report
Director	3.89	3.89	2.98	2.98
Supervisor	-	-	-	-
General and Deputy General Managers	3.77	3.77	2.97	2.97

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

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

(1) Directors and Supervisors

According to Article 25 of the Company's Articles of Association, no more than 3% of the amount of profit before deducting employee bonus and directors' remuneration from profit before taxes shall be distributed as directors' bonus.

(2) General Managers and Deputy General Managers

Remunerations for CEO, general and deputy general managers include salaries, bonuses, and employee bonuses. Salary standards are established upon positions in the Company, respective responsibilities, levels of contribution to the Company, and in reference to industry standards. The distribution standard of employee bonuses is in compliance with the Company's Articles of Association, and distribution is only made after submission to the Board of Directors and upon resolution by the Shareholders' Meeting. According to Article 25 of the Company's Articles of Association, whereas 2% to 6% of the amount of profit before deducting employee bonus and directors' remuneration from profit before taxes shall be distributed as employee bonus.

In summary, the Company shall determine remuneration in accordance with the Company's "Regulations Governing Performance Evaluation of Directors 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 in last year (2019). Attendance of directors and supervisors is as follows:

Title	Name	Actual presence (attendance)	Attendance by proxy	Rate of actual presence (attendance) (%) (Note 1)	Remarks (Note 2)
Chairman	Wu, Cheng-Hsien	6	0	100	Re-elected on May 16, 2017
Director	Pou Chien Enterprise Co., Ltd.				Re-elected on May 16, 2017
	Representative: Chang, Chia-Li	1	4	20	Released from duty on November 29, 2019
	Representative: Tsai, Nai-Yung	1	0	100	Newly appointed on November 29, 2019
Director	Guang Rong Investment Ltd. Representative: Hsu, Ming-Hsien	6	0	100	Re-elected on May 16, 2017
Director	Guang Rong Investment Ltd. Representative: Liu, Chi-Lin	6	0	100	Re-elected on May 16, 2017
Director	Guang Rong Investment Ltd.				Re-elected on May 16, 2017
	Representative: Chang, Kuo-Jung	6	0	100	Newly appointed on April 12, 2018
Independent Director	Chen, Yun	6	0	100	Newly appointed on December 12, 2017
Independent Director	Chiang, Yung-Cheng	6	0	100	Newly appointed on December 12, 2017
Independent Director	Lee, Yi-Hsi	6	0	100	Newly appointed on December 12, 2017

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

Note 2: The Company 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 items that shall be recorded:

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

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

Date	Agenda	Suggestions
2019.01.25	1. The Company's proposal to loan funds to subsidiary RLA Polymers (M) SDN. BHD.	All independent directors stated no objection; the above proposals have been passed, and the Company also carried out the resolutions according to the results.
2019.03.21	1. The Company's 2018 business report and financial statements. 2. The Company's 2018 profit distribution plan. 3. The Company's 2018 "Statement on Internal Control System". 4. The amendment of the Company's "Articles of Association".	All independent directors stated no objection; the above proposals have been passed, and the Company also carried out the resolutions according to the results.

	<ol style="list-style-type: none"> <li>5. The amendment of the Company's "Procedure for Acquisition or Disposal of Assets".</li> <li>6. The amendment of the Company's "Procedures for Loaning of Funds and Provision of Endorsements and Guarantees".</li> <li>7. The amendment of the Company's "Corporate Governance Code of Practice".</li> <li>8. The establishment of the Company's "Standard Operating Procedures for Handling Directors' Requirements".</li> <li>9. The amendment of the Company's "Management Guidelines for the Operation of Remuneration Committee".</li> <li>10. The Company's proposal to provide or cancel endorsements or guarantees for subsidiaries.</li> <li>11. The Company's proposal to provide or cancel letter of support for subsidiaries.</li> </ol>	
2019.05.09	<ol style="list-style-type: none"> <li>1. The Company's proposal for appointment of auditors and the fee.</li> <li>2. The Company's proposal to provide or cancel endorsements or guarantees for subsidiaries.</li> <li>3. The Company's proposal to provide letter of support for subsidiaries.</li> </ol>	All independent directors stated no objection; the above proposals have been passed, and the Company also carried out the resolutions according to the results.
2019.08.08	<ol style="list-style-type: none"> <li>1. Approved for adjustment on the investment structure of the Company's subsidiary, Progroups Technology Co., Ltd.</li> <li>2. Approved for adjustment on the investment structure and capital increment on the Company's subsidiary Nan Pao Resins (HK) Limited.</li> <li>3. The Company's proposal of increasing investing on the budget of construction of R&amp;D and office building.</li> <li>4. The Company's proposal to provide or cancel endorsements or guarantees for subsidiaries.</li> <li>5. The Company's proposal to provide letter of support for subsidiaries.</li> </ol>	All independent directors stated no objection; the above proposals have been passed, and the Company also carried out the resolutions according to the results.
2019.11.11	<ol style="list-style-type: none"> <li>1. Approved for amendment of the Company's "Internal Control System - Management Cycle".</li> <li>2. The Company's proposal to provide endorsements or guarantees for subsidiaries.</li> <li>3. The Company's proposal to provide letter of support for subsidiaries.</li> </ol>	All independent directors stated no objection; the above proposals have been passed, and the Company also carried out the resolutions according to the results.
2019.12.19	<ol style="list-style-type: none"> <li>1. The Company's and the Group's 2020 Business Plan.</li> <li>2. The Company's 2020 internal audit plan.</li> <li>3. The Company's proposal to invest in the establishment of a new company in Jiang-su province in China.</li> <li>4. The Company's proposal to provide endorsements or guarantees for subsidiaries.</li> </ol>	All independent directors stated no objection; the above proposals have been passed, and the Company also carried out the resolutions according to the results.

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

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

Date	Agenda	Name of director	Reason for Recusal
2019.01.25	The 2018 performance-based bonuses for managers.	Wu, Cheng-Hsien / Hsu, Ming-Hsien / Liu, Chi-Lin / Chang, Kuo-Jung	Abstained from voting as the above directors also serve as managers concurrently
2019.05.09	The salary adjustment for the Company's managers.	Wu, Cheng-Hsien / Hsu, Ming-Hsien / Liu, Chi-Lin / Chang, Kuo-Jung	Abstained from voting as the above directors also serve as managers concurrently
2019.08.08	The Company's 2018 employee bonus distribution plan for managers.	Wu, Cheng-Hsien / Hsu, Ming-Hsien / Liu, Chi-Lin / Chang, Kuo-Jung	Abstained from voting as the above directors also serve as managers concurrently
2019.11.11	The Company's appointment, salary adjustment and promotion for managers.	Wu, Cheng-Hsien / Hsu, Ming-Hsien / Liu, Chi-Lin / Chang, Kuo-Jung	Abstained from voting as the above directors also serve as managers concurrently

### 3. Evaluation of Coard of Directors

Frequency	Period	Scope	Method	Content
Once per year before the 1 <sup>st</sup> quarter of next year	2019.01.01~ 2019.12.31	Performance evaluation of board, board members and functional committee	Internal self-evaluation of the board of directors	【 Summary on Performance Evaluation of Board for 2019 】

#### 【 Summary on Performance Evaluation of Board for 2019 】

(I) 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 perform an evaluation of internal board performance on a annual practice, calculate the performance according to individual execution conditions and the report the evaluation performance to the latest board of director.

The evaluation scope includes: the performance evaluation of the overall board of directors, individual board members and functional committees.

Evaluation methods include: internal self-evaluation of the deliberative unit and self-evaluation of board members.

(II) The results of the annual performance from internal evaluation for 2019 are as follows:

#### 1. Evaluation aspects

(1) 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

(2) 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

(3) The company sets the measurement items for the performance evaluation of the functional committee, 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. Period : 2019.01.01~2019.12.31

3. Results : The evaluation items of the board of directors, the performance evaluation of the functional committee and the self-performance evaluation of the directors during the period are all in effective operation, and the evaluation results has been report to the board on March 26, 2020.

4. Goals primed to enhance the Board of Directors' professionalism and the assessment on their effectiveness for the year and the most recent fiscal year:

(1) The company's board of directors convened 6 times of the board of directors in 2019, which meets the requirements on "Rules of Board of Directors Meeting" of at least once a quarter, and the significant board resolutions was disclosure on the company's website.

(2) The Company believes that the basis for successful corporate governance is a sound and effective Board of Directors. In line with this principle, the Company has established the Audit Committee, Remuneration Committee, and CSR Management Committee to help the Board carry out its obligations, and disclosed material decisions from the Board on the Company website.

(3) The Company has established "Rules of Procedure for Board of Directors Meetings" for compliance purpose in accordance with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies."

(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 or supervisors' participation in the Board meeting

1. Operations of the Audit Committee

The Audit Committee of the Company 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 in the most recent year (2019) with the following attendance from the independent directors:

Title	Name	Actual presence (attendance)	Attendance by proxy	Rate of actual presence (attendance) (%)	Remarks
Independent Director	Chen, Yun	6	0	100	Newly appointed on December 12, 2017
Independent Director	Chiang, Yung-Cheng	6	0	100	Newly appointed on December 12, 2017
Independent Director	Lee, Yi-Hsi	6	0	100	Newly appointed on December 12, 2017

Other items that shall be recorded:

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

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

Date	Session	Content	Suggestions
2019.01.25	First Board The 9th time	1. The Company's proposal of loan funds to subsidiary RLA Polymers (M) Sdn. Bhd.	The Audit Committee stated no objection; the above proposals have been passed submitted to the Board of Directors for resolution.

Date	Session	Content	Suggestions
2019.03.21	First Board The 10th time	<ol style="list-style-type: none"> <li>1. The Company's 2018 business report and financial statements.</li> <li>2. The Company's 2018 profit distribution plan.</li> <li>3. The Company's 2018 "Statement on Internal Control System".</li> <li>4. The amendment of the Company's "Procedure for Acquisition or Disposal of Assets".</li> <li>5. The amendment of the Company's "Procedures for Loaning of Funds and Provision of Endorsements and Guarantees".</li> <li>6. The Company's proposal to provide or cancel endorsements or guarantees for subsidiaries.</li> <li>7. The Company's proposal to provide or cancel letter of support for subsidiaries.</li> </ol>	The Audit Committee stated no objection; the above proposals have been passed submitted to the Board of Directors for resolution.
2019.05.09	First Board The 11st time	<ol style="list-style-type: none"> <li>1. The Company's proposal for appointment of auditors and the fee.</li> <li>2. The Company's proposal to provide or cancel endorsements or guarantees for subsidiaries.</li> <li>3. The Company's proposal to provide letter of support for subsidiaries.</li> </ol>	The Audit Committee stated no objection; the above proposals have been passed submitted to the Board of Directors for resolution.
2019.08.08	First Board The 12nd time	<ol style="list-style-type: none"> <li>1. Approved for adjustment on the investment structure of the Company's subsidiary, Progroups Technology Co., Ltd.</li> <li>2. Approved for adjustment on the investment structure and capital increment on the Company's subsidiary Nan Pao Resins (HK) Limited</li> <li>3. The Company's proposal of increasing investing on the budget of construction of R&amp;D and office building.</li> <li>4. The Company's proposal to provide or cancel endorsements or guarantees for subsidiaries.</li> <li>5. The Company's proposal to provide letter of support for subsidiaries.</li> </ol>	The Audit Committee stated no objection; the above proposals have been passed submitted to the Board of Directors for resolution.
2019.11.11	First Board The 13rd time	<ol style="list-style-type: none"> <li>1. Approved for amendment of the Company's "Internal Control System - Management Cycle".</li> <li>2. The Company's proposal to provide endorsements or guarantees for subsidiaries.</li> <li>3. The Company's proposal to provide letter of support for subsidiaries.</li> </ol>	The Audit Committee stated no objection; the above proposals have been passed submitted to the Board of Directors for resolution.
2019.12.19	First Board The 14th time	<ol style="list-style-type: none"> <li>1. The Company's and the Group's 2020 Business Plan.</li> <li>2. The Company's 2020 internal audit plan.</li> <li>3. The Company's proposal to invest in the establishment of a new company in Jiang-su province in China.</li> <li>4. The Company's proposal to provide endorsements or guarantees for subsidiaries.</li> </ol>	The Audit Committee stated no objection; the above proposals have been passed submitted to the Board of Directors for resolution.

- (2) Except for the items in the preceding issues, other resolutions approved by two-thirds of all the directors but yet to be approved by the Audit Committee: None.
2. Ways in which an independent director has abstained from motions that pose a conflict of interests, the independent director's name, the content of the motion, cause of the conflict of interests, and the circumstance of the vote shall be elaborated: None.
3. 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 chief 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.
- (I) The company's internal auditing chief 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 chief also makes specific business reports on the suggestion of any independent directors.
- (II) After completing the auditing of the semiannual and annual financial statements, the company's contracted certified public accountants reports 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, as well as other legally required communications items.
- (2) The independent directors and internal auditing chief have good communication, and independent directors have no other suggestions. Communication issues in 2019 are showed as follows.

Date and Communication Channel	Communication Items	Communication Result
2019.03.21 Audit Communication Meeting	1. Structure and members of audit department. 2. Audit planning and audit result.	Independent directors have no other suggestions.
2019.03.21 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.
2019.05.09 Board of Director	1. Audit result and improvement tracking. 2. Audit information declaration.	Independent directors have no other suggestions.
2019.08.08 Board of Director	1. Audit result and improvement tracking. 2. Audit information declaration.	Independent directors have no other suggestions.
2019.11.11 Board of Director	1. Audit result and improvement tracking. 2. Adherence to the Ethical Corporate Management	Independent directors have no other suggestions.
108.11.11 Audit Planning Meeting	1. Audit result and improvement tracking. 2. Annual audit plan of 2020.	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 2019 are showed as follows.

Date and Communication Channel	Communication Items	Communication Result
2019.03.21 Audit Summary Stage Communication Meeting	Summary of 2018 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. 4. Effects on adopting IFRS 16 of "Lease"	Independent directors have no other suggestions.
2019.03.21 Audit Committee/ Board of Director	Audit summary of 2018 statutory and consolidated financial statements.	Independent directors have no other suggestions.
2019.05.09 Audit Committee/ Board of Director	Review summary of 2019Q1 consolidated financial statements.	Independent directors have no other suggestions.
2019.08.08 Audit Committee/ Board of Director	Review summary of 2019Q2 consolidated financial statements.	Independent directors have no other suggestions.
2019.11.11 Audit Planning Stage Communication Meeting	Summary of 2019 udit 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.
2019.11.11 Audit Committee/ Board of Director	Review summary of 2019Q3 nsolidated financial statements.	Independent directors have no other suggestions.

2. Supervisors' participation in the Board meeting

On December 12, 2017, the Company elected three independent directors, and established the Audit Committee composed of independent directors. Meanwhile, supervisors were naturally dismissed; therefore, no supervisors participated in the operation of Board of Directors in 2019.

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

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
1. Does Company follow “Taiwan Corporate Governance Implementation” to establish and disclose its corporate governance practices?	✓		The Company has established a set of Corporate Governance Code of Practice and has been approved by the Board on April 12, 2019, which is also accordance with “Code of Practice for Corporate Governance of 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 revise the code and related content, and disclose it on the public information observatory and the company's website.	No material gap was found.
2. Shareholding Structure & Shareholders’ Rights				
(1) Does Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters? If yes, has these procedures been implemented accordingly?	✓		(1) The Company has established a spokesperson and the deputy spokesperson system to handle problems such as shareholders’ suggestions or questions. We handle shareholders’ suggestions, questions, problems, and litigations in accordance with relevant procedures.	No material gap was found.
(2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders?	✓		(2) The Company is aware of substantial shareholders who maintain material control over the Company and their identities and discloses such information in accordance with the law.	No material gap was found.
(3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?	✓		(3) The Company has established “Subsidiary Monitoring Work Procedures”, and has clear personnel, assets and financial management rights and responsibilities with related companies. The Company urges the subsidiaries to establish the written internal control system and the related management regulations to fulfill appropriate risk control and firewall mechanisms.	No material gap was found.
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	✓		(4) The Company has followed the “Procedures for the Prevention of Insider Trading” to prevent the Company’s insiders from using information that has not been disclosed on the market to purchase and sell securities.	No material gap was found.
3. Composition and Responsibilities of the Board of Directors				
(1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	✓		(1)1. The Company's "Corporate Governance Code of Practice" has clearly established that diversity shall be taken into account in the composition of Board of Directors, which include but not restrict the following two aspects:	No material gap was found.

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
(2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?	✓		<p>(I) Basic condition: gender, age, nationality and culture ;</p> <p>(II) Professional knowledge and skill: professional background (such as law, accounting, industry, finance, marketing and technology), professional skills and industrial experience.</p> <p>2. 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>3. The Company follows the diversified policy of the current Board of Directors (Note 1) that comprises eight directors (including three independent directors). The directors shall have a term of office of three years and may be re-elected, who have extensive experience on industrial technology and expertise in areas such as finance, accounting, legal and management. The member attendance rate of the board meeting in 2019 reaches at 91.67%. The members monitored and understood the execution of business plans effectively.</p> <p>4. Directors who serve concurrently as employees account for 37.5% of the total number of directors at the Company, whereas independent directors constitute 37.5%, with a term of office of less than 3 years. Six directors are between 60 and 69 years old, and one director is between 50 and 59 years old, while the last one is under 49 years old.</p> <p>(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 and implement sustainability, the Company has further resolved by the Board of Directors to establish the “Corporate Social Responsibility Management Committee” at a meeting on March 26th, 2020.</p>	No material gap was found.

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors' remuneration and renewal?	✓		<p>(3) 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 questionnaires will be distributed and filled out after the yearend, and the evaluation results will be reported to the Board of Directors.</p> <p>The measurement items for performance evaluation of the Board of Directors cover the following areas:</p> <ul style="list-style-type: none"> <li>(I) Degree of participation in the operations of the Company</li> <li>(II) Improvement of the quality of decision-making by the Board of Directors</li> <li>(III) Composition and structure of the Board of Directors</li> <li>(IV) Election and continuing education and training of directors</li> <li>(V) Internal control</li> </ul> <p>The measurement items for self-performance evaluation of Board members cover the following areas:</p> <ul style="list-style-type: none"> <li>(I) Mastery of the Company's goals and tasks</li> <li>(II) Understanding of directors' duties and responsibilities</li> <li>(III) Degree of participation in the operations of the Company</li> <li>(IV) Internal relationship management and communication</li> <li>(V) Professional and continuing education and training of directors</li> <li>(VI) Internal control</li> </ul> <p>The Company completed the performance evaluation of the Board of Directors, Board members and functional committees of 2019 by means of individual self-evaluation and overall evaluation, and reported the results to the Board of Directors on March 26, 2020. The 2019 evaluation scores ranged from 90 to 100 points, thus demonstrating good results.</p>	No material gap was found.
(4) Does the Company regularly evaluate its external auditors' independence?	✓		<p>(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 accounting department completes the 2019 evaluation for the independent auditors Liao Hung-Ju and Kung Chun-Chi</p>	No material gap was found.

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
			of Deloitte & Touche (Note 2), both 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 26, 2020.	
4. Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	✓		For implementation of corporate governance, the Company has resolved by Board of Directors on January 17, 2020 to appoint the assistant VP of Financial Management Division as a Company Secretary, to safeguard shareholders' rights and benefits and enhance the functional capability of the Board of Directors; in addition, the Company Secretary will also be responsible for matters regarding the boarding meetings and shareholder meetings and relevant affairs.	No material gap was found.
5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	✓		The Company attaches great importance to stakeholders' 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. 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 material gap was found.
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?	✓		The Company has commissioned the Transfer Agency of CTBC Bank to handle affairs relevant to the Shareholders' Meeting.	No material gap was found.
7. Information Disclosure				
(1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?	✓		(1) The Company has set up a company's website which discloses finance, business, and corporate governance information.	No material gap was found.

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
(2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	✓		(2) The Company has established a 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 material gap was found.
(3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?	✓		The Company publishes and declares annual financial reports (within 2 months) with the time limit specified in “Required to Be Handled by Issuers of Listed Securities”. 2019 annual financial statements have been announced on March 27, 2020. The Company also announced Q1, Q2, Q3 financial statements and monthly operational report according to the time limitation. Please refers to the Maket Observation Post System for detailed information ( <a href="https://mops.twse.com.tw/mops/web/index">https://mops.twse.com.tw/mops/web/index</a> ) .	No material gap was found.
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	✓		<p>(1) In order to implement corporate social responsibility, secure the human rights of all employees and stakeholders, the Company strictly follows the labor standard relevant laws and regulations, and the goals of International Bill of Human Rights, fairly treat and respect our partners with the international standard human rights.</p> <p>(2) 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 threir health, so as to enhance their performance.</p> <p>(3) In order to safeguard employees’ benefits, labor union has been established, on top of the labor-management meeting, as a bridge of communication with employees. The Company emphasizes the safety and physical and mental health, regular health checks and insurances are provided to employees, we care employee relationships, equal employment opportunity is necessary. We pay attention on the continuous development and growth, irregular employee trainings are taken place.</p> <p>(4) 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>	No material gap was found.

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
			<p>(5) The Company established a supplier assessment and management procedure book and measures to manage relationship with suppliers, it requires suppliers to cooperate and regularly evaluate to ensure the lead time and quality. We also set up a supplier qualified list, and step up to build the communication channels with global suppliers.</p> <p>(6) 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>(7) In 2019, all the directors of the company engaged in advanced study with hours meeting the requirements of “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies,” with total study time reaching 83 hours, on top of total study time of 30 hours for managers.</p> <p>(8) 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 2019.</p> <p>(9) In order to provide the all aspects of services and assurances to customers, the Company quickly communicate with the customers to solve complaints in time, get to know customers’ demand so that we can promote interactives. The customer complaints also been reviewed in general manager meetings, executive meeting and sales representative meetings for improvements.</p> <p>(10)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 (2019) was delivered at the meeting of the board of directors (2019.11.11).</p>	

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
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:				
According to the unscored items from the Corporate Governance Evaluation, the items should be enhanced and improved in the priority as followed:				
No.	Items		Summary	
1.15	Did the company adopt bylaws prohibiting insiders, including directors and employees, from using information not available in the market for personal gain, and were those bylaws and the status of their implementation disclosed on the company's website?		The "self-dealing equity transaction propaganda" has been held on February 21, 2020 and disclosed on the website	
2.14	Did the company have any functional committees other than statutorily required committees, and did such functional committees have not less than three members, with at least half of the members being independent directors, and with one or more members possessing the particular professional competences required by the respective committees, and did the company disclose the organization, functions, and operations of such committees?		Corporate Social Responsibility Management Committee has been approved and established on March 26, 2020, the operating detail is disclosed on the website	
2.21	Has the company appointed a company secretary and disclosed on the company's website and in its annual report the scope of the company secretary's authority, the key tasks carried out by the company secretary that fiscal year, and the status of the company secretary's continuing education?		The Company has resolved by Board of Directors on January 17, 2020 to appoint a new Company Secretary, and the operating detail is disclosed on the website.	
2.25	Did all of the company's independent directors complete the number of hours of continuing education required by the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies		All the independent directors had completed the training by laws in 2019. It is expected to complete the training of all of the Board of Directors in 2020.	
3.2	Did the company disclose material information in English and Chinese at the same time?		The Company started announcing material information in both Chinese and English version from 2020.	
4.2	Did the company have a designated unit in charge of promoting ethical corporate management, with responsibility for establishing and supervising the implementation of the ethical corporate management policies and prevention programs, and disclose the unit's operations and implementation on the company's website and in its annual report, and did the unit report to the board of directors at least once a year?		Financial Management Division of the Company is responsible for the integrity management issue from 2020. The operating detail is disclosed on the website and annual report, and will be reported to the Board of Directors regularly.	

Note 1 : Implement the policy of diversification in the board

Name	Diversified core abilities		Basic Condition and Value	Back-ground	Knowledge and Skills						
	Gender	Nationality	Education	Judgment for operation	Analytical Skills for accounting and finance	Management	Crisis Management	Industry Knowledge	International outlook	Leading Ability	Decision Making
Wu, Cheng-Hsien	Male	Taiwan, R.O.C.	Chemistry	✓		✓	✓	✓	✓	✓	✓
Pou Chien Enterprise Co., Ltd Representative: Tsai, Nai-Yung	Male	Taiwan, R.O.C.	Industrial Engineering	✓	✓	✓	✓	✓	✓	✓	✓
Guang Rong Investment Ltd. Representative: Hsu, Ming-Hsien	Male	Taiwan, R.O.C.	Business Management	✓	✓	✓	✓	✓	✓	✓	✓
Guang Rong Investment Ltd. Representative: Liu, Chi-Lin	Male	Taiwan, R.O.C.	Accounting	✓	✓	✓	✓	✓	✓	✓	✓
Guang Rong Investment Ltd. Representative: Chang, Kuo-Jung	Male	Taiwan, R.O.C.	Industrial Management	✓		✓	✓	✓	✓	✓	✓
Chen, Yun	Male	Taiwan, R.O.C.	Industrial Engineering	✓		✓	✓	✓	✓	✓	✓
Chiang, Yung-Cheng	Male	Taiwan, R.O.C.	Law	✓		✓	✓		✓	✓	✓
Lee, Yi-Hsi	Male	Taiwan, R.O.C.	Finance Management	✓	✓	✓	✓	✓	✓	✓	✓

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

Item	Assesmentation	Results	Comply with the standard
1.	As of the most recent audit, there have been no instances where CPA remained unchanged for 7 years	Yes	✓
2.	CPA has no direct or indirect major financial stake in the Company	Yes	✓
3.	CPA avoids any inappropriate relationship with client	Yes	✓
4.	CPA shall make the assistants serve with integrity and objective standpoint and keep independent spirit	Yes	✓
5.	The financial statements issued in the prior 2 years of the Company, shall not be certified	Yes	✓
6.	CPA shall not permit others to practice under his name	Yes	✓
7.	CPA does not own the Company's or relative companies' stockshares	Yes	✓
8.	CPA is not associated with the Company and the relationship between the business of money lending	Yes	✓
9.	CPA does not have a relationsho of joint investment or shared interests with the Company or relative companies	Yes	✓
10.	CPA does not hold a concurrent post and get the fixed salary from the Company or the relavant companies	Yes	✓
11.	CPA does not involve the Company's or relative companies' management	Yes	✓
12.	CPA does not run concurrently other business that may damage the independence	Yes	✓
13.	CPA is not related as spouses or within two generations of kinship with the Company's managers	Yes	✓
14.	CPA shall not accept commission	Yes	✓
15.	There are not a case that has been punished or damaged the independent principle by now	Yes	✓

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"> <li>✓ Increase the operating performance and policy</li> <li>✓ Enhance safety and health management</li> <li>✓ Workplace well-being</li> <li>✓ Complete the employee career planning</li> </ul>	<ul style="list-style-type: none"> <li>✓ E-bulletin board(in real time)</li> <li>✓ Bi-weekly meeting(bi-weekly)</li> <li>✓ Toolbox meeting(weekly)</li> <li>✓ Union meeting(every season)</li> <li>✓ Labor conference(every season)</li> <li>✓ Employee welfare committee(every season)</li> <li>✓ Email (in real time)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Managers shares the current situation of business operating and technology development</li> <li>✓ Establish a complete rotation policy, encourage the employees to accept the new challenges</li> <li>✓ Set up a emergency response team and regularly practice the responses</li> <li>✓ Bi-annual heath checks for all employess</li> </ul>
Customer	<ul style="list-style-type: none"> <li>✓ Innovative products and services</li> <li>✓ Customer managerment</li> <li>✓ Circular economic and product life cycle</li> <li>✓ Information safety and customer privacy</li> </ul>	<ul style="list-style-type: none"> <li>✓ Email and phonecalls(in real time)</li> <li>✓ Questionnaire (every year)</li> <li>✓ CSR report(every year)</li> <li>✓ Customer service email(info@nanpao.com) (in real time)</li> <li>✓ Sales representatives(in real time)</li> <li>✓ Inno fair(every year)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Participate in the annual Innovation Fair</li> <li>✓ There were no record that shows the customer complaints or privacy inva sion in 2019</li> <li>✓ Won the best adhesive supplier award in Nike's WHQ Campus Global Chemistry Conference in 2019</li> <li>✓ Annual customer satifation survey and visit</li> </ul>
Supplier	<ul style="list-style-type: none"> <li>✓ Code of business conduct and ethics</li> <li>✓ Product quality</li> <li>✓ Safety and health management</li> <li>✓ Wastes management</li> </ul>	<ul style="list-style-type: none"> <li>✓ CSR questionnaire(every year)</li> <li>✓ Supplier questionnaire (irregular)</li> <li>✓ Service mailbox(info@nanpao.com) (irregular)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Establish the supplier evaluation mechanism, require the code of conduct and ethics commitment from suppliers</li> <li>✓ Before the suppliers starting the high risk operations, describe the safety procedures and precautions thoroughly</li> <li>✓ 100 % qualification rate of ex-factory products in 2019, 4 years in a row of the 100% qualification rate</li> </ul>
Investor	<ul style="list-style-type: none"> <li>✓ Financial performance</li> <li>✓ Risk management</li> <li>✓ Climate change</li> </ul>	<ul style="list-style-type: none"> <li>✓ Shareholders meeting/Institutional investor conference(every year)</li> <li>✓ Company annual reports, seasonal reports and CSR reports (every year)</li> <li>✓ Roadshow(every year)</li> <li>✓ Web page for investors(monthly)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Annual shareholder meeting for the operating and developing report</li> <li>✓ Uploading annual and seasonal report in time</li> <li>✓ Completing corporate governance evaluation</li> <li>✓ Collecting the comments from investors and reporting to the top management and the board</li> </ul>
Local commnity & NGO	<ul style="list-style-type: none"> <li>✓ Community communication</li> <li>✓ Donations</li> <li>✓ Charity events</li> </ul>	<ul style="list-style-type: none"> <li>✓ CSR reports(every year)</li> <li>✓ Officail website(in real time)</li> <li>✓ Charity programs(in real time)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Nan Pao Charity Foundation completed the management procedure with the Social Welfare Bureau</li> <li>✓ Held a beach cleanup event with the community</li> <li>✓ Held a blood donation event in the neiborhood, the blood donation rate reached the record high to 416 bags in half of a day</li> <li>✓ Funding the afterschool lessons in 7 elementary schools in the neiborhood for years</li> <li>✓ Total accumulated donation: NT\$56 million</li> </ul>
Competent Authority	<ul style="list-style-type: none"> <li>✓ Corporate goverance</li> <li>✓ Transparent disclosure</li> <li>✓ Energy and climate change</li> </ul>	<ul style="list-style-type: none"> <li>✓ Official letters and visiting(irregular)</li> <li>✓ Public communication platform(irregular)</li> <li>✓ Thematic meetings-Sucg as conference ,lectures and other meetups (irregular)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completing corporate goverance evaluation</li> <li>✓ Disclose the company relevant information in annual report, CSR report and on the website</li> <li>✓ Import the smart energy management program for the systematic energy saving project since 2018</li> <li>✓ Established the climate rish adjustment system to decrease the losses from the nature disasters since 2018</li> </ul>

#### Note 4 : Appointment of Company Secretary and the business execution

For implementation of corporate governance, the Company has resolved by Board of Directors on January 17, 2020 to appoint the assistant VP of Financial Management Division as a Company Secretary, to safeguard shareholders' rights and benefits and enhance the functional capability of the Board of Directors; in addition, the Company Secretary will also be responsible for matters regarding the boarding meetings and shareholder meetings and relevant affairs.

1. It is advisable that the corporate governance affairs mentioned in the preceding paragraph include at least the following items:
  - (1) Assist the board members with job execution, offer the required information and plan for the continuing education:
    - (A) Inform board members from time to time of the latest amendments to laws and regulations related to organizational operations and corporate governance
    - (B) Provide directors with the required information and maintain smooth communication and exchange among directors and all higher-level officers
    - (C) Independent directors communicate with the chief internal auditor or certified public accountants to understand organization's financial performance
    - (D) Arrange annual extended educational courses for directors based on their education, background and up-to-date laws and regulations.
  - (2) Affairs relating to investor relations:
    - (A) Report implementations of corporate governance to the Board, independent directors, and the Audit Committee to ensure that the Company's Shareholders' Meeting and Board are in compliance with relevant laws and corporate
    - (B) Assist directors to make resolutions in a board meeting and remind them of the legal requirements to be complied with
    - (C) Announce the material information of important resolutions made in a board meeting to ensure the legitimacy and accuracy of information contents, in order to protect the transaction information equality of investors
  - (3) Prepare the agenda for meetings; inform directors to convene meetings seven days in advance; provide directors with meeting-related data and issues; remind directors of the avoidance of conflicts of interest, where necessary; and issue the minutes of meetings within 20 days after each meeting
  - (4) Proceed with registration before the AGM date; and produce documents including the meeting notice, AGM handbook, meeting minutes and annual report for the reference of investors, the Company applies amendment of register for Articles of Association and changes of board members.
2. The board directors training list as of the publication date in 2020 shows as followed:

The training course has not been arranged until the annual report issued date, and will be further planned later this year.

(IV) Composition, duties, and operations of the Remuneration Committee

1. Information on the members of the Remuneration Committee

Identity (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	Chen, Yun	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Newly appointed on Dec. 21, 2017
Independent Director	Chiang, Yung-Cheng		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Lee, Yi-Hsi	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

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

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

- (1) Not 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 Compensation Committee Charter and provide amendment suggestions.
- (2) Establish and routinely review the annual and long-term performance objectives and policies, systems, standards, and structures on compensations of the Company's directors, supervisors, and managerial officers.
- (3) Routinely evaluate the effectiveness of directors and managerial officers in achieving their objectives, and develop individual compensation packages.

### 3. Operation of the Remuneration Committee

- (1) There are three members in the Remuneration Committee of the Company.
- (2) The term of current committee members: The first term of the Remuneration Committee assumed office on June 19, 2017. However, the first term of the Remuneration Committee members has been released from duty after the election of independent directors on December 12, 2017, and the three independent directors had assumed the membership of the second term of the Remuneration Committee upon resolution by the Board on December 21, 2017, with the term of office from December 21, 2017, to May 15, 2020. The Remuneration Committee convened 5 meetings in the most recent year (2019) with the following qualifications and attendance from members:

Title	Name	Actual Number of attendance	Attendance by proxy Number of attendance	Actual Attendance Rate	Remarks
Committee Chair	Chen, Yun	5	0	100%	
Member	Chiang, Yung-Cheng	5	0	100%	
Member	Lee, Yi-Hsi	5	0	100%	

Other items that shall be recorded:

1. If the Board of Directors does not adopt or amend the suggestions made by the Remuneration Committee, the date and session of the Board of Directors' meeting, resolutions, the voting result, and handling of opinions of the Remuneration Committee by the Company shall be disclosed (if the remuneration approved by the Board of Directors is better than the suggestion of the Remuneration Committee, the discrepancies and related reasons shall be stated): None.
2. If the members of the Remuneration Committee have any dissenting or qualified opinions on the resolutions of the Remuneration Committee, where such opinions are documented or issued through written statements, the date, and session of the meeting of the Remuneration Committee, resolutions, all the members' opinions, and handling of these opinions shall be stated: None.

### 3. Operation of the Remuneration Committee:

Date	Session	Content	Suggestions
2019.01.25	Second Board The 5th time	1. The 2018 performance-based bonuses for managers. 2. The Company's appointment of managers.	The Remuneration Committee stated no objection; the above proposals have been passed submitted to the Board of Directors for resolution.
2019.03.21	Second Board The 6th time	1. The Company's 2018 employee bonus and director's bonus distribution plan. 2. The Company's proposal to set up employee stock ownership trust for managers.	The Remuneration Committee stated no objection; the above proposals have been passed submitted to the Board of Directors for resolution.
2019.05.09	Second Board The 7th time	Approved 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.
2019.08.08	Second Board The 8th time	The Company's 2018 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.
2019.11.11	Second Board The 9th time	The Company's appointment, salary adjustment and promotion for 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			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Root Causes
	Yes	No	Summary	
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?	✓		<p>The Company faces the risks and challenges more than compliance with laws and regulations, in order to have a knowledge of economy and industry situation, the Company shall draw up the development strategies to adopt the business circumstance to maintain the performance and stability.</p> <p>The Company evaluates various operations, and has classified risks into 5 major aspects, including “strategic risk,” “operating risk,” “financial risk,” “climate change risk” “and “information security risk management””: Furthermore, to minimize uncertainties in business operations, we have also planned designated personnel to be responsible for managing each risk and for relevant contingency measures.</p> <p>(1) Strategic risk: For the risk of input shortage in concentrated purchases, such as insufficient capacity from vendors, accidents in the factories, or natural disasters, which will all lead to input shortage, Nan Pao’s various operational site constantly maintain updated data on yield and supply to lower this risk. Concurrently, the joint procurement center continues to regulate raw material pricing trends and supply stability to ensure that the Company’s raw material supply is stable.</p> <p>(2) Operating risk: The Company regularly convenes shareholders’ meetings for the Company’s operating status and provide public information to enhance financial transparency. In addition, we also actively participate in community and public social welfare activities to fulfill Nan Pao’s responsibilities as a part of the society. The Company’s Legal Department is in charge of national policies and laws, and relevant departments also monitor important changes in policies and laws at all times and adjust the internal system and operating activities accordingly to ensure smooth operations.</p> <p>(3) Financial risk: Most of the sales volume is based on US Dollars, and we hold more asset in foreign currency than debt. Moreover, the foreign currency collection period is slightly longer than the foreign currency payable period; hence, we anticipate that there is greater market risk associated with forex fluctuations. The Company’s long-term and short-</p>	No material gap was found.

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>term term loans are mostly debts with fixed interest rates. Though the market interest rate shows an upwardly trend, our evaluation indicates that the liquidity risk associated with interest rate change is insignificant.</p> <p>(4) Climate change risk: The Company sets up the Climate Change Risk Countermeasure, CCRC, the system start up the prevention mechanism beforehand towards to the climate risk and decrease the potential loss from the natural disasters for emergency response plan and procedure by the result of disaster simulation; the monitor system determine the real-time disaster information and start the emergency response procedure and notify the associated employees so that the manager can take control of the crucial response time and decrease the impacts.</p> <p>(5) Information security risk management: The Company's information system architecture is divided into external attacks and internal threats according to the risk scopes. With regard to external attacks, a firewall and related network devices have been established for external attacks to prevent invasion from external network attacks and causing harm to the Company internally. As for internal threats, a high-availability data backup mechanism and remote host backup have been established to ensure that information services are not interrupted. In addition, the Company enhances various simulation tests in machine rooms and regularly organizes emergency response exercise to ensure that information systems can resume normal operation in the shortest time possible during an attack. In response to the increasing number of information security threats, the Company examines and assesses its network security regulations and procedures to ensure their appropriateness and effectiveness. To implement the concept of employee information security, the Company regularly provides colleagues with the latest information and protection education, so that every employee practices the concept of personal information protection, and to avoid exposure to high-risk information environments.</p>	
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?	✓		To ensure sound management function on corporate social responsibility, the Company has designated a “CSR management committee” on March 26, 2020. The Committee contains the Chairman, general manager and all of the independent board members, the independent board member Chem, Yun was	No material gap was found.

Assessment Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Root Causes												
	Yes	No	Summary													
			elected as the chairperson, the general manager as deputy director, an implement team and a project secretary are organized to implement the work plan and report to the BOD regularly and prepare and publish the annual CSR report, the most recent performance was reported to the BOD on May 11, 2020.													
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 implemented OHSAS18001 the Health and Safety Management System since 2000 and got certificated it will be converted to ISO45001 by the end of 2020. The Company also certificated ISO14001 Environment Management System and ISO50001 Energy Management System.</p> <table border="1"> <thead> <tr> <th>Certification</th> <th>Certificated Date</th> <th>Effective Date</th> </tr> </thead> <tbody> <tr> <td>OHSAS18001 Health and Safety Management System</td> <td>2016.11.21</td> <td>2017.11.14~ 2020.11.18</td> </tr> <tr> <td>ISO14001 Environment Management System</td> <td>1999.04.14</td> <td>2017.12.14~ 2020.12.14</td> </tr> <tr> <td>ISO50001 Energy Management System</td> <td>2016.11.16</td> <td>2016.11.16~ 2019.11.16</td> </tr> </tbody> </table>	Certification	Certificated Date	Effective Date	OHSAS18001 Health and Safety Management System	2016.11.21	2017.11.14~ 2020.11.18	ISO14001 Environment Management System	1999.04.14	2017.12.14~ 2020.12.14	ISO50001 Energy Management System	2016.11.16	2016.11.16~ 2019.11.16	No material gap was found.
Certification	Certificated Date	Effective Date														
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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	
(2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?			<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 an Energy Performance Measurement and Monitor System, it uses electronic sighthoard 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, the Company will introduce more equipment into the system for the further energy management.</p> <p>4. The Company is going to gradually replace the high energy consumption equipment to reduce the green house gas emission and reduce the energy waste. Total energy consumption in 2019 decreased 1.6% and the energy density has only slightly decreased 1.5%.</p> <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 commit 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. Through the assessment, the major environmental impact of water-based PU dispersion comes from the raw</p>	

Assessment Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Root Causes												
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<p>(3) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?</p> <p>(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>			<p>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 processes; the recycled acetone goes back to the manufacturing processes. 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. It is expected that the fuel used in all steam boilers will be replaced with natural gas in 2019, and it significantly reduced the emission of SOx, NOx and TSP.</p> <p style="text-align: right;">Recycle Unit: metric tons</p> <table border="1"> <thead> <tr> <th>Major environmental impact RM of water-based PU</th> <th>2018</th> <th>2019</th> <th>Reduction (%)</th> </tr> </thead> <tbody> <tr> <td>Acetone</td> <td>10,597</td> <td>3,758</td> <td>64%</td> </tr> <tr> <td>Butanone</td> <td>4,868</td> <td>1,173</td> <td>76%</td> </tr> </tbody> </table> <p>(3) Corporate Social Responsibility Management Committee is in charge of assessing climate change impact, we established the climate change response system to control the potential risks, the system activate the mechanism to respond the climate change risks and reduce the potential losses. The system simulation analyze the impact from disasters and set up an emergency procedure, the system monitors the climate change conditions and notify the accountable persons while emergent climate situation happens in real-time to decrease the impacts.</p> <p>(4)1. In 2009, the Company introduced the Greenhouse Gas (GHG) Inventory and established a GHG Inventory 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 inventory and results. In 2012, carbon footprint inventory 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 inventory assurance for Reasonable</p>	Major environmental impact RM of water-based PU	2018	2019	Reduction (%)	Acetone	10,597	3,758	64%	Butanone	4,868	1,173	76%	
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			<p>Assurance Certification. The Company also complys with ISO 14064-1 standard for green house gas investigation.</p> <p>2. In addition to the greenhouse effect and global climate change caused by GHG and other major gases, the generation of air pollutants will have adverse effects on climate, air quality, ecosystems, agriculture and human health. In response to global climate change, the Company conducts GHG emissions inventory operations, and the scope can be divided into direct greenhouse gas emissions (Scope 1) and indirect greenhouse gas emissions (Scope 2). There is no externally purchased heat or steam in the company's factory, and its indirect emissions (Scope 2) are mainly purchased externally. The power used is purchased from the Taiwan Power Company. Other indirect emissions (Scope 3) are relatively low in carbon emissions, and the actual usage is not easy to obtain, so emissions information will not be included in the inventory for the time being. Via the GHG emission inventory we found that the emissions are mainly based on energy use, so the Company is also actively conducting energy management to promote carbon emissions reduction.</p> <p style="text-align: right;">Emission Unit: metric tons</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Scope of inventory audit</th> <th>2017</th> <th>2018</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>Scope 1 (CO2e): (Gasoline + Diesel + Liquefied Natural Gas (LNG) + Liquefied Petroleum Gas (LPG) + Heavy Oil)</td> <td style="text-align: center;">7,633</td> <td style="text-align: center;">6,923</td> <td style="text-align: center;">5,570</td> </tr> <tr> <td>Scope 2 (CO2e): (Electric Power)</td> <td style="text-align: center;">7,532</td> <td style="text-align: center;">7,601</td> <td style="text-align: center;">8,494</td> </tr> <tr> <td>Total emissions = Scope 1 + Scope 2</td> <td style="text-align: center;">15,165</td> <td style="text-align: center;">14,524</td> <td style="text-align: center;">14,064</td> </tr> </tbody> </table> <p>3. The air pollutants emitted are primarily particulates, sulfur oxides, nitrogen oxides, and gaseous volatile organic compounds (VOCs), 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</p>	Scope of inventory audit	2017	2018	2019	Scope 1 (CO2e): (Gasoline + Diesel + Liquefied Natural Gas (LNG) + Liquefied Petroleum Gas (LPG) + Heavy Oil)	7,633	6,923	5,570	Scope 2 (CO2e): (Electric Power)	7,532	7,601	8,494	Total emissions = Scope 1 + Scope 2	15,165	14,524	14,064	
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			<p>ozone depleting substances (ODS). Since the plant area contains many chemical substances, the chemical smells often escape into the air. The Company has also replaced feeding materials through manholes in reaction tanks with diaphragm pumps to avoid the chemicals contacting air, which would reduce the odors and the exposure to operators.</p> <p style="text-align: right;">Emission Unit: metric tons</p> <table border="1"> <thead> <tr> <th>Pollution</th> <th>2018</th> <th>2019</th> <th>Reduction (%)</th> </tr> </thead> <tbody> <tr> <td>VOCs</td> <td>110.4</td> <td>69.1</td> <td>37%</td> </tr> <tr> <td>TSP</td> <td>6.1</td> <td>0.2</td> <td>98%</td> </tr> <tr> <td>SOx</td> <td>15.4</td> <td>0.4</td> <td>97%</td> </tr> <tr> <td>NOx</td> <td>13.6</td> <td>2.6</td> <td>81%</td> </tr> </tbody> </table> <p>4. The Company's water source comes from tap water supplied by Taiwan Water Corporation. The recent extreme climate caused the domestic water resource instability, there are relevant water use conflicts between industries and livelihood, in order to ease the impacts, we 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. There is a wastewater treatment station within each plant, also constructed another MBR treatment unit to improve the effectiveness of wastewater treatment. 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>2018</th> <th>2019</th> <th>Growth (%)</th> </tr> </thead> <tbody> <tr> <td>Tap water</td> <td>74,987</td> <td>93,816</td> <td>25%</td> </tr> <tr> <td>Recycled water</td> <td>5,341</td> <td>9,944</td> <td>86%</td> </tr> <tr> <td>Rainfall</td> <td>466</td> <td>733</td> <td>57%</td> </tr> <tr> <td style="text-align: center;">Total</td> <td>80,794</td> <td>104,493</td> <td>29%</td> </tr> </tbody> </table> <p>5. Most of the waste generated by the Company are waste solvents and resins</p>	Pollution	2018	2019	Reduction (%)	VOCs	110.4	69.1	37%	TSP	6.1	0.2	98%	SOx	15.4	0.4	97%	NOx	13.6	2.6	81%	Water resources	2018	2019	Growth (%)	Tap water	74,987	93,816	25%	Recycled water	5,341	9,944	86%	Rainfall	466	733	57%	Total	80,794	104,493	29%	
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			<p>that are mainly 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. The hazardous waste in the factory is mainly waste solvents and waste solvents containing hazardous chemicals, and they are entrusted to a domestic waste removal and disposal plant that has received a certificate of approval from the environmental protection authority for cleaning.</p> <p style="text-align: right;">Emission Unit: metric tons</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Wastes</th> <th>2018</th> <th>2019</th> <th>Reduction (%)</th> </tr> </thead> <tbody> <tr> <td>General business wastes</td> <td>1,187</td> <td>673</td> <td>43%</td> </tr> <tr> <td>Hazardous business wastes (outsourcing)</td> <td>945</td> <td>691</td> <td>27%</td> </tr> <tr> <td>Total</td> <td>2,132</td> <td>1,364</td> <td>36%</td> </tr> </tbody> </table>	Wastes	2018	2019	Reduction (%)	General business wastes	1,187	673	43%	Hazardous business wastes (outsourcing)	945	691	27%	Total	2,132	1,364	36%	
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<p>4. Social Topic</p> <p>(1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?</p> <p>(2) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?</p> <p>(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?</p>	✓		<p>(1) In order to fulfill the corporate social responsibility and protect the human rights of employees and stakeholders, the Company scrupulously abide by the local labor laws and regulations, and support the international human rights conventions of “Universal Declaration of Human Rights” and the goals of “International Labor Organization”. The international human rights conventions appeal to fair treatment for all employees to secure employees’ rights.</p> <p>(2) The Employee Welfare Committee has been established in 1975 to handle employees’ benefit and welfare measures, the Company also established a completed retiring procedure. On top of the salary, the Company offers incentive bonus by the personal performance and company operation performance.</p> <p>(3) 1. In order to enhance employee’s awareness of safety and health, the Company set up a safety and health management mechanism, regularly holds educational trainings so that employees all understand that</p>	No material gap was found.																

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>maintaining safety at workplace environment is the responsibility of everyone. The total training hours in 2019 is 3,201 hours. Moreover, in order to enhance employees' understanding of correct safety, health and occupational disasters and labor protection, the Company lectures employees to emphasize the safety and health hazard prevention with Ministry of the Labor.</p> <ol style="list-style-type: none"> <li>2. The Company establishes emergency response procedures in each plant area, and annually conduct on-site 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.</li> <li>3. The Company introduced a smart inspection system in 2019, use RFID to have full knowledge of the conditions for all the equipment in real-time for efficient factory management.</li> <li>4. The Company hires a professional designated nurse and establishes a health care office to care for employee health services. The nurse specializes in external injury handling and medical attention, as well as one-on-one consulting so that employees can receive more medical resources and professional consulting. We hope that the professional medical staff will help employees to achieve more accurate health awareness. We organize health promotional activities based on the abnormality obtained through health checkups. Safety and health operation seminars are regularly held at the plants. Senior managers and labor safety personnel and on-site nurses will talk face-to-face, and the bi-lateral communication will help managers to understand the health and labor safety needs, which allows for planning of health promotional activities</li> <li>5. A special health checkup is arranged based on the results of the inspection of special operating environment done 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</li> </ol>	

Assessment Item	Implementation Status			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Root Causes
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<p>(4) Has the Company established effective career development training plans?</p> <p>(5) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set policies to protect consumers' rights and consumer appeal procedures?</p>			<p>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 since 2015 to prevent emergencies in the plants. In the case of a cardiac arrest due to sudden arrhythmia, if AED and massaging can be given within one minute, the success rate of first aid can be improved. Besides setting up first aid personnel and emergency response personnel, all employees are also requested to learn first aid techniques. Hence, we also regularly arrange educational training, total number of trainee are 459.</p> <p>(4) The Company set up the employee training procedure, the HR department makes and executed the annual training plan for employees' profession and knowledge throughout the whole career, aims at cultivating proactive and innovative employees. The program emphasized training for management, profession, general knowledge and company policy in 2019, there are 11,828 person-time and 12,023 hours, average 15.26 hours per person.</p> <p>(5)1. Quality is a fundamental factor in the overall management of the Company. Our goal is to provide customers with stable and safe products and services in compliance with legal regulations. The Company sees quality as the cornerstone to brand development and sustainable growth. In terms of internal management, we never compromise on our commitment to quality requirement and on meeting standards. In terms of advocacy, we promote the Quality Policy to all employees to ensure total compliance and implementation. The policy also serves as the guiding indicator to work responsibilities and day-to-day working mindset and actions.</p> <p>2. To maintain product safety, during production processes from raw material input to finished output, we sample all batches of products. Only products that have passed inspections can be stored for subsequent delivery. At the same time, the production batch number would be printed on the packaging to allow for subsequent follow-up and tracking. Products that do not pass inspection would be rejected to rework. We maintain rigorous</p>	

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>control over raw materials and product inspection standards in accordance with the CNS inspection standards in Taiwan.</p> <p>3. The Company's Technical Service Department is brimming with professional talent who has years of technical experience and has solved technical problems for many years. Moreover, a comprehensive database has been established, and professional talent is dispatched to each sales and services center to provide professional technical support for customers. In addition, based on the nature of products, we also provide complete coaching and support on product use for customers' production teams.</p> <p>4. The Company's technical service team can provide feasible plans during customers' new product R&amp;D stage to solve product issues. 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. After product launch, the technical service team will collect all customers' problems with the production line, undertake troubleshooting training at customers' end, and organize technical seminars quarterly to actively solve customers' technical issues.</p> <p>5. In terms of customer privacy protection, the Company has dedicated personnel to file and document any business information, transaction information, or any information provided by customers that may have to do with their confidentiality. We implement personal data management to comply with the relevant regulations of the Personal Information Protection Act. Internally, any access to customer information needs to be approved and authorized, which helps to ensure that customer privacy will not be easily revealed. No grievances related to damages to customer privacy or loss of customer information were received in 2019.</p>	
(6) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?			(6)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. If a major impact takes place, the Company would assist in improving or end the purchasing contracts so that monitor the suppliers' behavior.	

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>2. In order to reach the goal of sustainable supply chain, ensure the suppliers comply and agree with our CSR and moral standard and take the full accountability to keep improving. The Company will require the suppliers to sign the “code of ethical conduct for suppliers” and “environmental commitment” as a cooperation condition. Moreover, we requires the suppliers to sign the Restrict Substances List for the product quality control.</p> <p>Note : The Company plans to have more than half of the suppliers to sign the statements by 2020.</p>	
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 creates its CSR report according to the latest version of the GRI Standards Core Option, The CSR Report can be reviewed and downloaded on the website, however the CSR report is yet to be verified by the relevant certification bodies.	No material gap was found.
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:				
<p>(1)The CSR Management Committee pass a sustainable policy on March 26<sup>th</sup>, 2019 as follows :</p> <ul style="list-style-type: none"> <li>● 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 performanace by planning a long-tern integration business policy.</li> <li>● People &amp; 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.</li> <li>● Sustainable Environment – Value the sustainable environment, commit to decrease the environmental impact from manufacture and proactively build a safe and healthy workplace.</li> <li>● Green Chemistry – Utilize R&amp;D ability to develop environmental and circular economy product, and strictly manage hazardous chemicals.</li> </ul> <p>(2) The community participation of education and charity please refers to the CSR report on page 63 to 73.</p> <p>(3)The CSR page on the wbsite is on <a href="https://tw.adhesivegluemaker.com/">https://tw.adhesivegluemaker.com/</a></p>				

(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	
<p>1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>(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?</p> <p>(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?</p> <p>(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</p>	✓		<p>(1) The Company has established “Ethical Operational Policy” and “Methods and Code of Conduct” to clearly demonstrate the policy and methods of ethical management on April 5th, 2017. In addition, the Board of Directors and the management also actively fulfill the promise to ethical management policy. The enactment of ethical corporate management information has been disclosed on the Company’s website.</p> <p>(2) The Company has established Ethical Operational Policy and Methods and Code of Conduct, which clearly stipulates that directors, managers, employees and persons with substantial control capabilities should strictly prohibit unethical conduct. The Company sets up a special unit under the board of directors to promote corporate integrity management. It 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. 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 "Integrity Management Operating Procedures and Conduct Guidelines".</p> <p>(3) The Company has established Ethical Operational Policy and Methods and Code of Conduct on April 5th, 2017, which is the relevant precautionary measures regulated by the risky business activities according to the paragraph 2, Article 7 of the Ethical Corporate</p>	No material gap was found.

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	
and revises such policies?			Management Best Practice Principles for TWSE/GTSM Listed Companies, and requires implementation by relevant units. The Company has established a sound and effective accounting and internal control system, and to ensure implementation of internal control and management in practice, internal auditors will include operating activities with risks of unethical conduct and status of compliance with the aforementioned system in the scope of verification of each operating activity. An audit manager will report auditing affairs in a Board of Directors meeting quarterly so that the senior management can be aware of the implementation status of the internal control system.	
2. 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 material gap was found.
(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?  (3) Whether the company has established policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?  (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			(2) For implementation of ethical corporate management, the Company has established a department 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. The implementation of ethical corporate management in 2019 was reported to the Board of Directors on November 11, 2019.  (3) The Company's "Ethical Operational Policy 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.  (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,	

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	
<p>conduct, and have its ethical conduct program audited by internal auditors or CPA periodically?</p> <p>(5) Does the company provide internal and external ethical conduct training programs on a regular basis?</p>			<p>compile audit reports, and report to the Board of Directors. Furthermore, to ensure accuracy and transparency of financial information, financial statements are all reviewed or audited by CPAs in accordance with regulations and are announced and uploaded accordingly.</p> <p>(5) For the integrity management education and training organized by the competent authority or external professional organizations, the relevant personnel of the company will participate in accordance with the regulations; Company's ethical management philosophy is also promoted during internal training courses from time to time, so that all employees could be aware of legal compliance, to reduce risk of business conduct breaking the law.</p>	
<p>3. Implementation of Complaint Procedures</p> <p>(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?</p> <p>(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?</p>	✓		<p>(1) The Company has clearly defined a whistleblowing and incentive system in the "Ethical Operational Policy and Methods and Code of Conduct" and on the "Employee Handbook," and grievance and whistleblowing mailbox: audit@nanpao.com has also been established, in which designated personnel will be in charge of subsequent processing.</p> <p>(2) The Company delegates a dedicated unit to accept and investigate inappropriate conduct, and keeps the personal information of the whistle-blower and reporting content confidential to protect them from unfair treatment or revenge.</p>	No material gap was found.
<p>(3) Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?</p>			<p>(3) The Company always keeps the identity of the whistle-blower confidential and adopts appropriate measures to protect the whistle-blower from being subjected to inappropriate measures from the reporting incident.</p>	
<p>4. Information Disclosure</p> <p>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")?</p>	✓		<p>A Company website and CSR reports have been established to disclose information such as the Company's corporate culture and relevant management policies, in addition to disclosing contents from the ethical management policy.</p>	No material gap was found.

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	
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 "Rules of Procedure for Board of Directors Meetings" has clearly stated conflict of interest preventions for directors: 'If any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the Company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter.'				
3. The Company's "Management Method to Prevent Insider Trading" clearly defines that: the Company's directors, managerial officers, and employees shall exercise the due care and fiduciary duty of a good administrator and act in good faith when performing their duties, and shall not divulge their knowledge of material inside information to others.				

(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 26, 2020

This Statement of Internal Control System is issued based on the self-assessment of the Company for the year 2019:

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, 2019 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 26, 2020, with none of the eight attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Nan Pao Resins Chemical Co., Ltd.

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

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

1. Shareholder's Meeting

Date	Major resolutions	Implementation status
2019.6.14 Annual General Meeting	(1) Proposal: 1. Adoption of the 2018 business report and financial statements 2. Adoption of the 2018 profit distribution plan.	※The proposal was approved by the participating Shareholders with 97.21% approved percentage. 1. The proposal was approved by the participating Shareholders with 97.20% approved percentage. 2. The ex-dividend trading date was set on August 10, 2019. Cash dividends totaled NT\$602,853,900 (NT\$5 per share) has been distributed on August 30, 2019.
	(2) Discussion items: 1. Amendments to the Company's "Articles of Association". 2. Amendments to the Company's "Procedure for Acquisition or Disposal of Assets". 3. Amendments to the Company's "Procedures for Loaning of Funds and Provision of Endorsements and Guarantees".	1. The proposal was approved by the participating Shareholders with 97.21% approved percentage. 2. The resolution has been announced on the Company's website, and has been implemented upon amendment. 1. The proposal was approved by the participating Shareholders with 97.21% approved percentage. 2. The resolution has been announced on the Company's website, and has been implemented upon amendment. 1. The proposal was approved by the participating Shareholders with 97.21% approved percentage. 2. The resolution has been announced on the Company's website, and has been implemented upon amendment.

2. Board of Directors

Date	Major resolutions of Board of Directors
2019.01.25	1. Approved the 2018 performance-based bonuses for managers. 2. Approved the Company's appointment of managers. 3. Approved the Company's proposal of loan funds to subsidiary RLA Polymers (M) Sdn. Bhd.

Date	Major resolutions of Board of Directors
2019.03.21	<ol style="list-style-type: none"> <li>1. Approved the Company's 2018 business report and financial statements.</li> <li>2. Approved the Company's 2018 profit distribution plan.</li> <li>3. Approved the Company's 2018 employee bonus and director's bonus distribution plan.</li> <li>4. Approved the Company's 2018 "Statement on Internal Control System".</li> <li>5. Approved the amendment of the Company's "Articles of Association".</li> <li>6. Approved the amendment of the Company's "Procedure for Acquisition or Disposal of Assets".</li> <li>7. Approved the amendment of the Company's "Procedures for Loaning of Funds and Provision of Endorsements and Guarantees".</li> <li>8. Approved the amendment of the Company's "Corporate Governance Code of Practice".</li> <li>9. Approved the establishment of the Company's "Standard Operating Procedures for Handling Directors' Requirements".</li> <li>10. Approved the amendment of the Company's "Management Guidelines for the Operation of Remuneration Committee".</li> <li>11. Approved the Company's proposal to set up employee stock ownership trust.</li> <li>12. Approved the Company's proposal to provide or cancel endorsements or guarantees for subsidiaries.</li> <li>13. Approved the Company's proposal to provide or cancel letter of support for subsidiaries.</li> <li>14. Approved the Company's proposal to apply for loan renewals to banks.</li> <li>15. Approved matters related to convening the 2019 Annual General Meeting and handling shareholders' proposals.</li> </ol>
2019.05.09	<ol style="list-style-type: none"> <li>1. Approved the Company's proposal for appointment of auditors and the fee.</li> <li>2. Approved the Company's proposal to provide or cancel endorsements or guarantees for subsidiaries.</li> <li>3. Approved the Company's proposal to provide letter of support for subsidiaries.</li> <li>4. Approved the Company's proposal to apply for loan renewals to banks.</li> <li>5. Approved salary adjustment for the Company's managers.</li> </ol>
2019.08.08	<ol style="list-style-type: none"> <li>1. Approved the Company's 2018 employee bonus distribution plan for managers.</li> <li>2. Approved for adjustment on the investment structure of the Company's subsidiary, Progroups Technology Co., Ltd.</li> <li>3. Approved for adjustment on the investment structure and capital increment on the Company's subsidiary Nan Pao Resins (HK) Limited</li> <li>4. Approved the Company's proposal to increase the project budget of R&amp;D and administrative building.</li> <li>5. Approved the Company's proposal to provide or cancel endorsements or guarantees for subsidiaries.</li> <li>6. Approved the Company's proposal to provide letter of support for subsidiaries.</li> <li>7. Approved the Company's proposal to apply for loan renewals to banks.</li> </ol>
2019.11.11	<ol style="list-style-type: none"> <li>1. Approved the Company's appointment, salary adjustment and promotion for managers.</li> <li>2. Approved for amendment of the Company's "Internal Control System - Management Cycle".</li> </ol>

Date	Major resolutions of Board of Directors
	<ol style="list-style-type: none"> <li>3. Approved the Company's proposal to provide endorsements or guarantees for subsidiaries.</li> <li>4. Approved the Company's proposal to provide letter of support for subsidiaries.</li> <li>5. Approved the Company's proposal to apply for loan renewals to banks.</li> </ol>
2019.12.19	<ol style="list-style-type: none"> <li>1. Approved the Company's and the Group's 2020 Business Plan.</li> <li>2. Approved the Company's 2020 internal audit plan.</li> <li>3. Approved the Company's proposal to invest in the establishment of a new company in Mainland China, Jiangsu Province.</li> <li>4. Approved the Company's proposal to provide endorsements or guarantees for subsidiaries.</li> <li>5. Approved the Company's proposal to apply for loan renewals to banks.</li> </ol>
2020.01.17	<ol style="list-style-type: none"> <li>1. Approved the 2019 performance-based bonuses for managers.</li> <li>2. Approved the Company's donation to the affiliate "Nan Pao Social Welfare Foundation".</li> <li>3. Approved the Company's appointment of Company Secretary.</li> <li>4. Approved the Company's appointment of Financial Officer.</li> <li>5. Approved the Company's proposal to invest in Bengal.</li> <li>6. Approved the Company's proposal to invest in India.</li> <li>7. Approved the Company's proposal to provide guarantees for borrowings by subsidiaries.</li> <li>8. Approved the Company's issuance of letter of support for borrowings by subsidiaries.</li> <li>9. Approved the Company's proposal to apply for loan renewals to banks.</li> </ol>
2020.03.26	<ol style="list-style-type: none"> <li>1. Approved the Company's salary adjustment and promotion for managers.</li> <li>2. Approved the amendment of the Company's 2020 internal audit plan.</li> <li>3. Approved the Company's 2019 business report and financial statements.</li> <li>4. Approved the Company's 2019 profit distribution plan.</li> <li>5. Approved the Company's 2019 employee bonus and director's bonus distribution plan.</li> <li>6. Approved the Company's 2019 "Statement on Internal Control System".</li> <li>7. Approved the amendment of the Company's "Financial statement preparation process" of Management Cycle".</li> <li>8. Approved the amendment of the Company's internal control system on "R&amp;D cycle".</li> <li>9. Approved the establishment of the Company's "CSR Management Committee Charter".</li> <li>10. Approved the Company's proposal to provide endorsements or guarantees for subsidiaries.</li> <li>11. Approved the Company's proposal to provide letter of support for subsidiaries.</li> <li>12. Approved the Company's Board of Directors election.</li> <li>13. Approved the Company's list of candidates of directors (include independent directors)</li> <li>14. Approved to remove the non-competition restriction of the Company's managers.</li> <li>15. Approved to remove the non-competition restriction of Board of Directors.</li> <li>16. Approved matters related to convening the 2020 Annual General Meeting and handling shareholders' proposals.</li> <li>17. Approved matters related to list of candidates of directors (include independent directors).</li> </ol>

(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)	Liu, Chi-Lin	2006.03.01	2020.01.31	Retire

#### V. Information on CPA Professional Fees

Accounting firms Title	Name of the CPA		Audit period	Notes
Deloitte & Touche Taiwan Accounting firms	Liao, Hung-Ju	Kung, Chun-Chi	2019	

Unit: NT\$1,000

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

(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: None.

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 Accounting firms	Liao, Hung-Ju	5,700	0	126	0	3,815	3,941	2019
	Kung, Chun-Chi							

Note: Other services include tax consultation NT\$2,140 thousand, transfer pricing NT\$1,500 thousand, and other fees NT\$175 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:** No replacement of the CPA should be disclosure until the annual report is published and printed.

**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	2019		From this year to up to April 18, 2020	
		Shares held Increase (decrease)	Increase (decrease) in equity pledges Increase (decrease)	Shares held Increase (decrease)	Increase (decrease) in equity pledges Increase (decrease)
Chairman	Wu, Cheng-Hsien	(6,500)	0	0	0
Director and major shareholder	Pou Chien Enterprise Co., Ltd. Date of dissolution:2019.11.01 (Note 3)	(10,285,000)	0	0	0
Director	Guang Rong Investment Ltd. Representative: Hsu, Ming-Hsien	0	0	0	0
	Representative: Liu, Chi-Lin				
	Representative: Chang, Kuo-Jung (Note 1)				
Independent Director	Chen, Yun	0	0	0	0
Independent Director	Chiang, Yung-Cheng	0	0	0	0
Independent Director	Lee, Yi-Hsi	0	0	0	0
CEO	Hsu, Ming-Hsien	0	0	0	0
Executive General Manager of Sports Goods Adhesives and Materials Business Division	Tsai, Chao-Chian	(9,000)	0	0	0
Executive General Manager of Paints and Coatings Business Division	Tsai, Yi-Fa	(19,000)	0	0	0
Executive General Manager of Adhesives and Specialty Business Division	Hsu, Chi-Yuan Date of dissolution:2020.03.26 (Note 2)	(53,000)	0	(6,000)	0
Deputy General Manager in Adhesives and Specialty Business Division	Kuo, Sen-Mao	0	0	0	0
Operation Management Division General Manager	Hung, Chung-Yuan	(230,000)	0	(14,000)	0
General Manager of Financial Management Division	Liu, Chi-Lin Date of dissolution: 2020.01.31 (Note 2)	0	0	0	0

Job Title	Name	2019		From this year to up to April 18, 2020	
		Shares held Increase (decrease)	Increase (decrease) in equity pledges Increase (decrease)	Shares held Increase (decrease)	Increase (decrease) in equity pledges Increase (decrease)
Sports Goods Adhesives and Materials Business Division Vice President	Kong, Wen-Xian Date of dissolution: 2019.09.30 (Note 2)	(9,900)	0	0	0
Vice General Manager of Coatings Business Division	Chen, Yu-Jen On board date: 2019.11.11 Date of dissolution: 2020.01.31 (Note 2)	86,736	0	0	0
Vice General Manager of Paints and Coatings Business Division	Chen, Zhi-Wei On board date: 2019.01.25 (Note 2)	0	0	0	0
Adhesives and Specialty Business Division Deputy General Manager in Adhesives Division II	Chang, Chi-Yao Date of dissolution: 2019.03.18 (Note 2)	(1,000)	0	0	0
Vice President of R&D& Innovation Division	Lee, Juh-Shyong Date of dissolution: 2019.04.30 (Note 2)	(12,000)	0	0	0
R&D & Innovation Division Innovation and Development Department R&D Deputy General Manager	Shen, Yong-Ching	0	0	0	0
R&D & Innovation Division Hot Melt Adhesive R&D Department R&D Deputy General Manager	Wang, Ping	(12,000)	0	0	0
Sports Goods Adhesives and Materials Business Division Assistant Manager	Fang, Yi-Jen	(16,000)	0	0	0
Assistant Manager in Sports Goods Adhesives and Materials Business Division	Fang, Shih-Hao On board date: 2019.11.11 Date of dissolution: 2020.03.01 (Note 2)	17,000	0	0	0
Assistant Manager of Overseas Sales Division in Sports Goods Adhesives and Materials Business Division	Hsu, Chin-Fu On board date: 2019.11.11 (Note 2)	308,666	0	0	0
Sports Goods Adhesives and Materials Business Division R&D Technical Assistant Manager	Hung, Sen-Pei	(23,000)	0	0	0
Assistant Manager of Footwear Production Department in Operation Management Division	Tsai, Ming-Ding On board date: 2019.11.11 (Note 2)	9,500	0	0	0
Financial Management Division Assistant Manager (Accounting Manager)	Lin, Kun-Chin	0	0	0	0
Strategic Development Division Assistant Manager in HR Department	Lee, Hui-Fen	(22,000)	0	(11,000)	0
Strategic Development Division Assistant Manager in Business Development Department	Luo, Yuan-Yang	0	0	0	0

Job Title	Name	2019		From this year to up to April 18, 2020	
		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 General Manager of R&D & Innovation Division	Lin,Zhi-Cheng	(8,000)	0	0	0
Polyester polyol Technology Assistant General Manager of R&D & Innovation Division	Chen,Yan-Cheng	0	0	2,000	0

Note 1: Corporate director Guang Rong Investment Ltd. appointed a new representative director on April 12, 2018 (the former representative: Lee, Juh-Shyong; the new representative: Chang, Kuo-Jung)

Note 2: Only information during their terms of office will be disclosed.

Note 3: The Company's director Pou Chien Enterprise Co., Ltd. dissolved the position of major shareholder on November 1, 2019.

(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, and shareholders with shareholding percentage exceeding ten (10) percent	Number of shares	Transaction price
Kong,Wen-Xian	Gift	2019.06.24	Kong, Chia-Yu	Father and daughter	9,900	159.50
Wu, Cheng-Hsien	Gift	2019.10.28	Wu, Dai-Ying	Father and son	2,250	146.50
Wu, Cheng-Hsien	Gift	2019.10.28	Wu, Yi-Lin	Father and son	4,250	146.50
Pou Chien Enterprise Co., Ltd.	Block trade by non-paired (Capital planning)	2019.11.01	Yue Dean Technology Corporation	Indirect shareholding of 51.11% subsidiary	10,285,000	150.00
Chang, Kuo-Jung	Gift	2020.03.02	Chang, Chih-Kai	Father and son	15,000	149.00

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

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

As of April 18, 2020; 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. Representative: Ho, Ming-Kun	10,920,248	9.06	-	-	-	-	None	None	
Ding-Feng Investment Co., Ltd. Representative: Fang, Guan-Jie	10,571,947	8.77	-	-	-	-	None	None	
Yue Dean Technology Corporation Representative: Wu, Hui-Chi	10,285,000	8.53	-	-	-	-	None	None	
Chuan-De Investment Co., Ltd. Representative: Tu, Wan-Hsin	10,066,298	8.35	-	-	-	-	None	None	
Guang Rong Investment Ltd. Representative: Lim Boon Seng	8,868,132	7.36	-	-	-	-	None	None	
Growth Machine Development Co., Ltd. Representative: Wei, Chih-Chuang	7,826,523	6.49	-	-	-	-	None	None	
Pao-Wang Investment Co., Ltd. Representative: Chou, Ding-Chiang	7,438,068	6.17	-	-	-	-	None	None	
Huang, Ying-Lin	4,695,936	3.89	-	-	-	-	None	None	
Fubon Life Assurance Co., Ltd. Representative: Tsai, Ming-Hsing	2,937,000	2.44	-	-	-	-	None	None	
Labor Retirement Fund	2,901,000	2.41	-	-	-	-	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, 2019; 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.	68,300,502	100.00	-	-	68,300,502	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	52.30	-	-	16,767,305	52.30
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.	-	-	-	-	-	-
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, 2020; 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, 2020

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

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

#### (II) Shareholder structure

April 18, 2020

Quantity \ Shareholder structure	Government institutions	Financial institutions	Other corporations	Foreign institutions and foreigners	Natural persons	Total
	Number of people (individual)	0	10	51	49	2,606
Shares held (# of shares)	0	6,185,255	71,658,567	13,214,751	29,512,207	120,570,780
Shareholding percentage	0.00%	5.13%	59.43%	10.96%	24.48%	100.00%

(III) Diffusion of Ownership (Common Shares)

1. Ordinary shares:

April 18, 2020

Shareholder Ownership (Unit: Share)	Number of shareholders	Shares held	Shareholding Percentage
1-999	347	45,500	0.04%
1,000-5,000	1,711	3,115,014	2.58%
5,001-10,000	268	2,021,831	1.68%
10,001-15,000	80	1,036,981	0.86%
15,001-20,000	58	1,054,561	0.87%
20,001-30,000	61	1,544,800	1.28%
30,001-40,000	46	1,603,045	1.33%
40,001-50,000	14	653,078	0.54%
50,001-100,000	45	3,265,206	2.71%
100,001-200,000	40	5,924,195	4.91%
200,001-400,000	16	4,596,265	3.81%
400,001-600,000	6	2,795,019	2.32%
600,001-800,000	2	1,488,260	1.23%
800,001-1,000,000	7	6,380,318	5.29%
1,000,001 shares and more	15	85,046,707	70.55%
Total	2,716	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 18, 2020

Name of substantial shareholders	Shares	Shares held	Shareholding Percentage
Pou Chien Enterprise Co., Ltd.		10,920,248	9.06%
Ding-Feng Investment Co., Ltd.		10,571,947	8.77%
Yue Dean Technology Corporation		10,285,000	8.53%
Chuan-De Investment Co., Ltd.		10,066,298	8.35%
Guang Rong Investment Ltd.		8,868,132	7.36%
Growth Machine Development Co., Ltd.		7,826,523	6.49%
Pao-Wang Investment Co., Ltd.		7,438,068	6.17%
Huang, Ying-Lin		4,695,936	3.89%
Fubon Life Assurance Co.,Ltd.		2,937,000	2.44%
Labor Retirement Fund		2,901,000	2.41%

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

Unit: NT\$1,000; Shares

Item		Year	2018	2019	As of the current April 30, 2020
Dividend per share per share	Max		124.00	184.00	158.00
	Min		87.00	105.00	93.80
	Average		113.98	151.09	135.89
Net value per share	Before issuance		79.85	80.79	80.45
	After issuance		74.85	74.79 (Note1)	(Note2)
Earnings per share	Weighted average		109,469	120,902	121,039
	Earnings per share		6.15	10.19	1.95
Dividend per share Dividend	Cash dividend		5	6 (Note1)	(Note2)
	Stock grants	Stock dividends from retained earnings	-	-	-
		Dividend for paid-in capital	-	-	-
	Cumulative unpaid dividends		-	-	-
Return on Investments Analysis	Price/Earnings Ratio(Note3)		18.53	14.83	17.42
	Price/Dividend Ratio(Note4)		22.80	25.18	(Note2)
	Cash Dividend Yield Rate(Note5)		4.39%	3.97%	(Note2)

Note 1: The 2019 earnings distribution plan was passed by the Board of Directors on March 26, 2020, and is pending for resolution from the Shareholders' Meeting.

Note 2: The 2020 earnings distribution plan has not been resolved by the Board of Directors and the Shareholders' Meeting.

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 2019 earnings distribution plan:

On March 26, 2020, the Board of Directors had passed the resolution for the distribution of net income for 2019 and proposes to distribute the cash dividend of NT\$6 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, directors, and supervisors as prescribed under the Articles of Association:

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

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

The basis for estimation of the compensations to employees and directors in the current period is the most appropriate estimation of the possible distributable amounts in the past, and the compensations have been recognized as the current expense. When discrepancies are found in the actual distributions and the estimates, the differences will be treated as changes in estimate and recognized as profit and loss during the year of actual distribution.

3. Status of compensation distribution as approved by the Board of Directors:
  - (1) For the appropriation of net income in 2019, the Board of Directors meeting had already resolved to distribute NT\$42,000 thousand as compensations for employees, and NT\$20,000 thousand as compensations for directors on March 26, 2020. No discrepancies were found in the actual sums and the recognized estimated expenses.
  - (2) The Company did not allocate shares as employee compensations in 2019.
4. Actual distribution of compensation to employees, directors, and supervisors (including the number, sum, and price of shares distributed), and where there were discrepancies with the approved compensation for employees, directors, and supervisors, describe the sum, the cause, and treatment of the discrepancy:

No discrepancy was found between the actual distribution of compensation to employees, directors, and supervisors and the approved compensations for employees, directors, and supervisors in 2018.

- (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:**

The Company does not have private offering of marketable securities. The funds raised in the cash capital fundraising in 2017 have been used to replenish working capital in Q3 2017 and have been fully implemented.

The funds raised in the cash capital fundraising in 2018 have been used to replenish working capital in Q4 2018 and have been fully implemented. Therefore, as of one quarter before the publication date of this Annual Report, there have been no previous issuance or private placement of marketable securities that have not been completed, or that have been completed but are yet to record any benefit within the three most recent years.

## 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	2018		2019	
	Operating revenue	Proportion of Revenue (%)	Operating revenue	Proportion of Revenue (%)
Adhesives	11,423,743	71.30	12,487,929	72.97
Coatings	1,757,081	10.97	1,794,592	10.49
Others	2,841,396	17.73	2,831,025	16.54
Total	16,022,220	100.00	17,113,546	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, medium density fiberboard glue, yellow latex adhesive, polyurethane adhesive, finger joint adhesive, plywood glue, veneer plywood glue, furniture foam fitting adhesive, flexible packaging and food packaging adhesive, etc.	Industries including footwear, woodwork, construction and interior decoration, textile, sports and leisure, flexible packaging, car, electronic optoelectronics, and food packaging.
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	Water-based primer for automatic process on rubber outsole	Reduce the manpower to replace the current manual process
3	Green water-based primer for footwear application	Green product both on automatic and manual process application
4	Single side water-base polyurethane adhesive for footwear	Excellent process to reduce cost both on chemicals and manpower
5	PUR adhesives for shoes lamination	Automatic spraying and high I.B.strength>3kg/cm、QUV>4.0
6	Bio-based PUD for footwear adhesive	Bio-based PUD for footwear adhesive(The content of bio materials>30%)
7	3D printing materials for shoes application	Innovative materials for 3D printing shoes
8	High performance carbon fibre composite materials	High NDT, high tensile strength, good flame retardance and short forming cycle time
9	Quick dry、bulky touch feeling for textile develop	Develop quick dry、bulky touch for textile with environmental-friendly materials
10	PUD foam coating for textile	Water-based environment friendly PU resin for coating functional textile to provide breathable comfortable performance
11	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)
12	PUR for fluorine-free water-repellent fabric lamination	PUR with excellent bonding strength especially for fluorine-free water-repellent fabric and wide applicability
13	Low melting temperature polyester yarn	Low temperature processing, it can be applied on upper to possess stiffness and not easy off-line characteristics.
14	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
15	Solvent-free PSA for optical film application	Very high bonding strength (VHB) PSA
16	High constant load PSA for display application	Thin layer coating with high constant load adhesion PSA for display application
17	PSA for 5G equipment application	Low Dielectric constant optical PSA for 5G application
18	PUR adhesives for Electronics assembly	PUR for 3C electronics products assembly、seal、reinforcing and comply with RoHS & REACH

No.	Items	New R&D technology or improvement project
19	Hot melt adhesive for automobile interior packaging	Hot-melt adhesive for automobile interior packaging
20	Low VOC PSA for automobile interior application	Double sided foam tape acrylic adhesive for automobile interior application
21	Water-based PUD for automotive artificial leather	Water-based PUD for binder and skin layer for artificial leather of automobile
22	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
23	Anti-pollution and anti-graffiti powder coating	Good solvent resistance, and easily clean coating for whiteboard application
24	High elastic performance waterproof coating and primer	High performance and improvement climate and construction adaptability waterproof coating system
25	Formaldehyde-free D3 wood glue	PVAc with good water resistance and formaldehyde-free
26	PUR adhesive for PVC foam frame/plastics plates lamination	Solvent free, setting & curing fast which can increase productivity of PVC frame
27	Waterborne wood coating resin /Green heat insulation coating	Water-based primer and topcoat resin, Low-VOC, high-reflective and high heat blocking insulation coating
28	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
29	ECO-friendly and Cr-free treatment and adhesive for metal	Cr-free corrosion resistance coatings for the extruded aluminum / adhesive for electrical steel sheet
30	Solvent-free 2K PU adhesive for flexible package	Solvent-free PU adhesive for flexible packaging matched FDA regulation.
31	Water base can coating for food packaging	Environmental Friendly lower VOC and free formaldehyde can coating to replace solvent base products
32	Bio-based can interior coatings	Bio-based BPA-free epoxy coatings
33	Medicated patch adhesive	Medicated patch adhesive for patch application
34	Reactive hot melt glue for freezer handle application	Reactive PUR glue for freezer handle application

## (II) Industry Overview

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

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

Source: IEK, Industrial Technology Research Institute (June 2019)

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

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:

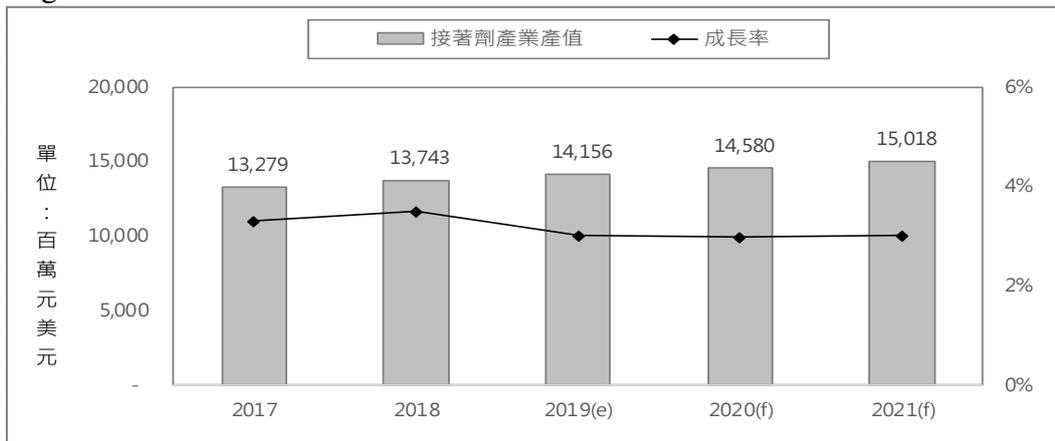
### 1. Current state and development of the industry

#### (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; moreover, as applications encompass both industrial and commercial use, the adhesive industry is a critical support industry for many industries as they develop. Therefore, though it is a traditional industry, its development should not be easily overlooked.

In 2018, the scale of the global adhesive industry had increased to US\$13,743 million. Affected by the slow recovery of international oil prices and the general increase in product prices, the market size had only grown by 3.5% compared with 2017. Outline of 2019, the global consumer demand is slowing down due to the impact of the Sino-US trade war. The EIA also predicts that the global average oil price in 2019 will be lower than that in 2018. The global adhesive market will grow slowly at a compound annual growth rate of 3.0% in 2019.

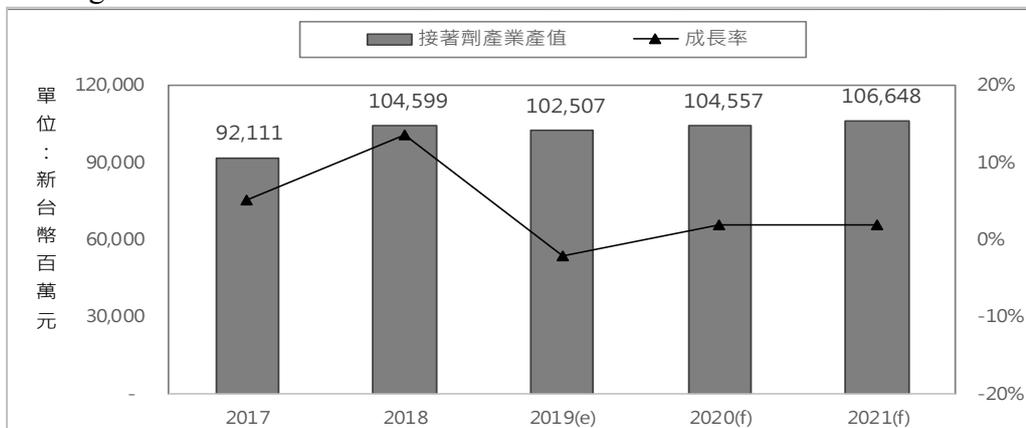
The trend analysis of global adhesive industry output value from 2017 to 2021 is shown in the following table:



Source: IEK, Industrial Technology Research Institute (June 2019)

According to the statistical data of Industrial Technology Research Institute in 2019, the output value of Taiwan's adhesives in 2017 rose to NT \$ 92,111 million, an increase of 5.1% compared with 2016. The international oil price and industrial demand grew steadily in 2018, driving Taiwan's adhesive output value to grow by 13.6%. Looking forward to the global economic development in 2019, affected by the Sino-US trade conflict, the overall demand and international oil prices are both lower than in 2018. It is expected that the output value of Taiwan's adhesives will also decline slightly.

The trend analysis of Taiwan adhesive industry output value from 2017 to 2021 is shown in the following table:



Source: IEK, Industrial Technology Research Institute (June 2019)

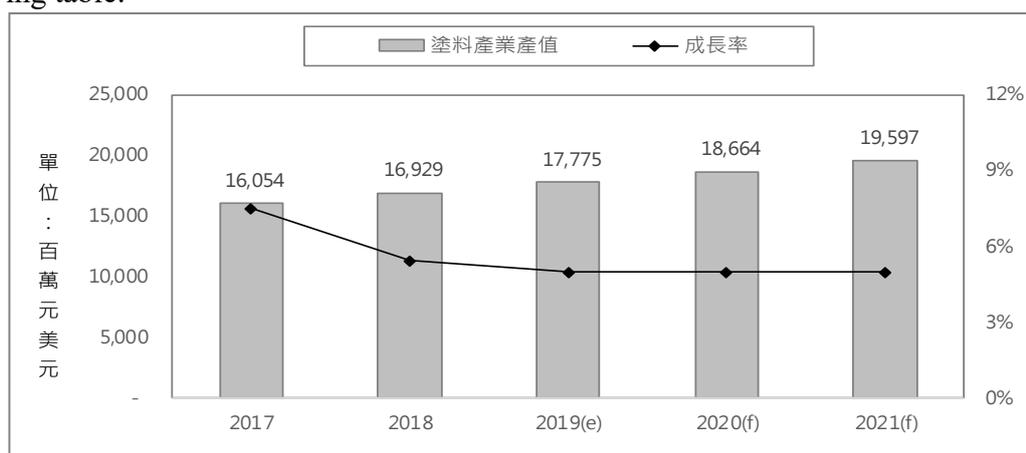
Nan Pao is the leading manufacturer of PVAc adhesives in Taiwan and is renowned for the 815 water-based emulsion paint in the industry. In the past, Nan Pao primarily relied on itself for research and development and mainly focused on PU resin, water-based PVAc, EVA, and acrylic epoxy, powder coating, liquid coating, yellow glue, chloroprene graft copolymer, epoxy, phenol formaldehyde resin, and other shoe materials and agents. In the recent years, Nan Pao has been cooperating with third parties, the government, and the academia, as well as hiring external consultants to enhance the exchange and improvement of technical expertise, and to expand our research field into water-based PU, PU hot melt adhesives, specialized nanocoatings, specialized hardening type adhesives, and water-based plywood glues.

## (2)Coating Industry Overview

In the coating product and coating application market, the main terminal applications can be classified into three types, construction, industrial, and special application coatings. Construction coatings account for the largest market, which is followed by industrial coatings (such as automotive OEM coatings, steel coatings, etc.), and other special application coatings, such as automotive paint, industrial maintenance coatings, and vessel coatings.

Development of the global coatings industry revolves around energy and environmental protection issues, with sustainability being the focus as before. Sustainability is defined as the ability to provide 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. 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 key to product development. According to statistics provided by IEK in 2019, global demand for coatings is expected to reach US\$24,270 million in 2025, with an average annual growth rate of 4.5%. Due to the strong economic growth of the developing regions, especially the Asia-Pacific region is the dominant region in the global coatings market, which is led by the construction boom in mainland China, the demand for low-cost housing and commercial housing has been the reason for the growth in recent years. The real estate industry in mainland China has also developed rapidly.

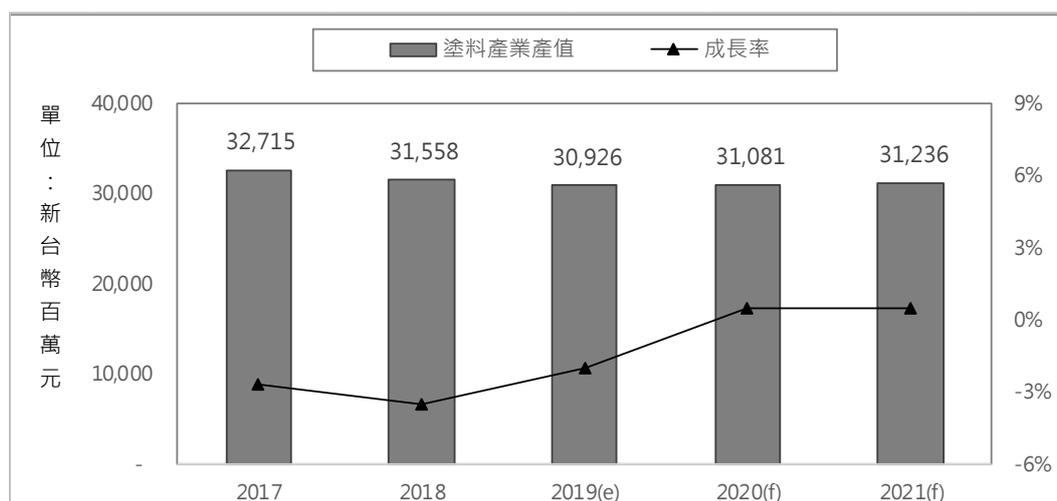
The trend analysis of global coating industry output value from 2017 to 2021 is shown in the following table:



Source: IEK, Industrial Technology Research Institute (June 2019)

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 Mainland China. With the improvement of production technology and quality among Chinese coatings manufacturers 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 2018 was still 32,922 tons lower than the same period in 2017, a decrease of 7.7%. The total output value was NT \$ 31,558 million, a decrease of 3.5% compared with the same period in 2017; in 2018, the total sales value of Taiwan's coatings decreased by about NTD 867 million compared with the same period in 2017; it is estimated that the annual output value of 2020 to 2021 will not change much.

The trend analysis of Taiwan coating industry output value from 2017 to 2021 is shown in the following table:



Source: IEK, Industrial Technology Research Institute (June 2019)

Strategically, the Company will 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 PU resin, high solid content PU resin, water-based PVAC, high-value powder coatings, electronic coatings, flame retardant coatings, water-based coatings, high-performance yellow glue and eco-friendly and water-based shoe processing agents and sprays.

In the future, under the restrictions of environmental protection policies 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.

Furthermore, the Company is also transitioning to group management and globalized development. Apart from continuing expansion efforts in China, our subsidiary Nan Pao Resins Vietnam Co., Ltd. began to manufacture PVAc adhesives and coatings for mobile devices in 2005 and started to manufacture products like insulating varnish for electronics, PVDF powder coating, energy saving insulating coating, and anti-static powder in 2006. In 2008, the powder coating factory was established by Nan Pao Resins Vietnam Co., Ltd., thereby completing the strategic layout of Nan Pao Group in Southeast Asia. In 2009, Nan Pao Group began to develop its biotechnology business and diversify its business scope.

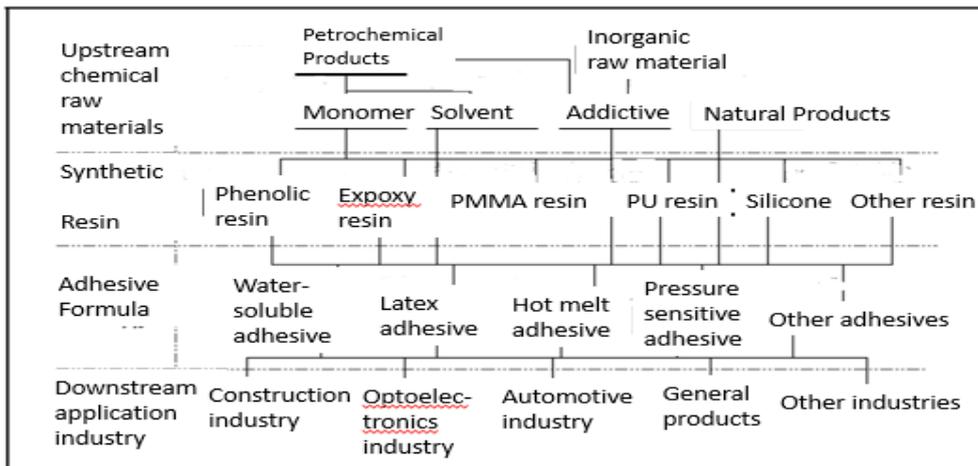
## 2. Correlation with Upstream, Midstream, and Downstream Sections of the Industry

### (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.

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

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



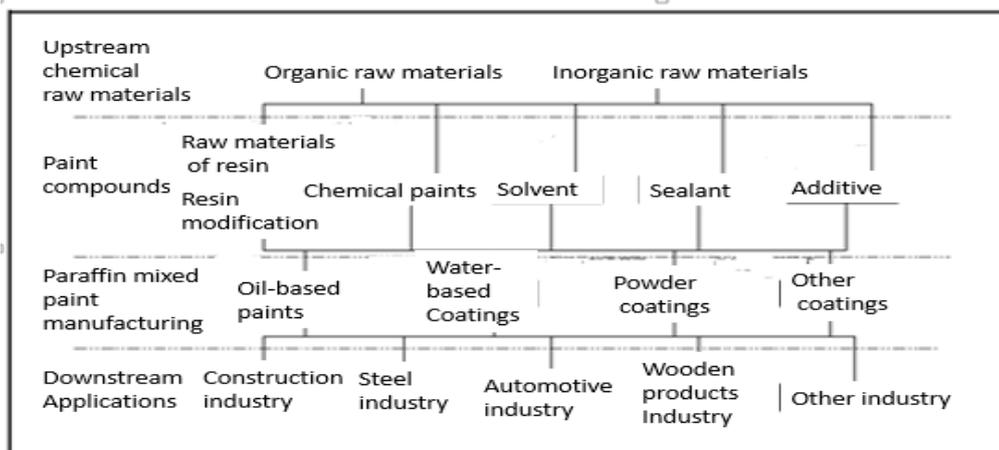
Source: Taiwan Synthetic Resin & Adhesives Industrial Association; IEK, Industrial Technology Research Institute (June 2019)

## (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 TiO<sub>2</sub> and CaCO<sub>3</sub> 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 2019)

### 3. Trends in the development of various products

#### (1) Adhesive Products

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

In terms of the footwear industry, footwear adhesives have the widest applications in terms of footwear materials, and such adhesives are also valuable products. Once defects start to form, shoes may no longer be of good use. However, currently, footwear adhesives are mostly solvent-based polyurethane adhesive, which may pose harm to the human body when it vaporizes. Therefore, Taiwanese manufacturers have already begun developing triphenyl-free adhesives that do not contain solvents such as toluene, benzene, xylene, etc., to reduce the impact of chemical substances on the environment and the human body. In addition, as solvents may harm the human body and the environment, countries have also established relevant regulations to restrict the use of certain solvents that pose greater impacts on the human body and the environment. Therefore, the Company has begun to develop low-solvent and water-based adhesives to comply with environmental trends and to maintain our competitive advantage. In recent years, due to rapid changes in human rights and compensation structure, footwear companies have begun demanding for automation, and the Company also strives to keep up with such trend in terms of developing footwear adhesives and 3D printing of footwear materials.

#### (2) Coating Products

In terms of coating, the coating industry chain in Taiwan is mostly divided into upstream chemical raw materials, mid-stream coating compounds, coating production, and the downstream application industry. Coating products mostly include construction, vessel, and metal shield applications, and the special coating materials for computer, communication, and commercial electronic products are still mostly imported from the United States and Japan. In recent years, as consumers pay increasingly more attention on air quality at home and for their health, and domestic and international environmental regulations on coating product specifications have become even more rigorous, domestic and international coating products have become more environmentally-friendly, energy-saving, and with higher added-value. The so-called environmentally-friendly and energy-saving coatings are friendly to the environment and the human body, as well as heat insulation coatings through the combination of infrared reflection and low thermal conductivity. Currently, environmentally-friendly coating products such as nano-photocatalyst coatings, water-based coatings, UV curable coatings and powder-based coatings that do not use solvents all possess qualities such as low pollution and low toxicity. Other high value-added products are coating products such as anti-fouling coatings, high-durability coatings, and nanocoatings. Among them, anti-fouling

coatings have the advantages of reducing the number of cleaning needed and help to conserve cleaning costs. High durability coatings such as fluororesin coatings that have a longer life cycle can last up to 20 years or more. In addition, the use of nanotechnology to develop nanocoatings, such as antibacterial, scratch-resistant, anti-fouling, high coverage rate, and other characteristics, is also a developmental objective of the coatings market. Currently, the development of nanocoatings is relatively more mature in Japan and the United States, while the nanocoatings in Taiwan are also used in the metal, machinery and electronics industries. ITRI is also actively investing in research and development of nanocoating technologies to achieve properties such as anti-fouling, self-cleaning, and waterproofing.

### (3) Forward-Looking Production Project

#### A. Fiber Reinforced Polymers

Carbon fiber is seen as one of the high tech materials with the most potential in the 21st Century, while epoxy resin is a key raw material for carbon fiber reinforced polymers (CFRP). Initial products are primarily halogen-free flame-resistant carbon fiber prepreg materials and composites and are used as the base material for carbon fiber molding and processing. Normally the resin used by CFRP materials are flammable and adding flame-resistant agents not only lowers the physical and chemical properties of CFRP but is also an uncertainty in the process and can result in lower yield and quality. Nan Pao expands the applications of carbon fiber reinforced composite materials by improving and shortening the processing of carbon fiber composite materials, using enhance halogen-free flame-resistant materials, increasing the strength of the carbon fiber composites, simplifying post-processing procedures, and increasing yield and process ability of the final product. At the same time, Nan Pao breaks the constraints placed on CFRP by the lower halogen and flame resistant requirements of RoHS and UL94-V0 regulations in the 3C electronics, construction materials, automobile, and aerospace industries. Furthermore, Nan Pao reduces the costs of CFRP products by having higher yields and finally makes CFRP meet the requirement of energy efficiency. The Company officially certificated with AS9100:D Quality Management Systems standard for aerospace in 2019.

Recently, the global demand for carbon fiber products in various industries has risen. The biggest market for carbon fiber in the future is the lightweight trend of new energy vehicles, aviation vehicles and sports equipment in China. The Company planed to establish a joint venture operating site of establish carbon fiber composite substrate manufacturing in China. Compound injection will be used to mate plastic parts to the Company's carbon fiber composite substrate which is a positive and stable developing factor.

#### B. 3D Printed Material Products

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

The manufacturing method of 3D printing products has been changed from the traditional "subtractive manufacturing" to the "additive manufacturing". This technology can quickly produce prototypes for design appraisal and simulation, and can even directly

serve as functional components. Nevertheless, 3D printing still faces the difficult technical challenge of mass production. Compared to the traditional subtractive manufacturing procedures, laminated manufacturing is slower, and the precision and completeness of materials are also inconsistent. However, as the technology gradually expands to the mass market, 3D printing could potentially send the manufacturing industry into a revolution.

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

#### C. Biomass products

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

The Company uses lignin extracted from the waste liquid produced by the paper industry to develop biomass materials. In terms of foaming density, the biomass materials developed by the Company have the characteristics of high hardness and low backlash elasticity; that is, it has high support and low rebound, on the other hand, the high tensile strength and low elongation make the material not easy to deform. The above characteristics are applied to the insole, so that the insole can support the weight of the whole body and is not easy to damage and deform. The impact of the knee.

#### D. Fluorine-free water repellent material products

In recent years, there has been increased awareness of environmental protection, and Greenpeace also released the results of 40 outdoor functional products for inspection in a German laboratory. It was found that up to 90% of products contained PFCs, which may affect the reproductive and immune systems. Animal experiments have also shown that some perfluorinated compounds may cause cancer. Currently, the EU and Norway have imposed various degrees of restrictions on the use of Long-Chain Perfluorinated Chemicals (PFCs) to varying degrees. The ZDHC Alliance even expects to achieve the goal of non-fluorination by 2020. Therefore, major textile producers, garment factories, and footwear factories have begun to look for fluorine-free, environmentally-friendly products to produce non-toxic, environmentally-friendly functional clothing and fabrics. Though PFC-free water-repellent treatment agents are already in trend, most of the fluorine-free products available in the market exist problems such as poor reaction effects, overly high production costs, or poor pH rate stability. Based on these factors, in response to international environmental requirements, Nan Pao has invested in the development of environmentally-friendly fluorine-free water-repellent agent. Besides excluding APEO,

the agent also does not contain any PFCs, which helps achieve positive water-repellent effect without containing fluorine carbons. Since the fluorine carbons prohibited by the ZDHC are eliminated from the agent; the new agent also reduces human contact hazards and environmental impacts.

The company's fluorine-free water repellent uses polymer synthesis technology and branched chain design, as well as self-assembly and material crystallization to develop polymer-type water repellent and gives special functional groups to bond with fabrics to achieves good washing resistance; in the water-based part, the initial water repellency can be comparable to the commercially available products, and the selectivity of the cloth type is also comparable to the products of the leading manufacturers. Compared with the current commercial fluorine-free water repellent used by customers, the initial water repellency can be comparable or even better.

#### 4. Competition

##### (1) Adhesive Business

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

##### (2) Coating Business

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

#### (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	2019	2020 Q1
Research and development expenses	446,001	108,530

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

Year	Technology or products
2015	Acrylic pressure sensitive adhesive for protective films
	Flame retardant carbon fiber reinforced resin and super lower pressure plate moulding technology
	Reactive PU Hot Melt Glue for Woodwork
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
2019	Water-based rubber adhesive 105G (green building certificate obtained)
	Water-based foam lamination for textiles
	PUD for full fabric bonding
	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	

Year	Technology or products
2019	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	

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

##### 1. Short-Term Development

##### (1) Marketing Strategy

##### A. Adhesives

- 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. The Company plans to collaborate with international chemical companies to co-develop new products and to provide innovative products to brands.
- c. We will assist brands to implement a policy of VOC reduction. For instance, in setting BPFC procedures, we will opt for environmentally-friendly water-based products in place of oil-based products.
- d. The Company will solidify mature markets and expand in line with the Chinese domestic market (set up offices in Huabei, Huazhong, and western China regions). In addition, we will also cultivate the Vietnamese market and build Ninh Binh Plant in northern Vietnam and Binh Duong Plant in southern Vietnam.
- e. The Company will also cultivate emerging markets and businesses in new locations, for instance, Myanmar, North America, Latin America and India.

##### B. Coatings

- a. Liquid coating: Develop channels and actively promote products with high quality and competitiveness; expand and maintain public infrastructure construction in Taiwan, and cultivate the water-based industrial coating market in China.

- b. Powder-based coating: Work with demand from local markets and provide services to existing markets, as well as cultivate new export orders from new locations such as Latin America and Southeast Asia.
    - c. Cultivate emerging markets and businesses in new locations, for instance, the Middle East and North Africa.
  - (2) Production Policy
    - A. Simplify production processing, enhance equipment yield rate and productivity to achieve professional production and to lower costs.
    - B. Confirm production methods and establish effective and reasonable production operational standards to increase yield and to achieve swift output scheduling.
    - C. Reduce inventory and reinforce inventory management.
  - (3) Product Development Objectives
    - A. Holding true to legal compliance and pollution prevention policy, and strive to develop environmentally-friendly products such as green, eco-friendly, and innovative products including water-based resin, solvent-free resin, and biomass materials.
    - B. Facilitate customers to achieve their requirements for streamlined manpower and cost reduction; collaborate with customers to achieve simplified footwear production procedures and to achieve innovative automated production.
    - C. Invest and explore new fields of application and to enhance the production efficiency and excellence of existing production procedures; implement the Company's sustainable management vision in practice, and increase the industry's added values.
2. Long-term Business Development Plan
- (1) Marketing Strategy
    - A. Establish a professional project team to work with objectives and policies from global brands. Promote the craftsmanship and arts of automated footwear production and provide products needed by this innovation. Mutually expand the automated production sites in Europe and America, and provide a localized professional person of contact, onsite technical service personnel to timely problem-solving solutions.
    - B. Promote water-based biomass products to lower carbon emissions from the upstream source, and to mutually achieve the goals of Global Climate Change Summit and international brands. Implement innovative materials, green, and environmentally-friendly materials that can be repaired, renewed, and reused to achieve social economic prosperity and sustainable development in the ecological environment.
    - C. Move toward diversification, cultivate core technology, and cultivate emerging markets in terms of management direction for adhesive and coating products.
  - (2) Production Policy
    - A. Continue to improve and review existing processes; automate the production control to enhance product quality and productivity.
    - B. Control from the source to conserve energy and reduce waste, thereby enhancing the Company's competitiveness and image.
  - (3) Product Development Objectives
    - A. Develop sustainable green products (e.g. solvent-free and moisture-curable PU hot melt adhesives (PUR)), conserve manpower through automated production, and reduce waste of water and carbon emissions.
    - B. Enter industries with correlations to existing business, technology, and processes of our three major businesses.

## II. Market and Marketing Overview

### (I) Market Analysis

#### 1. Main product sales area

Unit: NT\$1,000

Region \ Year	2018		2019	
	Sum	%	Sum	%
Taiwan	2,363,313	14.75	2,416,552	14.12
Asia	11,526,562	71.94	12,602,356	73.64
Oceania	1,781,868	11.12	1,779,158	10.40
Others	350,477	2.19	315,480	1.84
Total	16,022,220	100	17,113,546	100.00

#### 2. Market Share

Nan Pao strives to develop and produce products that meet customer expectations and continues to revise our formula and lower costs to keep up with market competition. Over the years, we have established stable and sound business partnerships with various international and regional footwear brands and their OEM/ODM factories. Since we have a complete product line, stable quality, and excellent service, Nan Pao has a fair market share and market visibility in various regional markets (Taiwan, China, and 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 2019 were US\$14,156 million and US\$17,775 million respectively. The Company's global adhesive and coating market shares are 2.85% and 0.33% respectively.

#### 3. Future Market Conditions and Growth

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

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

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

At present, the coatings market in the Asia Pacific region is undergoing the most intensive development. Hence, the demand for coatings in this region for 2020 will increase to half the total global demand; therefore, revenue will grow strongly. China will continue to be the largest coatings market, while Southeast Asian countries and India will experience strong demand. Faced with such trends, the coatings industry will have great opportunities whether in construction coating needs due to urbanization or in industrial coating development due to industrialization. The coatings industry in Taiwan has mature technology and supply chain and will have high growth potential under such favorable market conditions.

#### 4. Competitive Niches

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

- (1) Having operated for more than 55 years, we have built a positive Company reputation and stable customers

Nan Pao has been founded for more than 55 years, and we have built a positive reputation and are positively acknowledged by our customers. Our customer groups are stable and most of whom are globally-recognized major companies with a stable customer base. We can also attract new customers and partners through word-of-the-mouth marketing to increase our revenues and profitability. In addition, since our customers all come from diverse industries and regions, we can diversify and lower the risk of market influence from a single industry or area. These are the Company's primary competitive niches

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

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

- (3) Strong R&D team

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

- (4) Open culture and dare to change

Since its establishment, Nan Pao Group has been constantly seeking changes as we are the first to develop and introduce a wide variety of products or technologies. We implement organizational change, system transformation, internationalization, acquisitions, joint ventures, and team introduction with an open attitude. Furthermore, we want employees not to be afraid of making mistakes, but to fear not doing instead, and to go all out and be brave in all undertakings with innovation, passion, accountability, and delegate (iPad).

#### 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, 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"> <li>1. Maintain long-term cooperation with decent suppliers, establish good relationships, and obtain favorable transaction prices and conditions.</li> <li>2. Adopt joint procurement for bulk materials to reduce the price.</li> <li>3. Moderately diversify the source of purchase to reduce supply-side pressure and risk.</li> <li>4. Strengthen product R&amp;D to lower costs through technical advantages.</li> <li>5. When raw material prices fluctuate greatly, the Company communicates with sales customers and adjust the selling prices moderately.</li> </ol>
B. Intensely competitive pricing	<ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol>
C. Environmental requirements are become even stricter	<ol style="list-style-type: none"> <li>1. Strengthen the development of water-based products</li> <li>2. Strengthen the R&amp;D and promotions of high-functionality eco-friendly powder-based coating.</li> <li>3. Utilization and promotion of carbon-reducing, eco-friendly paints.</li> <li>4. In line with changes in environmental protection policies in Mainland China, the Company is actively planning to set up a new company in the Guangdong Province Qualified Chemical Industrial Zone, which is expected to be the main operational base for production in the China region after plant construction is completed.</li> </ol>

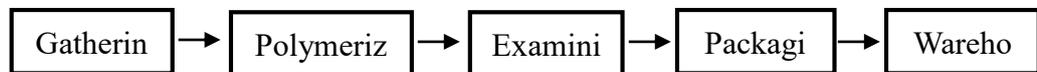
(II) Major Uses and Production Process of the Primary Products

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, medium density fiberboard glue, yellow latex adhesive, polyurethane adhesive, finger joint adhesive, plywood glue, veneer plywood glue, furniture foam fitting adhesive, flexible packaging and food packaging adhesive, etc.	Industries including footwear, woodwork, construction and interior decoration, textile, sports and leisure, flexible packaging, car, electronic optoelectronics, and food packaging.
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

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

Main raw material	Supplier	Supply status
ADIPIC ACID	China and South Korea	Stable quality and source
Isoamyl acetate	China and Singapore	Stable quality and source
Butanediol (1.4BG)	Taiwan and Malaysia	Stable quality and source
Methyl ethyl ketone (M.E.K)	Taiwan and China	Stable quality and source
EVA latex	Taiwan and South Korea	Stable quality and source
Vinyl acetate	Taiwan and Singapore	Stable quality and source
Toluene	Taiwan and South Korea	Stable quality and source
Hydrogenated petroleum resin	Taiwan and South Korea	Stable quality and source
Hexamethylene diisocyanate (HDI)	Japan and China	Stable quality and source
Chloroprene rubber	Japan	Stable quality and source

(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 Primary products	Year	2018			2019		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Adhesives		202,255	184,675	10,864,484	204,502	201,329	10,773,469
Coatings		20,634	17,688	1,430,381	20,138	17,793	1,449,582
Others (Note)		—	—	1,829,686	—	—	1,809,765
Total		222,889	202,363	14,124,551	224,640	219,122	14,032,816

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 Primary products	Year	2018				2019			
		Internal sales		External sales		Internal sales		External sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Adhesives		26,207	1,582,172	129,722	9,841,571	25,757	1,532,248	144,987	10,955,681
Coatings		4,746	476,215	14,973	1,280,866	5,136	503,610	14,799	1,290,982
Others (Note)		—	304,926	—	2,536,470	—	380,694	—	2,450,331
Total		30,953	2,363,313	144,695	13,658,907	30,893	2,416,552	159,786	14,696,994

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		2018	2019	As of March 31, 2020
Number of employees	Sales	627	637	635
	Management	667	778	778
	R&D	356	325	322
	Direct	824	800	830
	Indirect	481	446	459
	Total	2,955	2,986	3,024
Average age		36.61	37.51	36.85
Average work tenure		5.25	6.95	6.97
Percentage Distribution Academic Qualification (%)	Ph. D.	0.37	0.37	0.40
	Master's degree	6.13	6.73	6.51
	University/College	42.34	39.95	39.52
	High School	30.28	36.34	36.34
	Below High School	20.88	16.61	17.23

**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: thousand NT\$

Year and month	Plant	Explanation of breach	Reference for penalty	Penalty	Improvements	Expenses
January 2018	Bao Li Plant	On November 30, 2017, Bao Li Plant has undertaken license inspection. It was found that Bao Li Plant has received the permit for solid pollutant source operations for other synthetic resin manufacturing procedure (M01) from the government. At the time of the inspection, the temperature of the absorption facility (A020) was 24 degrees (permitted range of operation was 25-40 degrees); temperature of the washing tower (A021) was 23.5 degrees (permitted range of operation was 25-40 degrees), while raw material defoamer was 36.838 degrees/year in 2016 (the permitted amount was 30 tons/year); the polymerization catalyst in 2016 was 74.245 tons/year (the permitted amount was 21 tons/year), and the polymerization catalyst in 2017	Article 24, Item 20, Item 3 of the Air Pollution Control Act; and Article 24, Item 20 of the Fixed Pollution Source Setup and Operations Management Principles	100	1. The Company had improved the raw material permit. 2. The Company had filed pollution source operation permit change request (revision to remain in line with the actual situation).	341

Year and month	Plant	Explanation of breach	Reference for penalty	Penalty	Improvements	Expenses
		was 36.344 tons/year (the permitted amount is 21 tons/year). The above-mentioned conditions are clearly in violation of acceptable operations and in violation of the Air Pollution Control Act.				
June 2018	Plant No. 1	On May 4, 2018, a fire broke out at Plant No. 1 due to burning resin in the storage area. The Environmental Protection Bureau also sent officers to carry out site inspections, and found that waste resin caught fire in the waste storage area of Plant No. 1. As no particulate pollution collection and treatment equipment was installed at the site, significant particulate pollutants were produced and dispersed in the air.	Article 31, Paragraph 1, Subparagraph 1 of the Air Pollution Control Act; Article 6, Subparagraph 1 and Article 60, Paragraph 1 of the Implementation Regulations of Air Pollution Control; and Article 3, Paragraph 1 of the Public or Private Premises that Violate of Air Pollution Control Act Should Be Penalized with the Fine Determination Regulations	100	<ol style="list-style-type: none"> <li>1. Set up fire safety equipment and connect equipment signal to fire signal receiver for monitoring at phone operator's room.</li> <li>2. Set up closed-circuit television (CCTV) for full monitoring.</li> <li>3. Signed contracts with multiple cleaning companies to increase the frequency of waste collection and transportation.</li> <li>4. Enhanced waste sorting and management.</li> </ol>	2,000
April 2019	Plant No. 5	On March 17, 2020, Plant No. 5 has undertaken license inspection. 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 are as follows: 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 0mmH <sub>2</sub> O provided by the on-site staff, which does not comply with the operation license approved range of 40-100mmH <sub>2</sub> O.	Article 24, Item 2 and 4 of the Air Pollution Control Act; and Article 23 and 62, Item 1 and 5 of the Fixed Pollution Source Setup and Operations Management Principles; and Article 3, Paragraph 1 of the Public or Private Premises that Violate of Air Pollution Control Act Should Be Penalized with the Fine Determination Regulations.	100	<ol style="list-style-type: none"> <li>1. Purchase pointer type differential pressure gauge for replacement.</li> <li>2. Check the operation condition of air pollution control equipment in three factories.</li> <li>3. Included into the mobile inspection system.</li> </ol>	6

## 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 2019, 11,828 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 12,023 training hours and an average of 15.26 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 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	2019.05.07~2021.05.07	Working capital; NT\$ 100 million; cyclical use; loan principal repayment upon maturation	None
Nan Pao Resins Chemical Co., Ltd	Credit Extension	O-Bank (formerly Industrial Bank of Taiwan)	2017.06.29~2022.06.28	Working capital and overseas investment; NT\$ 23.2 million; each term was 3 months, average loan repayment	None
Nan Pao Resins Chemical Co., Ltd	Credit Extension	Yuanta Bank	2019.08.30~2022.08.29	Working capital; NT\$ 300 million; cyclical use; loan principal repayment upon maturation	None
Nan Pao Resins Chemical Co., Ltd	Credit Extension	Mizuho Bank	2019.12.15~2021.12.15	Working capital; NT\$ 500 million; cyclical use; loan principal repayment upon maturation	None
Nan Pao Resins Chemical Co., Ltd	Credit Extension	KGI Bank	2019.11.28~2021.11.28	Working capital; NT\$ 500 million; cyclical use; loan principal repayment upon maturation	None
Nan Pao Resins Chemical Co., Ltd	Credit Extension	Taipei Fubon Commercial Bank	2019.12.11~2021.12.11	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	2019.11.06~2021.11.05	Working capital; NT\$ 100 million; cyclical use; loan principal repayment upon maturation	None
Nan Pao Resins Chemical Co., Ltd	Credit Extension	DBS Bank	2019.12.02~2021.12.02	Working capital; US\$ 5 million; cyclical use; loan principal repayment upon maturation	None
Nan Pao Resins Chemical Co., Ltd	Credit Extension	SinoPac Bank	2019.03.08~2021.03.31	Working capital; NT\$ 150 million; cyclical use; loan principal repayment upon maturation	None

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	2019.10.09~2024.10.09	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
Nan Pao Resins Chemical Co., Ltd	Credit Extension	Chinatrust Commercial Bank	2019.09.30~2024.09.30	Mid-term loan-Plant: NT\$ 200 million; average loan repayment from the expiration date of the grace period Mid-term loan-Equipment: NT\$ 180 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	2019.12.11~2024.12.11	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)	2019.09.25~2024.09.24	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

Company name	Type of Contract Nature	Party	Contract Date of meeting	Main content	Restrictive terms
Nan Pao Materials Vietnam Co.,Ltd.	Credit Extension	Mega International Commercial Bank	2017.06.22~2022.06.21	Loan for plant construction; US\$ 1.2 million; each term is three months; loan repayment in 17 terms	None
Nan Pao Materials Vietnam Co.,Ltd.	Credit Extension	Mega International Commercial Bank	2017.06.22~2022.06.21	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	Loan A: 2017.08.04~2020.06.30 Loan B: Initial date of Loan B + 15 years	Loan A: construction loan; NT\$ 320 million; principal payment at maturation or take out Loan B Loan B: secured debt; NT\$ 320 million; one-time use; monthly repayment in 180 terms	None

## 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				
			2015	2016	2017	2018	2019
Current assets			8,065,345	9,687,617	10,137,504	10,669,750	11,109,972
Property, plant, and equipment			2,448,851	2,661,875	3,346,729	3,959,992	4,096,892
Right-of use assets (Note 3)			-	-	-	-	1,160,508
Intangible assets			140,798	144,757	141,279	130,640	193,837
Other assets			1,165,367	1,381,620	1,573,630	2,603,071	1,837,042
Total assets			11,820,361	13,875,869	15,199,142	17,363,453	18,398,251
Current liability	Before distribution		3,896,226	4,563,534	4,506,918	4,704,901	4,908,092
	After distribution (Note 2)		4,267,620	5,095,989	5,050,022	5,307,755	5,631,517
Non-current liability			2,145,162	2,182,219	2,576,429	2,303,482	2,933,612
Total liabilities	Before distribution		6,041,388	6,745,753	7,083,347	7,008,383	7,841,704
	After distribution (Note 2)		6,412,782	7,278,208	7,626,451	7,611,237	8,565,129
Equity attributable to owners of parent Company			5,519,030	6,792,897	7,457,240	9,627,623	9,740,740
Capital			928,485	1,034,909	1,086,207	1,205,707	1,205,707
Capital reserve			421,541	778,977	1,290,212	2,108,235	2,103,848
Retained earnings	Before distribution		4,006,337	4,984,240	5,372,538	5,509,571	6,110,080
	After distribution (Note 2)		3,634,943	4,451,785	4,829,434	4,906,717	5,386,655
Other equity			162,667	(5,229)	(291,717)	804,110	321,105
Treasury stock			-	-	-	-	-
Non-controlling Interests			259,943	337,219	658,555	727,447	815,807
Total equity	Before distribution		5,778,973	7,130,116	8,115,795	10,355,070	10,556,547
	After distribution (Note 2)		5,407,579	6,597,661	7,572,691	9,752,216	9,833,122

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

Note 2: 2019 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				
		2015	2016	2017	2018	2019
Current assets		1,783,308	2,625,352	2,613,596	2,646,362	2,702,859
Property, plant, and equipment		1,362,182	1,405,723	1,633,008	1,735,208	1,770,504
Right-of use assets (Note 3)		-	-	-	-	41,394
Intangible assets		1,768	14,649	14,124	12,084	35,995
Other assets		5,902,190	6,971,195	7,739,902	9,161,190	9,347,570
Total assets		9,049,448	11,016,919	12,000,630	13,554,844	13,898,322
Current liability	Before distribution	1,475,131	2,195,321	2,173,880	1,811,907	1,776,129
	After distribution (Note 2)	1,846,525	2,727,776	2,716,984	2,414,761	2,499,554
Non-current liability		2,055,287	2,028,701	2,369,510	2,115,314	2,381,453
Total liabilities	Before distribution	3,530,418	4,224,022	4,543,390	3,927,221	4,157,582
	After distribution (Note 2)	3,901,812	4,756,477	5,086,494	4,530,075	4,881,007
Equity attributable to owners of parent Company		5,519,030	6,792,897	7,457,240	9,627,623	9,740,740
Capital		928,485	1,034,909	1,086,207	1,205,707	1,205,707
Capital reserve		421,541	778,977	1,290,212	2,108,235	2,103,848
Retained earnings	Before distribution	4,006,337	4,984,240	5,372,538	5,509,571	6,110,080
	After distribution (Note 2)	3,634,943	4,451,785	4,829,434	4,906,717	5,386,655
Other equity		162,667	(5,229)	(291,717)	804,110	321,105
Treasury stock		-	-	-	-	-
Non-controlling Interests		-	-	-	-	-
Total equity	Before distribution	5,519,030	6,792,897	7,457,240	9,627,623	9,740,740
	After distribution (Note 2)	5,147,636	6,260,442	6,914,136	9,024,769	9,017,315

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

Note 2: 2019 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				
		2015	2016	2017	2018	2019
Operating revenue		14,421,835	14,473,785	14,615,008	16,022,220	17,113,546
Gross profit		4,280,863	4,608,708	3,922,991	3,807,414	4,717,529
Operating gain (loss)		1,620,404	1,856,204	1,192,972	901,010	1,682,029
Non-operating income and expenses		(73,417)	26,154	(32,219)	134,802	110,653
Pre-tax profit		1,546,987	1,882,358	1,160,753	1,035,812	1,792,682
Income from Continuing Operations after Tax		1,089,949	1,391,063	917,003	716,630	1,315,224
Losses from discontinued operation		-	-	-	-	-
Net profit (loss) in this period		1,089,949	1,391,063	917,003	716,630	1,315,224
Other comprehensive income of the year (Net income after tax)		(6,394)	(136,448)	(260,582)	(267,886)	(482,222)
Total Consolidated Profit/Loss for the Current Period		1,083,555	1,254,615	656,421	448,744	833,002
Profit attributable to: Owners of parent		1,032,044	1,325,219	881,874	672,775	1,228,200
Profit attributable to: Non-controlling Interests		57,905	65,844	35,129	43,855	87,024
Comprehensive income (loss) attributable to owners of parent Company		1,043,012	1,181,401	635,626	400,327	750,385
Comprehensive income (loss) attributable to non-controlling interests		40,543	73,214	20,795	48,417	82,617
Earnings per share		10.59	13.32	8.22	6.15	10.19

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				
	2015	2016	2017	2018	2019
Operating revenue	4,491,512	4,629,732	5,146,035	5,321,256	5,173,269
Gross profit	1,054,335	1,277,854	1,322,046	1,246,837	1,424,992
Operating gain (loss)	387,851	388,246	500,434	362,029	452,590
Non-operating income and expenses	865,131	1,205,098	558,339	495,037	1,036,320
Pre-tax profit	1,252,982	1,593,344	1,058,773	857,066	1,488,910
Income from Continuing Operations after Tax	1,032,044	1,325,219	881,874	672,775	1,228,200
Losses from discontinued operation	-	-	-	-	-
Net profit (loss) in this period	1,032,044	1,325,219	881,874	672,775	1,228,200
Other comprehensive income of the year (Net income after tax)	10,968	(143,818)	(246,248)	(272,448)	(477,815)
Total Consolidated Profit/Loss for the Current Period	1,043,012	1,181,401	635,626	400,327	750,385
Profit attributable to: Owners of parent	1,032,044	1,325,219	881,874	672,775	1,228,200
Profit attributable to: Non-controlling Interests	-	-	-	-	-
Comprehensive income (loss) attributable to owners of parent Company	1,043,012	1,181,401	635,626	400,327	750,385
Comprehensive income (loss) attributable to non-controlling interests	-	-	-	-	-
Earnings per share	10.59	13.32	8.22	6.15	10.19

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
2015	KPMG	Yang, Liu-Feng, Chiang, Chung-Yi	Unqualified opinion
2016	Deloitte & Touche Taiwan	Liao, Hung-Ju, Kung, Chun-Chi	Unqualified opinion
2017	Deloitte & Touche Taiwan	Liao, Hung-Ju, Kung, Chun-Chi	Unqualified opinion
2018	Deloitte & Touche Taiwan	Liao, Hung-Ju, Kung, Chun-Chi	Unqualified opinion Adding extra sections
2019	Deloitte & Touche Taiwan	Liao, Hung-Ju, Kung, Chun-Chi	Unqualified opinion Adding extra sections

## II. Financial Analyses for the past five years

### (I) Individual financial analysis

#### 1. Consolidated

Item analyzed		Financial analysis of the past five years				
		2015	2016	2017	2018	2019
Financial structure%	Liability to asset ratio	51.11	48.61	46.60	40.36	42.62
	Long-term funds to property, plant and equipment ratio	323.59	349.84	319.48	319.66	329.28
Solvency (%)	Current ratio	207.00	212.28	224.93	226.78	226.36
	Quick ratio	162.19	171.24	171.82	170.91	176.50
	Interest protection multiples	38.32	43.49	24.54	17.79	26.90
Operating performance	Receivables turnover ratio (times)	4.05	4.45	4.49	4.50	4.46
	Average collection days	90	82	81	81	82
	Inventory turnover ratio (times)	6.00	5.88	5.40	5.31	5.40
	Payables turnover ratio (times)	5.02	5.05	5.21	6.17	6.34
	Average inventory turnover days	61	62	68	69	68
	Property, plant, and equipment (PP&E) turnover ratio (times)	6.10	5.66	4.86	4.39	4.25
	Total asset turnover ratio (times)	1.26	1.13	1.01	0.98	0.96
Profitability	Return on assets (%)	9.81	11.08	6.55	4.67	7.63
	Return on equity (%)	20.37	21.55	12.03	7.76	12.58
	Ratio of pre-tax income to paid-in capital (%)	166.61	181.89	106.86	85.91	148.68
	Net profit margin (%)	7.56	9.61	6.27	4.47	7.69
	Earnings per share (NT\$)	10.59	13.32	8.22	6.15	10.19
Cash flow	Cash flow ratio (%)	51.91	35.02	17.03	3.31	37.98
	Cash flow adequacy ratio (%)	242.02	202.89	122.04	92.15	102.28
	Cash re-investment ratio (%)	18.24	10.89	1.90	-	8.92
Degree of leverages	Degree of operating leverage (DOL)	1.52	1.49	1.79	2.12	1.67
	Degree of financial leverage (DFL)	1.03	1.02	1.04	1.07	1.04
Information regarding the causes of changes in the various financial ratios in the last two years (analysis would not be required if the change is within 20%)						
1. The increase in interest protection multiples, return on assets, return on equity, ratio of pre-tax income to paid-in capital, net profit margin, earnings per share, cash flow ratio, and cash re-investment ratio: Mainly due to sales revenue growth and the costs down on raw materials, leading to an increase in profit.						
2. The decline in degree of operating leverage: Mainly due to sales revenue growth and the costs down on raw materials, leading to an increase in profit.						

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

Note 2: Please see Page 110 for the calculation formula of the aforementioned financial ratios.

## 2. Individual

Item analyzed		Financial analysis of the past five years					
		Year	2015	2016	2017	2018	2019
Financial structure%	Liability to asset ratio		39.01	38.34	37.86	28.97	29.91
	Long-term funds to property, plant and equipment ratio		556.04	627.55	601.76	676.75	684.67
Solvency (%)	Current ratio		120.89	119.59	120.23	146.05	152.18
	Quick ratio		93.01	98.31	89.65	112.17	123.85
	Interest protection multiples		62.27	77.32	41.28	33.20	72.46
Operating performance	Receivables turnover ratio (times)		4.45	4.34	4.47	4.56	4.50
	Average collection days		82	84	82	80	81
	Inventory turnover ratio (times)		7.69	7.97	7.09	6.71	7.08
	Payables turnover ratio (times)		6.47	5.53	5.46	6.00	6.38
	Average inventory turnover days		47	46	51	54	52
	Property, plant, and equipment (PP&E) turnover ratio (times)		3.52	3.35	3.39	3.16	2.95
	Total asset turnover ratio (times)		0.52	0.46	0.45	0.42	0.38
Profitability	Return on assets (%)		12.15	13.38	7.85	5.43	9.07
	Return on equity (%)		20.21	21.53	12.38	7.88	12.68
	Ratio of pre-tax income to paid-in capital (%)		134.95	153.96	97.47	71.08	123.49
	Net profit margin (%)		22.98	28.62	17.14	12.64	23.74
	Earnings per share (NT\$)		10.59	13.32	8.22	6.15	10.19
Cash flow	Cash flow ratio (%)		42.03	12.37	10.76	6.99	22.48
	Cash flow adequacy ratio (%)		140.10	95.41	59.13	49.72	46.49
	Cash re-investment ratio (%)		4.72	-	-	-	-
Degree of leverages	Degree of operating leverage (DOL)		1.77	2.01	1.63	2.05	1.97
	Degree of financial leverage (DFL)		1.06	1.06	1.06	1.08	1.05

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

The increase in interest protection multiples, return on assets, return on equity, ratio of pre-tax income to paid-in capital, net profit margin, earnings per share, cash flow ratio, and cash re-investment ratio: Mainly due to sales revenue growth and the costs down on raw materials of overseas subsidiaries, leading to an increase in investment profits.

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

Note 2: Please see Page 110 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.

The Audit Committee has duly inspected and approved the Company's business report, financial statements and earning distribution plan for 2019 prepared and proposed by the Board of Directors, with the financial statements having been audited by independent auditors, Mr. Hung Ju Liao and Mr. Chun Chi Kung, 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, hereby submit this report pursuant to Article 14 of Securities and Exchange Act and Article 219 of the Company Act.

To

2020 Annual General Meeting

Nan Pao Resins Chemical Co., Ltd.

Audit Committee Chair: Chen, Yun

On March 26, 2020

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

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

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

## Chapter VII FINANCIAL CONDITION AND PERFORMANCE ANALYSIS AND RISK

### I. Financial Status

Unit: NT\$1,000; %

Item \ Year	2018	2019	Changes to increase (decrease)	
			Sum	%
Current asset	10,669,750	11,109,972	440,222	4
Investment using equity method	292,180	322,657	30,477	10
Property, plant, and equipment	3,959,992	4,096,892	136,900	3
Right-of-use assets	-	1,160,508	1,160,508	100
Other non-current assets	2,441,531	1,708,222	(733,309)	(30)
Total asset	17,363,453	18,398,251	1,034,798	6
Current liabilities	4,704,901	4,908,092	203,191	4
Long-term liabilities	1,392,070	1,524,150	132,080	9
Other non-current liabilities	911,412	1,409,462	498,050	55
Total liabilities	7,008,383	7,841,704	833,321	12
Capital	1,205,707	1,205,707	-	-
Capital reserve	2,108,235	2,103,848	(4,387)	-
Retained Earnings	5,509,571	6,110,080	600,509	11
Other Equity	804,110	321,105	(483,005)	(60)
Non-controlling Interests	727,447	815,807	88,360	12
Total equity	10,355,070	10,556,547	201,477	2

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

1. Increase in right-of use assets: Mainly due to application of IFRS 16, leading to reclassification from prepaid rent-non-current and right-of use assets recognition.
2. Decrease in other non-current assets: Mainly due to application of IFRS 16, leading to reclassification from prepaid-rent-non-current to right-of use assets.
3. Increase in other non-current liabilities: Mainly due to application of IFRS 16, leading to recognition of lease liabilities.
4. Increase in other equity: Mainly due to recognition of AOCI- Unrealized losses on FVTOCI financial assets, as well as on other equity.

## II. Financial Performance

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

Unit: NT\$1,000; %

Items	Year	2018	2019	Changes to increase(decrease)	
				Amount	%
Net operating revenue		16,022,220	17,113,546	1,091,326	7
Operating cost		12,214,806	12,396,017	181,211	1
Gross profit		3,807,414	4,717,529	910,115	24
Operating expenses		2,906,404	3,035,500	129,096	4
Operating (loss) income		901,010	1,682,029	781,019	87
Non-operating income and expenses		134,802	110,653	(24,149)	(18)
Net income (loss) before tax		1,035,812	1,792,682	756,870	73
Income tax gains (expenses)		(319,182)	(477,458)	(158,276)	50
Net income (loss) after tax		716,630	1,315,224	598,594	84
Other comprehensive income of the year		(267,886)	(482,222)	(214,336)	80
Total Consolidated Profit/Loss for the Current Period		448,744	833,002	384,258	86
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):					
<ol style="list-style-type: none"> <li>1. Increase in gross profit, operating income, net income before tax and net profit after tax: Mainly due to sales revenue growth and the falling price of raw materials.</li> <li>2. Increase in income tax expenses: Mainly due to the better profits than last year.</li> <li>3. Decrease in other comprehensive income of the year: Mainly due to exchange rate variance, leading to the decrease of exchange differences on translation of foreign financial statements.</li> <li>4. Increase in total consolidated profit for the current period: Mainly due to sales revenue growth and the falling price of raw materials, leading to the increase of gross profit.</li> </ol>					

### (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	2018	2019	Changes to increase(decrease)	
			Amount	%
Operating activities	155,920	1,863,989	1,708,069	1,095
Investment activity	(688,274)	(1,335,454)	(647,180)	94
Financing activity	307,123	(327,022)	(634,145)	(206)
Cash net increase (decrease)	(187,239)	63,256	250,495	(134)
Analysis on increase/decrease in ratio:				
1. Increase in net cash inflow from operating activities: Mainly due to closely monitor on receivables and inventory leading to decrease of amounts.				
2. Increase in net cash outflow from investing activities: Mainly due to the increase in deposits with a maturity of more than 3 months, as well as the decrease in dividend received.				
3. Increase in net cash outflow from financing activities: Mainly due to the increase in net cash inflow generated from the issuance of new shares of last year, as well as the additional borrowings and increase of cash dividends distribution.				

#### (II) Improvement plans for liquidity shortage

The Company will use bank borrowings or capital increase should capital needs arise; therefore, 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 sum of cash surplus (inadequacy)
3,742,604	1,103,639	(396,555)	(573,425)	3,876,263
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 increase in borrowing and 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

Unit: NT\$1,000

Project	Actual or planned source of capital	Actual or expected Completion date	Total capital	Actual or expected capital expenditure			Expected benefits
				2019	2020	2021	
R&D and Administrative Building	Working capital and bank loan	2021/03/31	980,000	24,840	543,560	411,600	Revitalization of land assets and long-term operation of the company

**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, as well as diversified management policies (e.g. investing in health care and biotech industries) to enhance competitiveness and to benefit the Company's long-term development objectives. Relevant execution departments undertake investment-related affairs in compliance with the internal control "investment cycle" and "Procedures to Handle Acquisition or Disposal of Assets." In addition, the Company also maintains a constant focus on the operating status of invested businesses for subsequent management.

**(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 2019 using equity method is NT\$ 1,000,020 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**

In response to the future market changes and challenges, the Company will carefully evaluate the investment plans from a long-term and strategic perspective to enhance global competitiveness. In line with the Group's sustainable development strategy in the Southern China region, the main investment plan for the coming year is the purchase of land in the Southern China Chemical Industry Zone through subsidiary Nanpao Advanced Investment Co., Ltd. to construct Yunan Plant in China. In addition, the Company is diversified and plan to set up a plant in Huaian, China, to establish carbon fiber substrate manufacturing.

**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 2019 was NT\$ 69,224 thousand, accounting for 0.40% 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 2019 was a loss of NT\$ 19,066 thousand, accounting for 0.11% on the net operating revenue for the year. The Company is mainly export-oriented; therefore, the exchange rate changes have a certain impact on the Company. Nevertheless, besides using the US\$ as the denomination currency for certain purchases and sales transactions, creating a natural hedging effect, in the future, we will also consider forward exchange contracts to effectively lower the risk of fluctuation in exchange.

3. Inflation: Inflation has no significant impact on the Company, and the Company is always aware of fluctuations in market prices and maintains good interaction with suppliers and customers to avoid adverse effects of inflation on the Company's profit and loss.
- (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: the Company is focused on management of our core business and has adopted the principle of prudence as financial policy, and does not engage in derivative transactions. Besides to subsidiaries with absolute control rights or for business needs, the Company does not provide endorsement guarantees or lending of funds to others in principle. The Company has established "Procedures for Lending of Funds to Others and Provision of Endorsement/Guarantee," which has been approved by the Shareholders' Meeting. When undertaking related procedures, the Company will follow the relevant work procedures and legal regulations, and to immediately and accurately announce relevant information.
- (III) Future R&D Projects and Estimated R&D Expenditure:
1. Future R&D Plan: the Company's future R&D plans include: the Company's future R&D directions internally will be in line with diversified management strategies, combining the research and development energy of domestic and foreign academia and legal person research units, and work toward environmental protection (water-based / high-cure, low-toxic and low-VOC (organic volatile components)), energy-saving (UV (ultraviolet light) hardening, normal / low temperature applications, process optimization and automation), carbon reduction (process simplification and quality) Material application) and quality optimization. These efforts will help us to reduce costs and enhance competitiveness. Externally, we will provide customized services, energy-saving, and high-efficiency products and effective solutions to customers to enhance customer relationships, increase market share, and the value-added products.
  2. Expected R&D expense: the Company invested NT\$ 446,001 thousand in R&D expense in 2019, accounting for 2.61% 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 5% of the revenue as R&D expenses in 2020.

(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. Purchase

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

2. Sales

Currently, the Company does not have conditions of sales concentration, and as our operational scale expands, we also continue to develop new products and customers to help with lowering the risk of sales concentration. In the past two years, transacting customers are dispersed and we do not exceed 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.

The Company's more than 10% major shareholder, Pou Chien Enterprise Co., Ltd., was resolved on October 18, 2019 to transfer 10,285,000 shares to its indirect 51.11% shareholding subsidiary of Yue Dean Technology Corporation for group capital planning purpose, and has completed transferring procedure on November 1, 2019. The Company announced for the two companies on the acquisition of shares in accordance with Article 43, Item 1, of the Securities and Exchange Act. on November 4, 2019, and this equity transfer has no impact on the company's operating rights.

(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 has reinforced various corporate governance measures, introduced Independent Directors, established the Audit Committee, and the management level all strive to enhance operational performance to protect the shareholders' rights.

(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:

(1) Lawsuit against Crown Chemical for payments

In November 2014, the Company sold US\$94,000 worth of products to Crown Chemical LLC (hereinafter referred to as "Crown Chemical"), a customer located in the Republic of Armenia. However, Crown Chemical owed a cumulative amount of US\$65,000 due to poor operations. The Company's sales personnel continued to push for payment, but was unable to collect the payment. At present, the Company has entrusted local lawyers to carry out the relevant legal procedures, The local court ruled that the company lost the case in March 107, but Crown Chemical was bankrupt and unable to recover the accounts. The company has abandoned the appeal and has terminated the proceedings. Since 2015, the Company no longer has business dealings with Crown Chemical. As the amount of accounts receivable is not big, and the amount has been listed as bad debt, this case did not have any material adverse impact on the Company.

(2) Participation in lawsuit against Hsin Yeh Engineering Co., Ltd. and Hsi Chou Industrial Co., Ltd., as well as lawsuit against Hsi Chou Industrial Co., Ltd. for liquidated damages

The defendant, Hsi Chou Industrial Co., Ltd. (hereinafter referred to as "Hsi Chou Industrial") undertook a construction project for Hsin Yeh Engineering Co., Ltd. (hereinafter referred to as "Hsin Yeh Engineering") in 2011. Hsi Chou Industrial purchased coatings from the Company for this construction project, and has completed the payment, while the Company has issued a 20-year product warranty. Later, due to severe color difference on the baking varnish and the use of gold oil which was different from the content of the two contracts in this project, Hsin Yeh Engineering and Hsi Chou Industrial previously signed an agreement that if the owner decides to make a claim to Hsin Yeh Engineering, Hsi Chou Industrial agrees to pay the claim in full and liquidated damages worth NT\$430,000. Thereafter, Hsin Yeh Engineering paid the owner NT\$5 million in compensation due to this defect, and thus Hsi Chou Industrial had to pay NT\$5 million and liquidated damages totaled NT\$430,000. However, Hsi Chou Industrial did not pay this amount; therefore, Hsin Yeh Engineering filed a lawsuit on January 15, 2018 to seek a payment totaled NT\$5.43 million plus interest. The Company, along with the plaintiff and the defendant, had legal interests in this lawsuit. Hence, on April 17, 2018, the Company declared its participation in the lawsuit, and was established by mediation on November 6, 2019; On August 3, 2018, Hsi Chou Industrial filed a lawsuit to Qiaotou District Court for liquidated damages, in which the amount of claim was NT\$5 million plus interest, and was established by mediation on July 24, 2019.

(3) Administrative lawsuits on the repayment of the difference in land price of agricultural land

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. Now the lawsuit is currently being tried by the Supreme Administrative Court due to the Company has appealed.

2. The lawsuits in which subordinate companies 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 also lists the overdue receivables above in allowance for bad debt. Subsidiaries have constantly recovered some outstanding debts from customers.

(2) Lawsuit filed by Ho Kuei Chemicals Co., Ltd. against Nan Pao Chemical Co., Ltd. for liquidated damages due to infringement

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.

At the same time, Ho Kuei Chemical filed a lawsuit for damages for liquidated damages to Taiwan Changhua District Court on January 5, 2012 using the reason that the fire and related damage were caused by negligent use of machines and equipment by Nan Pao Chemical Co., Ltd., with the amount of claim sought totaling NT\$53,102,000. However, Taiwan Changhua District Court ruled on December 18, 2012 that the legal proceedings were suspended based on the 2012 Major Lawsuit No. 5, and the case will be proceeded after confirming the ownership of machines and equipment above. On December 22, 2017, Taiwan Changhua District Court ruled that the ruling to suspend legal proceedings on December 18, 2012 is revoked. Therefore, on June 6, 2018, Ho Kuei Chemicals applied to Taiwan Changhua District Court for reconsidering the case as claim for liquidated damages due to infringement, and made a formal request to investigate the evidence of unjust enrichment arising from the use of Ho Kuei Chemicals' machines and equipment by Nan Pao Chemical Co., Ltd. On June 14, 2018, Nan Pao Chemical Co., Ltd. received a notice from the civil court of Taiwan Changhua District Court. On June 14, 2018, Taiwan Changhua District Court states that the request made by Ho Kuei Chemicals was not related with the case. At present, this case is still pending before the court.

Nevertheless, the amount of claim made by Ho Kuei Chemicals was based on the purchase price of the machines and equipment, and did not factor in depreciation based on the useful life of property, plant and equipment. This batch of machines and equipment was purchased between 1991 and 2001, and their residual value should not reach NT\$53,102,000. After considering their residual value, Nan Pao Chemical Co., Ltd. listed NT\$38,445,000 as debt provision, which accounted for 3.13% of net profit attributable to the owner listed in the Company's consolidated financial statements in 2019. Hence, this case did not have any material adverse impact on the Company.

(3) Labor dispute at Nan Pao Resins (Foshan) Co., Ltd.

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, major shareholders holding more than 10 percent of the Company's shares, and subsidiaries 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:

The Company's information system architecture is divided into external attacks and internal threats according to the risk scopes. With regard to external attacks, a firewall and related network devices have been established for external attacks to prevent invasion from external network attacks and causing harm to the Company internally. As for internal threats, a high-availability data backup mechanism and remote host backup have been established to ensure that information services are not interrupted. In addition, the Company enhances various simulation tests in machine rooms and regularly organizes emergency response exercise to ensure that information systems can resume normal operation in the shortest time possible during an attack. In response to the increasing number of information security threats, the Company examines and assesses its network security regulations and procedures to ensure their appropriateness and effectiveness. To implement the concept of employee information security, the Company regularly provides colleagues with the latest information and protection education, so that every employee practices the concept of personal information protection, and to avoid exposure to high-risk information environments.

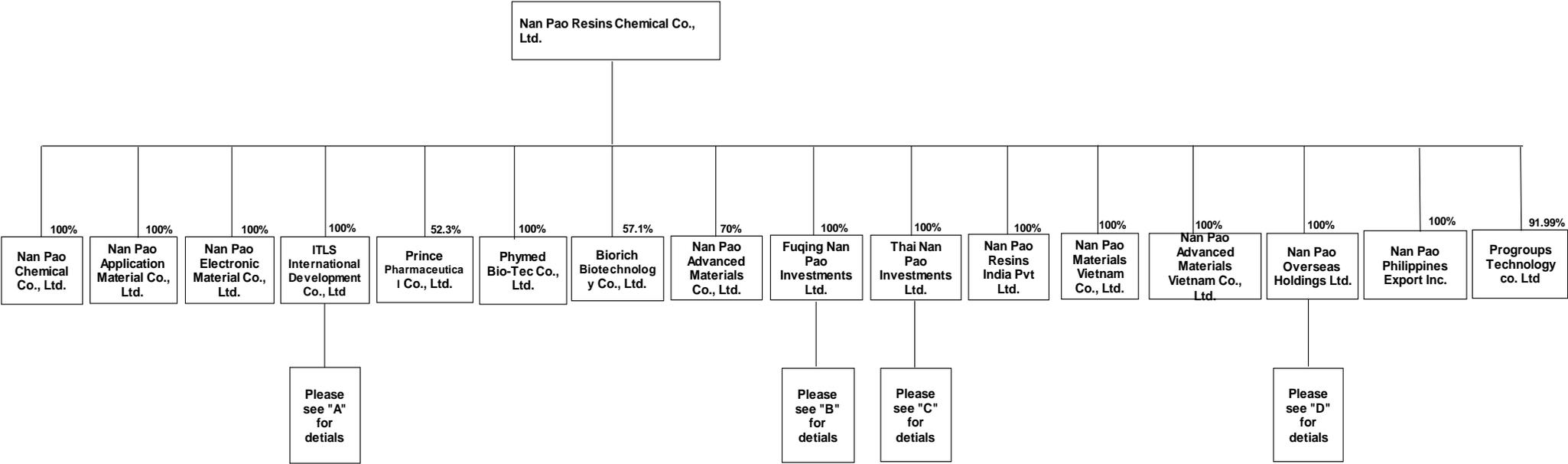
**VII. Other Important Issues: None.**

# Chapter VIII SPECIAL NOTES

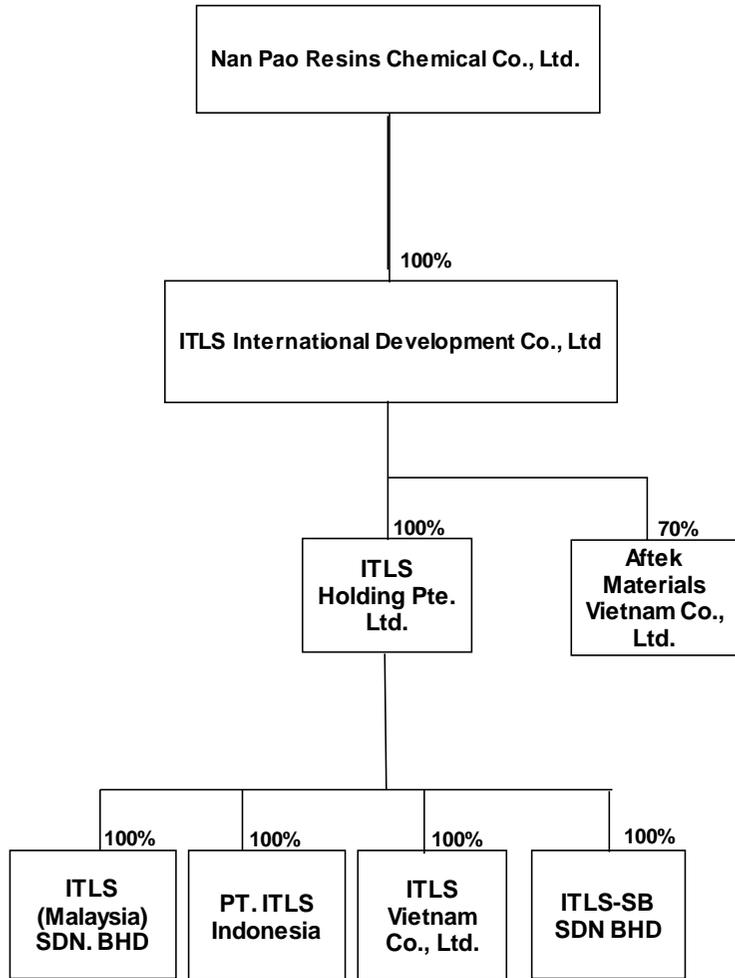
**I. Information on Affiliates**

(I) Consolidated Business Report of the Affiliates

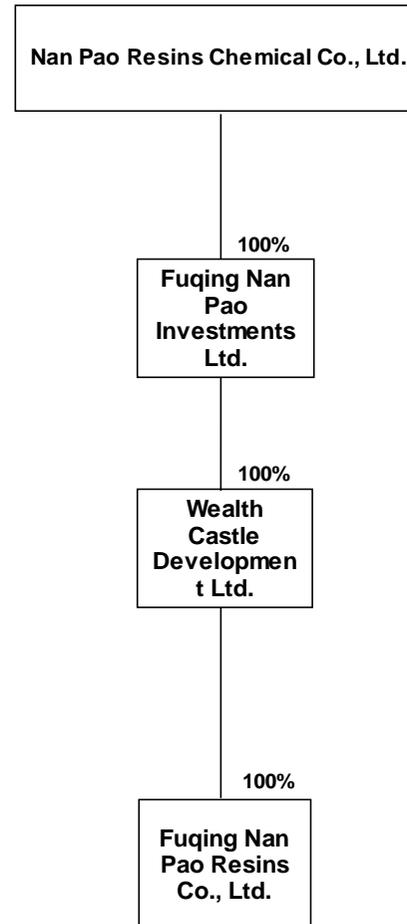
1. Organization structure of affiliated businesses



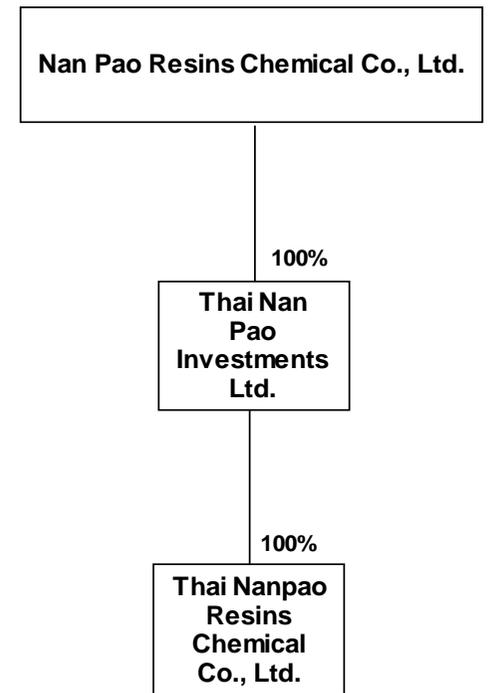
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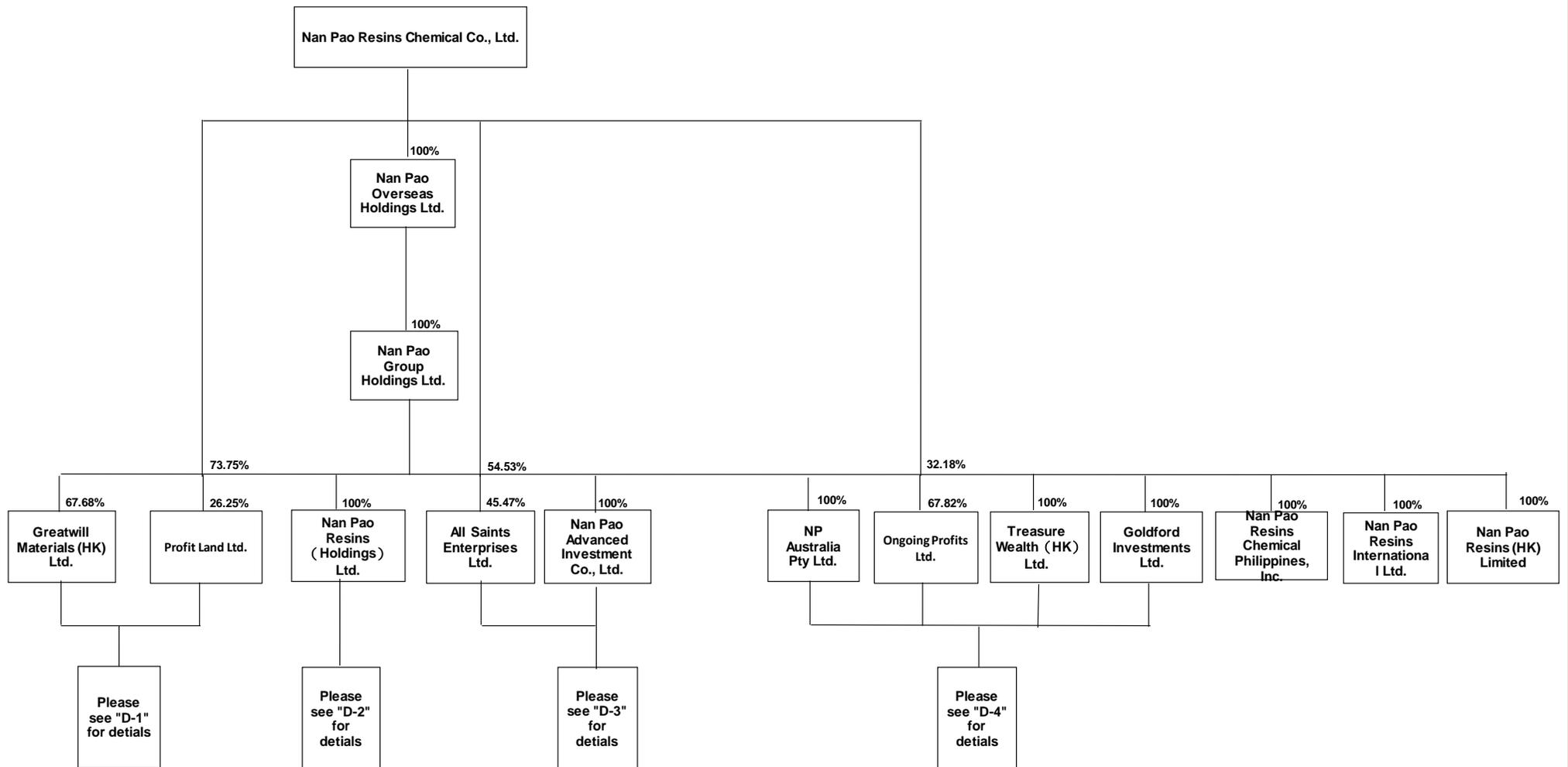
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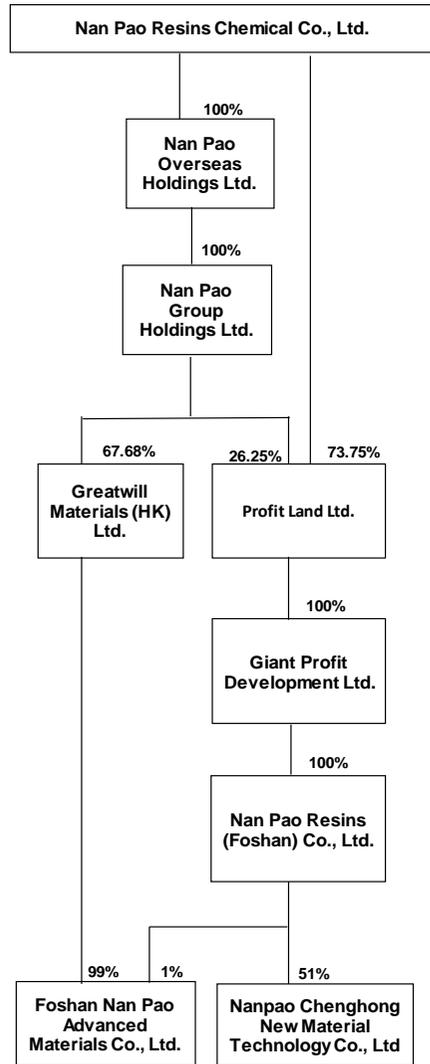
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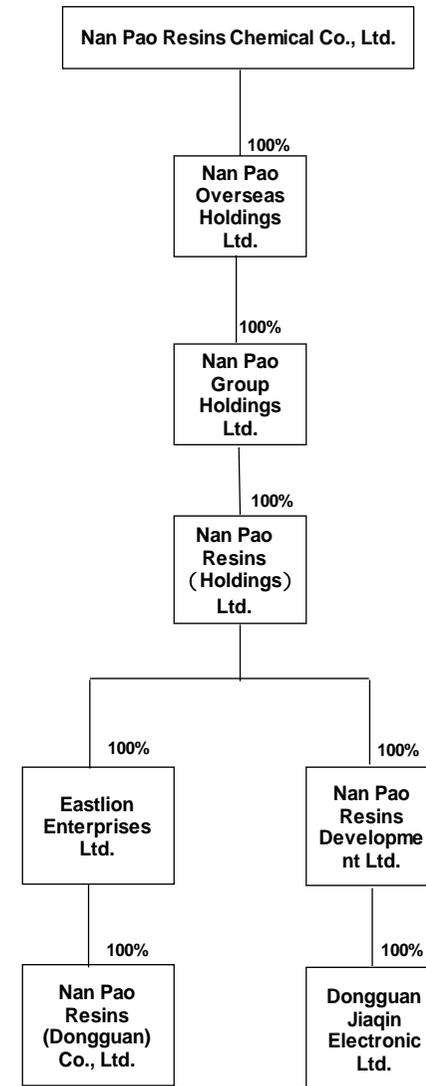
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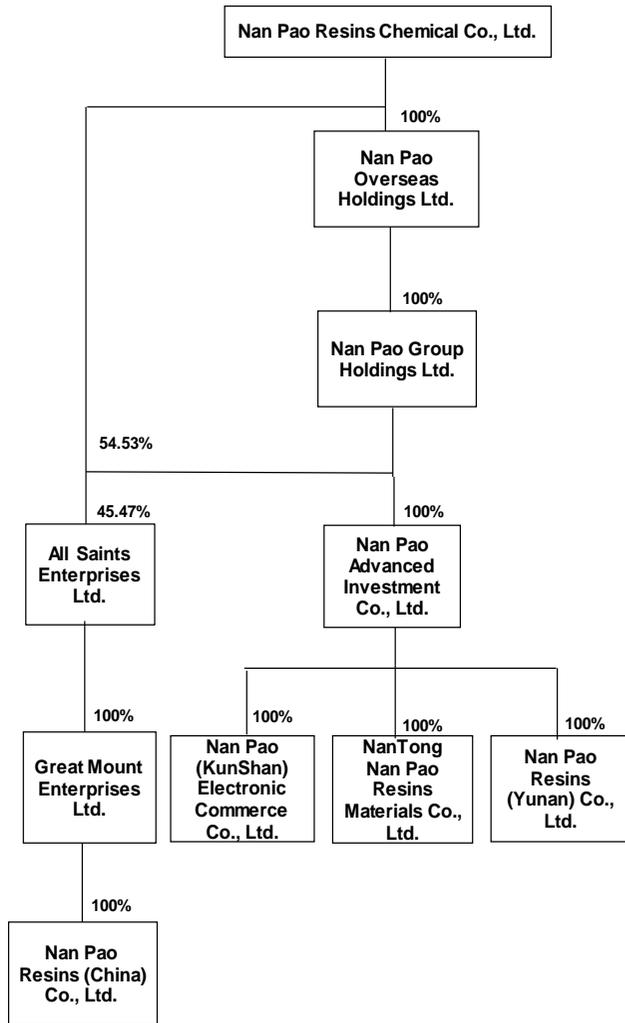
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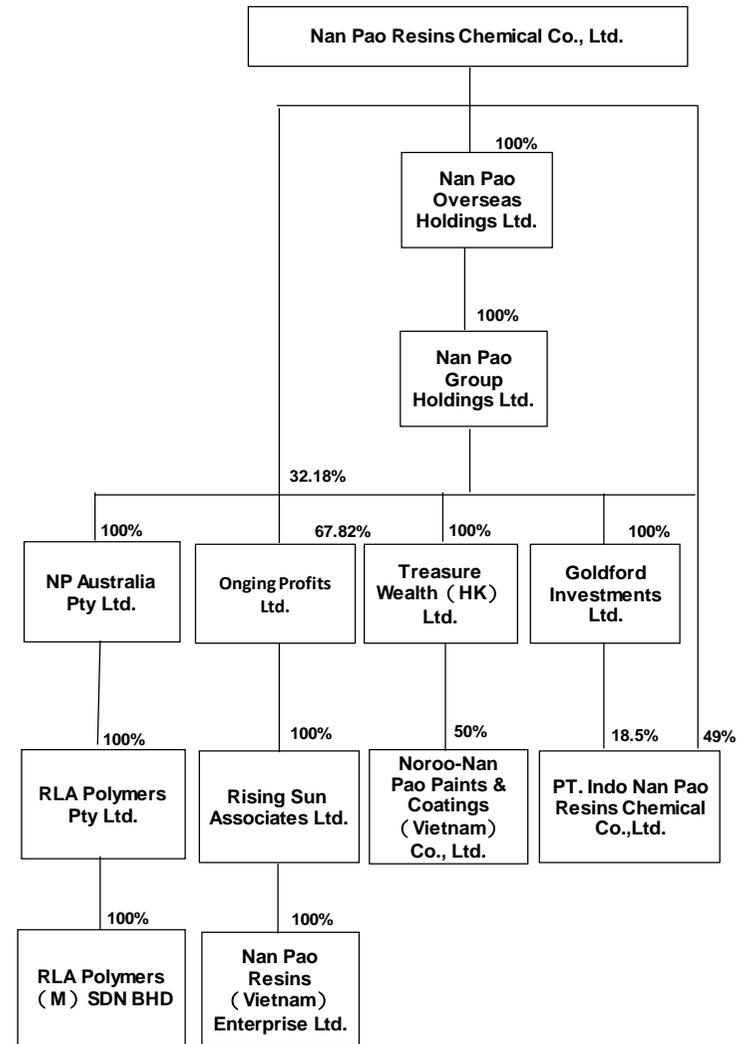
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## 2. Basic information of affiliated businesses

Unit: dollar

Name of business	Date established	Address	Actual paid-in capital		Primary business or products
Nan Pao Overseas Holdings Ltd.	2007.12.14	Palm Grove House, P.O. Box No. 438, Road Town, Tortola, British Virgin Islands	USD	68,300,502	General investment
Nan Pao Group Holdings Ltd.	2004.05.11	4th Floor, Willow House, Cricket Square, P.O. Box No. 2804, Grand Cayman KY1-1112, Cayman Islands	USD	68,300,502	General investment
Treasure Wealth (HK) Ltd.	2009.07.28	Flat 13, 10F., Building B Tonic Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	USD	591	General investment
Noroo-NanPao Paints & Coatings (Vietnam) Co., Ltd.	2008.05.05	Kcn Nhon Trach II, Xa Hiep Phuoc, Huyen Nhon Trach, Tinh Dong Nai, Vietnam	VND	179,610,063,600	Production and trading of coatings
Greatwill Materials (HK) Ltd.	2009.10.29	Flat 13, 10F., Building B Tonic Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	USD	1,359	General investment
Foshan Nan Pao Advanced Materials Co., Ltd.	2010.03.16	No. 12, Kohler Boulevard, Leping Township, Sanshui Dist., Foshan City	CNY	10,240,337	Production and trading of adhesives
Ongoing Profits Ltd.	1999.07.08	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands	USD	4,847,546	General investment
Rising Sun Associate Ltd.	1999.07.08	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.	1999.09.24	10 Thong Nhat Boulevard, Song Than 2 Industrial Park Di An Town, Binh Duong Province, S.R Vietnam	USD	6,408,217	Production and trading of adhesives
Progroups Technology Co. Ltd.	2010.03.08	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.	2011.01.28	Road 22 Phase 11, Cogeo Village, Antipolo City, Philippines	PHP	9,000,000	Trading of adhesives
Goldford Investments Ltd.	1994.01.06	Creque 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.	1995.09.26	P.O. Box No. 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	USD	100	General investment
Eastlion Enterprises Ltd.	1993.09.06	P.O. Box No. 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	USD	20,240	General investment
Nan Pao Resins (Dongguan) Co., Ltd.	2011.04.12	No. 2, Yue Yuen 2 Rd., Yue Yuen Industrial Estate, Huangjiang Town, Dongguan City	CNY	17,139,857	Processing of adhesives products
Nan Pao Resins Development Ltd.	2002.02.12	P.O. Box No. 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	USD	3,000,000	General investment
Dongguan Jiaqin Electronic Ltd.	2007.02.08	No. 2, Yue Yuen 2 Rd., Yue Yuen Industrial Estate, Huangjiang Town, Dongguan City	CNY	19,881,120	Production and trading of coatings and high-functionality adhesives
NP Australia Pty. Ltd.	2013.03.04	Level 4, 147 Collins Street, Melbourne VIC 3000	AUD	25,214,354	General investment
RLA Polymers Pty. Ltd.	1967.10.16	Level 4, 147 Collins Street, Melbourne VIC 3000	AUD	22,922,003	Production and trading of construction materials and chemicals
RLA Polymers (M) SDN. BHD.	1992.04.23	No.2A & 2B, Jalan Canang Emas 7/KS10, Telok Gong, 42000 Pelabuhan Klang, Selangor D. E, Malaysia	MYR	18,415,500	Production and trading of construction materials and chemicals
Nan Pao Materials Vietnam Co., Ltd.	2014.12.15	LotA4, A5, A10, A11 Daden Industrial Park, Thu Dau Mot City, Binh Duong Province, Vietnam	USD	23,000,000	Production and trading of adhesives and chemicals
Nan Pao Resins International Ltd.	1992.07.14	Flat 13, 10F., Building B Tonic Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	HKD	10,000	Trading of chemical substances and related products
Nan Pao Advanced Investment Co., Ltd.	2017.04.14	2F., No. 600-2, Kunjia Rd., Kunshan Economic Technical Development Zone, Jiangsu Province	CNY	123,479,990	General investment
NanTong Nan Pao Resins Materials Co., Ltd.	2015.12.30	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.	2017.08.09	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.	2018.07.24	Room 311, Da-Wan Industrial Area, Da-Wan Township, Yu-Nan Xien, Yuen-Fu City	CNY	30,857,600	Production and trading of adhesives

Name of business	Date established	Address	Actual paid-in capital		Primary business or products
Nan Pao Resins (HK) Limited	2019.06.26	Flat 13, 10F., Building B Tonic Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	USD	3,800,000	Production and trading of adhesives
Profit Land Ltd.	2004.09.17	Equity Trrust Chambers, P.O. Box No. 3269, Apia, Samoa	USD	1,333,333	General investment
Giant Profit Development Ltd.	2009.03.13	Flat 13, 10F., Building B Tonic Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	USD	1,282	General investment
Nan Pao Resins (Foshan) Co., Ltd.	2004.08.26	No. 12, Kohler Boulevard, Leping Township, Sanshui Dist., Foshan City	CNY	63,153,850	Production and trading of adhesives
Nanpao Chenghong New Material Technology Co., Ltd	2016.05.25	Top Floor-103, No. 36-F2, Section A, Sanshui Center Technology Industrial Zone, Leping Township, Sanshui Dist., Foshan City	CNY	5,000,000	Trading of footwear materials
PT. Indo Nan Pao Resins Chemical Co., Ltd.	1994.02.08	Jl. Pajajaran Raya No. 44, Kel. Gandasari, Kec. Jatiuwung, Tangerang-15137 Indonesia	IDR	5,625,000,000	Production and trading of adhesives
All Saints Enterprises Ltd.	1997.08.13	Palm Grove House, P.O. Box No. 438, Road Town, Tortola, British Virgin Islands	USD	10,000,000	General investment
Great Mount Enterprises Ltd.	2009.07.31	Unit 2102,21/F The Broadway, No. 54-62 Lockhart, Road, Wanchai, Hong Kong	USD	1,282	General investment
Nan Pao Resins (China) Co., Ltd.	1996.03.28	No. 600, Kunjia Rd., Kunshan Economic Technological Development Zones, Jiangsu Province	CNY	82,209,938	Production and trading of adhesives and coatings
Fuqing Nan Pao Investment Ltd.	2004.08.20	Palm Grove House, P.O. Box No. 438, Road Town, Tortola, British Virgin Islands	USD	4,990,000	General investment
Wealth Castle Development Ltd.	2009.03.13	Flat 13, 10F., Building B Tonic Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	HKD	10,000	General investment
Fuqing Nan Pao Resins Co., Ltd.	1993.12.27	Hongkuan Industrial Village, Yangxia Township, Fuqing City	CNY	33,779,302	Production and trading of adhesives

Name of business	Date established	Address	Actual paid-in capital		Primary business or products
Thai Nan Pao Investments Ltd.	2004.08.20	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.	1987.12.25	412 Kor Soi, 1cBangpoo Industrial Tumbon Preaksa Ampur Muang Samutprakarn 10280, Thailand	THB	211,970,000	Production and trading of adhesives
Phymed Bio-Tec Co., Ltd.	2009.06.30	No. 12, Nanhaiipu, Nanhai Li, Xigang Dist., Tainan City	TWD	6,000,000	R&D and trading of health food
ITLS International Development Co., Ltd.	2009.01.22	3F., No. 356, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	TWD	305,000,000	Trading of construction materials and chemicals
ITLS Holding Pte. Ltd.	2009.08.11	Blk 1049, Eunos Avenue 6, #01-132, Singapore 409628	SGD	24,064,549	General investment
ITLS (Malaysia) SDN. BHD	2009.02.20	No.2A & 2B, Jalan Canang Emas 7/KS10, Telok Gong, 42000 Pelabuhan Klang, Selangor D. E, Malaysia	MYR	3,250,000	Production and trading of construction materials
PT. ITLS Indonesia	2009.04.29	Jl. Pajajaran Raya No. 44, Kel. Gandasari, Kec. Jatiuwung, Tangerang-15137 Indonesia	IDR	27,510,865,920	Production and trading of construction materials
ITLS Vietnam Co., Ltd.	2010.03.04	No. 16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	VND	95,047,269,805	Production and trading of construction materials
ITLS-SB SDN BHD	2009.08.19	No.2A & 2B, Jalan Canang Emas 7/KS10, Telok Gong, 42000 Pelabuhan Klang, Selangor D. E, Malaysia	MYR	2,000,000	Production and trading of hardware and construction materials
Aftek Materials Vietnam Co., Ltd.	2018.02.02	No. 16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	VND	54,480,000,000	Production and trading of constructional materials
Nan Pao Electronic Material Co., Ltd.	2006.06.21	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.	2007.05.14	No. 12, Nanhaiipu, Nanhai Li, Xigang Dist., Tainan City	TWD	150,000,000	Trading of chemicals

Name of business	Date established	Address	Actual paid-in capital		Primary business or products
Biorich Biotechnology Co., Ltd.	2001.12.04	3F., No. 356, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	TWD	6,855,370	R&D, production, and trading of advanced high-protein business and health food
Nan Pao Application Material Co., Ltd.	2009.12.25	No. 12, Nanhaipu, Nanhai Li, Xigang Dist., Tainan City	TWD	2,000,000	Trading of chemicals
Nan Pao Resins India Pvt. Ltd.	2012.09.04	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.	1962.07.31	9F., No. 107, Sec. 3, Chungxin Rd., Sanchung Dist., New Taipei City	TWD	320,580,000	Production, packaging, and processing of raw materials for various pharmaceutical and health food
Nan Pao Advanced Materials Co., Ltd.	2015.08.10	No. 521, Zhongshan Rd., Xigang Dist., Tainan City	TWD	5,000,000	Trading of adhesives and chemicals
Nan Pao Advanced Materials Vietnam Co., Ltd.	2016.04.22	Phuc Son Industrial Area, Ninh Phuc Commune, Ninh Binh City, Ninh Binh Province	VND	338,979,500,000	Production and trading of adhesives and chemicals
Nan Pao Philippines Export Inc.	2019.09.25	Lot IL-2 Subic Bay Gateway Park Phase II, Subic Bay Freeport Zone	PHP	-	Trading of adhesives

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

4. Overall business scope of all affiliated businesses

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

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

(2)General investment.

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

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

5. Information on Directors and General Managers from affiliated companies

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

Name of business	Job Title	Name or representative	Shares held	Shareholding ratio (%)
Rising Sun Associate Ltd.	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
	Director	Li, Hsin-Ho	-	0.00%
Nan Pao Resins (Vietnam) Enterprise Ltd.	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
	Director	Li, Hsin-Ho	-	0.00%
	General Manager	Chung, He-Feng	-	0.00%
Progroups Technology Co. Ltd.	Director	Tsai, Yi-Fa	-	0.00%
	Director	Huang, Cheng-Yan	40,050	8.01%
	Director	Li, Yu-Chang	-	0.00%
	Supervisor	Li, Hui-Fen	-	0.00%
Nan Pao Resins Chemical Philippines, Inc.	Director	Sen-Mao Kuo	-	0.00%
	Director	Hsu, Chi-Yuan	-	0.00%
	Director and General Manager	Reginald V. Mungcal	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
Goldford Investments Ltd.	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
	Director	Huang, Ying-Lin	-	0.00%
Nan Pao Resins (Holdings) Ltd.	Director	Hsu, Ming-Hsien	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Huang, Ying-Lin	-	0.00%
Eastlion Enterprises Ltd.	Director	Hsu, Ming-Hsien	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%

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

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

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

Name of business	Job Title	Name or representative	Shares held	Shareholding ratio (%)
	Supervisor	HENDRIK SASMITO	-	0.00%
	Supervisor	Tsai, Chao-Chian	-	0.00%
All Saints Enterprises Ltd.	Director	Sun, Te-Tsung	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
Great Mount Enterprises Ltd.	Director	Sun, Te-Tsung	-	0.00%
	Director	Huang, Ying-Lin	-	0.00%
Nan Pao Resins (China) Co., Ltd.	Director	Sun, Te-Tsung	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
	Supervisor	Tsai, Yi-Fa	-	0.00%
	General Manager	Lin, Yong-Cheng	-	0.00%
Fuqing Nan Pao Investment Ltd.	Director	Hsu, Ming-Hsien	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Huang, Ying-Lin	-	0.00%
Wealth Castle Development Ltd.	Director	Hsu, Ming-Hsien	-	0.00%
	Director	Huang, Ying-Lin	-	0.00%
Fuqing Nan Pao Resins Co., Ltd.	Director	Sun, Te-Tsung	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
	Supervisor	Tsai, Yi-Fa	-	0.00%
	General Manager	Jiang, Yung-Yi	-	0.00%
Thai Nan Pao Investments Ltd.	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Tsai, Chao-Chian	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%

Name of business	Job Title	Name or representative	Shares held	Shareholding ratio (%)
Thai Nanpao Resins Chemical Co., Ltd.	Director	Hsu, Ming-Hsien	-	0.00%
	Director	Wu, Cheng-Hsien	-	0.00%
	Supervisor and General Manager	Huang, Chien-Ting	-	0.00%
Phymed Bio-Tec Co., Ltd.	Director	Shen, Yong-Ching	-	0.00%
	Director	Lin, Kun-Chin	-	0.00%
ITLS International Development Co., Ltd.	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Kuo, Sen-Mao	-	0.00%
ITLS Holding Pte. Ltd.	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Liu, Chi-Lin	-	0.00%
	Director	Noraishah Binte Mohamed Sulaimi	-	0.00%
ITLS (Malaysia) SDN. BHD.	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Liu, Chi-Lin	-	0.00%
	Director	Lee See Yoong	-	0.00%
PT. ITLS Indonesia	Director and General Manager	Liu-Wen-Chen	-	0.00%
	Supervisor	Wu, Cheng-Hsien	-	0.00%
ITLS Vietnam Co., Ltd.	Director and General Manager	Wu, Shun-Hsing	-	0.00%
	Director	Hsu, Chun-Min	-	0.00%
ITLS-SB SDN. BHD.	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Liu, Chi-Lin	-	0.00%
	Director	Lee See Yoong	-	0.00%
Aftek Materials Vietnam Co., Ltd.	Director	Chung, He-Feng	-	0.00%
	Director	Ou, Pi-Chuan	Note	5.00%

Name of business	Job Title	Name or representative	Shares held	Shareholding ratio (%)
	Director	Huang, Bo-Hung	-	0.00%
	Supervisor	Yang, Chiao-Lan	-	0.00%
Nan Pao Electronic Material Co., Ltd.	Director	Chang, Kuo-Jung	-	0.00%
	Director	Chen, Bi-Hsiang	-	0.00%
	Director	Tsai, Yi-Fa	-	0.00%
	Supervisor	Hsu, Ming-Hsien	-	0.00%
Nan Pao Chemical Co., Ltd.	Director	Tsai, Chao-Chian	-	0.00%
	Director	Lee, Hui-Fen	-	0.00%
Biorich Biotechnology Co., Ltd.	Director	Wang, Kuo-Hua	-	0.00%
	Director	Lin, Ching-Ming	-	0.00%
	Director	Tsai, Yi-Fa	-	0.00%
	Director	Yang, Wen-Jen	134	0.02%
	Supervisor	Han, Shu-Wen	2,470	0.36%
Nan Pao Application Material Co., Ltd.	Director	Wu, Cheng-Hsien	-	0.00%
	Supervisor	Tsai, Yi-Fa	-	0.00%
Nan Pao Resins India Pvt Ltd.	Director	Kuo, Sen-Mao	-	0.00%
	Director and General Manager	Mukesh Nautiyal	-	0.00%
Prince Pharmaceutical Co., Ltd.	Director	Hsu, Ming-Hsien	-	0.00%
	Director and General Manager	Wang, Kuo-Hua	-	0.00%
	Director	Shen, Yong-Ching	-	0.00%
	Director	Lee, Chi-Ta	1,050,000	3.27%
	Supervisor	Lin, Kun-Chin	-	0.00%
	Supervisor	Lee, Hui-Fen	-	0.00%

Name of business	Job Title	Name or representative	Shares held	Shareholding ratio (%)
Nan Pao Advanced Materials Co., Ltd.	Director	Tsai, Chao-Chian	-	0.00%
	Director	Lin, Yi-Chang	100,000	20.00%
	Director	Shen, Yong-Ching	-	0.00%
	Supervisor	Tsai, Yao-Cheng	-	0.00%
Nan Pao Advanced Materials Vietnam Co.,Ltd	Director	Wu, Cheng-Hsien	-	0.00%
	Director	Hsu, Ming-Hsien	-	0.00%
	Director	Li, Hsin-Ho	-	0.00%
	Director	Chung, He-Feng	-	0.00%
Nan Pao Philippines Export Inc.	Director	Hsu, Chi-Yuan	-	0.00%
	Director	Kuo, Sen-Mao	-	0.00%
	Director	Wu, Shun-Hsing	-	0.00%
	Director	Reginald V. Mungcal	-	0.00%
	Director	Tsai, Chao-Chian	-	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.	2,103,010	3,795,871	-	3,795,871	-	(77)	495,998	7.26
Nan Pao Group Holdings Ltd.	2,047,649	3,872,625	82,607	3,790,018	-	(30,916)	496,063	7.26
Treasure Wealth (HK) Ltd.	18	158,745	-	158,745	-	(6)	19,161	4,156.35
Noroo-Nanpao Paints & Coatings (Vietnam) Co., Ltd.	232,415	479,202	191,263	287,939	631,467	43,151	38,847	Note 2
Greatwill Materials (HK) Ltd.	41	526,088	16,182	509,906	90,807	(146)	116,275	16,212.35

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)
Foshan Nan Pao Advanced Materials Co., Ltd.	44,085	974,916	465,681	509,235	1,924,753	140,340	117,639	Note 2
Ongoing Profits Ltd.	145,329	1,000,888	-	1,000,888	-	(68)	390,892	80.64
Rising Sun Associates Ltd.	89,940	999,135	-	999,135	-	(68)	390,956	130.32
Nan Pao Resins (Vietnam) Enterprise Ltd.	192,118	1,709,388	713,173	996,215	2,994,532	459,017	390,991	Note 2
Progroups Technology Co. Ltd.	5,000	91,345	12,487	78,858	170,119	16,655	12,070	24.14
Nan Pao Resins Chemical Philippines, Inc.	5,262	118,394	65,377	53,017	174,157	4,630	13,306	1,478.44
Goldford Investments Ltd.	14,570	91,477	-	91,477	-	(59)	14,263	29.35
Nan Pao Resins (Holdings) Ltd.	3	823,932	-	823,932	-	(1)	91,491	914,910.00
Eastlion Enterprises Ltd.	607	757,626	45,949	711,677	988,207	92,782	87,155	4,306.08
Nan Pao Resins (Dongguan) Co., Ltd.	73,658	147,639	28,284	119,354	396,063	3,841	3,310	Note 2
Nan Pao Resins Development Ltd.	89,940	105,104	-	105,104	-	(1)	5,413	1,804.33
Dongguan Jiaqin Electronic Ltd.	85,438	144,235	39,148	105,087	137,512	(1,470)	5,414	Note 2
NP Australia Pty. Ltd.	529,628	643,986	-	643,986	-	(5,817)	12,685	0.50
RLA Polymers Pty. Ltd.	481,477	1,326,615	815,439	511,176	1,775,698	38,588	423	0.02
RLA Polymers (M) SDN. BHD.	134,905	313,837	129,014	184,823	207,679	566	(3,534)	(0.19)
Nan Pao Materials Vietnam Co. ,Ltd.	689,540	1,236,177	354,908	881,269	1,037,768	183,066	174,873	Note 2
Nan Pao Resins International Ltd.	38	198,279	182,188	16,090	479,643	(10,498)	6,520	6,520.38
Nan Pao Advanced Investment Co., Ltd.	530,651	497,540	19	497,521	-	(214)	(24,240)	Note 2
NanTong Nan Pao Resins Materials Co., Ltd.	154,077	148,168	590	147,578	-	(6,696)	(5,640)	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)
Nan Pao (KunShan) Electronic Commerce Co., Ltd.	137,224	91,738	1,886	89,852	17,320	(33,804)	(36,946)	Note 2
Nan Pao Resins (Yunan) Co., Ltd.	132,610	132,698	4	132,694	-	(916)	(387)	Note 2
Nan Pao Resins (HK) Limited	113,924	406,196	306,698	99,498	193,714	(16,657)	(14,875)	(3.91)
Profit Land Ltd.	39,973	981,448	-	981,448	-	(46)	144,190	108.14
Giant Profit Development Ltd.	38	972,107	-	972,107	-	(14)	144,004	14,400.40
Nan Pao Resins (Foshan) Co., Ltd.	271,402	1,229,612	258,506	971,106	1,754,812	148,360	144,017	Note 2
Nanpao Chenghong New Material Technology Co., Ltd	21,487	37,852	8,318	29,533	51,497	5,298	5,700	Note 2
PT. Indo Nan Pao Resins Chemical Co., Ltd.	12,263	792,312	301,856	490,456	1,101,798	120,499	82,945	30.09
All Saints Enterprises Ltd.	299,800	391,203	-	391,203	-	(59)	1,726	0.17
Great Mount Enterprises Ltd.	38	386,907	5	386,902	-	(6)	1,774	177.40
Nan Pao Resins (China) Co., Ltd.	353,295	662,365	275,604	386,761	1,054,136	2,297	1,779	Note 2
Fuqing Nan Pao Investment Ltd.	149,600	191,684	-	191,684	-	(58)	22,832	4.58
Wealth Castle Development Ltd.	38	191,564	239	191,325	-	(156)	22,889	2,288.90
Fuqing Nan Pao Resins Co., Ltd.	145,424	259,829	69,537	190,292	400,920	29,571	23,044	Note 2
Thai Nan Pao Investments Ltd.	158,354	181,845	-	181,845	-	(59)	15,093	2.86
Thai Nanpao Resins Chemical Co., Ltd.	214,047	168,258	33,852	134,406	177,714	15,699	15,003	0.71
Phymed Bio-Tec Co., Ltd.	6,000	6,575	2,698	3,877	3,256	(97)	(120)	(0.20)
ITLS International Development Co., Ltd.	305,000	316,618	28,274	288,344	139,057	9,680	(5,906)	(0.19)
ITLS Holding Pte. Ltd.	536,158	188,639	41,505	147,134	-	(335)	(7,847)	(0.33)

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)
ITLS (Malaysia) SDN. BHD.	23,808	22,314	-	22,314	-	(180)	4,555	(1.40)
PT. ITLS Indonesia	59,974	26,503	4,540	21,963	27,200	(729)	(6,639)	(2.65)
ITLS Vietnam Co., Ltd.	122,991	78,326	1,062	77,264	2,506	(6,829)	(5,282)	Note 2
ITLS-SB SDN. BHD.	14,651	20,446	1,530	18,916	-	(180)	171	0.09
Aftek Materials Vietnam Co., Ltd.	70,499	56,748	3,177	53,571	12,786	(7,758)	(8,104)	Note 2
Nan Pao Electronic Material Co., Ltd.	40,000	63,022	13,462	49,560	41,633	(6,798)	4,463	1.12
Nan Pao Chemical Co., Ltd.	150,000	199,776	45,991	153,785	149,496	8,731	7,982	0.53
Biorich Biotechnology Co., Ltd.	6,855	21,255	9,615	11,640	31,576	1,585	2,463	3.59
Nan Pao Application Material Co., Ltd.	2,000	9,483	100	9,383	-	(327)	(258)	(1.29)
Nan Pao Resins India Pvt. Ltd.	12,627	48,049	18,072	29,977	77,119	5,705	4,555	1.52
Prince Pharmaceutical Co., Ltd.	320,580	1,153,583	533,960	619,623	249,607	(9,305)	9	0.00
Nan Pao Advanced Materials Co., Ltd.	5,000	17,416	8,850	8,566	42,686	4,119	3,102	6.20
Nan Pao Advanced Materials Vietnam Co., Ltd.	438,649	448,647	39,873	408,774	10,476	(23,453)	(18,646)	Note 2
Nan Pao Philippines Export Inc.	-	-	-	-	-	-	-	-

Note 1: The amount of balance for the aforementioned overseas companies are stated as of the exchange rate on December 31, 2019; income statement figures are stated as of the average exchange rate throughout 2019.

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

(II) For Consolidated Financial Statement of Affiliated Companies: Please see Attachment 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 on Consolidated Financial Statements of Affiliated Companies

For Fiscal Year 2019 (January 1 - December 31 2019), the affiliated companies of this Company that shall be included in the consolidated financial statements of affiliated companies are the same as those included in the consolidated financial statements of parent company and subsidiaries prescribed by the International Financial Reporting Standards No. 10 in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises. In addition, relevant information has already been disclosed in previous consolidated financial statements of parent company and subsidiaries. Hence, the consolidated financial statements of affiliated companies are not prepared separately.

As hereby declared:

Company Name: Nan Pao Resins Chemical Co., Ltd.

Chairman: Wu Cheng-Hsien

March 26, 2020

## Independent Auditors' Report

To Nan Pao Resins Chemical Co., Ltd.:

### **Audit Opinion**

We have audited the accompanying consolidated balance sheet of Nan Pao Resins Chemical Co., Ltd. and its subsidiaries (Nan Pao Resins Group) as of December 31, 2018 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, based on our audits and the report of other auditors (refer to the Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Nan Pao Resins Group as of December 31, 2018 and 2019, and the consolidated financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our 2019 audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Jin-Guan-Zheng-Shen-Zi No. 1090360805 issued by the Financial Supervisory Commission on February 25, 2020, and the Generally Accepted Auditing Standards; we conducted our 2018 audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Generally Accepted Auditing Standards. Our responsibilities required under said standards will be detailed in the paragraph about the external auditor's responsibility on auditing consolidated financial statements. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant Code of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. With the results of our auditing and other independent auditors' reports, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinions.

### **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, 2019. 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.

Key audit matters of the consolidated financial statements of Nan Pao Resins Group for the year ended December 31, 2019 are stated as follows:

**Key Audit Matters: Authenticity of Revenue Recognition**

The main sources of revenue for Nan Pao Resins Group come from the sale of adhesives, paint, and building material. The sales amount of products of certain specifications has changed significantly in 2019. The CPA recognized the presumptive income as a significant risk based on its materiality to the consolidated financial statements and the regulations regarding the recognition of significant risks in the Statements of Auditing Standards. Therefore, the aforementioned product was included as a key audit item for the authenticity of income.

The key audit procedures conducted in regard to the aforementioned matter are as follows:

- I. Understand and sample test the effectiveness of internal control designs related to revenue recognition.
- II. Select appropriate samples from sales revenue receipts, inspect sales invoices, commercial invoices, export declarations signed off by external personnel using revenue recognition criteria to verify the authenticity of the income, and confirm the names for receipt and for trade items.

For accounting policies and income segmentation on income recognition, please refer to Note 4 (15) and 40.

**Other Matters**

Among the subsidiaries included in the consolidated financial report of Nan Pao Resins Group, the financial reports of some subsidiaries were not audited by the CPA and were audited by other CPAs. Accordingly, for our findings on the aforementioned consolidated financial statements, the dollar amount and information related to the subsidiaries in the statements were based on audit reports from other CPAs. These companies had total assets of NT\$2,722,534 thousand and NT\$1,677,057 thousand as of December 31, 2019 and 2018, respectively, accounting for 15% and 10% of total consolidated assets. Net operating revenue was NT\$2,210,744 thousand and NT\$2,191,566 thousand, respectively, accounting for 13% and 14% of the consolidated net operating revenue, respectively.

Nan Pao Resins Chemical Co., Ltd. has already prepared individual financial statements for the year 2018 and 2019 on which we have issued unqualified opinion with other matter paragraph as references.

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

Management is responsible for the preparation and fair representation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 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 consolidated 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 intends to liquidate the Company or terminate the business, or no practicable measure other than liquidation or termination of the business can be taken.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

## **Auditor's 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 Generally Accepted Auditing Standards (GAAS) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If it can be reasonably expected that misstatements in individual amounts or aggregates could influence the economic decisions of users taken on the basis of these consolidated financial statements, then the misstatements are deemed to as material.

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

- I. Identify and assess the risks of material misstatements of the consolidated financial statements, whether due to fraud or error, design and implement appropriate countermeasures to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Since irregularities can involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control, the risks of failing to detect material misstatements resulting from fraud is higher than for one resulting from errors.
- II. 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 Company's internal control.
- III. Evaluate the appropriateness of accounting policies adopted by management as well as reasonableness of its accounting estimates and related disclosures.
- IV. Conclude on the appropriateness of the management's use of the going concern basis of accounting, 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our audit report. However, future events or circumstances may cause the Company to lose its capacity to function as a going concern.
- V. Evaluate the overall presentation, structure, and contents of 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.
- VI. Obtain sufficient and appropriate audit evidence regarding the financial information of entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and implementation 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 significant internal control deficiencies identified during our audit).

We have also provided a declaration to the governing bodies stating that the personnel of our affiliated firm has followed the item of independence in the CPA code of professional ethics. We have also communicated with the governing bodies on all relationships that may possibly be deemed to impair our independence as well as other matters (including relevant protective measures).

From the matters communicated with the governing body, we determined the key audit matters that were of most significance within the audit of the Company's Consolidated Financial Statements for the year ended in December 31, 2019. 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.

Deloitte & Touché  
CPA Liao, Hung-Ju

CPA Kung, Chun-Chi

Approval No. from Financial Supervisory  
Commission R.O.C. (Taiwan)  
No. 0990031652 in FSC

Approval No. from the Securities and Futures  
Commission  
No. 0920123784 in TWSE

March 26, 2020

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2019 and 2018

Unit: NT\$1,000

Code	Asset	December 31, 2019		December 31, 2018		Code	Liabilities and Shareholders' Equity	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%			Amount	%	Amount	%
	<b>Current Assets</b>						<b>Current Liabilities</b>				
1100	Cash and Cash Equivalents (Note 4 and 6)	\$ 3,742,604	20	\$ 3,679,348	21	2100	Short-Term Loans (Note 21 and 35)	\$ 1,371,276	8	\$ 1,295,694	7
1136	Financial Assets at Amortized Cost - Current (Note 4, 8, 9 and 35)	749,615	4	196,068	1	2130	Contract Liabilities - Current (Note 4 and 26)	18,874	-	41,499	-
1150	Notes Receivable (Note 4 and 10)	280,023	2	293,405	2	2150	Notes Payable (Note 22)	12,788	-	35,908	-
1170	Accounts Receivable (Note 4 and 10)	3,158,395	17	3,112,385	18	2170	Accounts Payable (Note 22 and 34)	1,936,397	11	1,923,206	11
1180	Accounts Receivable - Affiliate (Note 4, 10 and 34)	371,342	2	357,724	2	2280	Lease Liabilities - Current (Note 4 and 15)	52,029	-	-	-
1200	Other Receivables (Note 4 and 10)	189,685	1	201,967	1	2200	Other Payables (Note 34)	812,503	4	788,396	5
1220	Current Income Tax Assets (Note 28)	3,705	-	13,197	-	2230	Current Income Tax Liabilities (Note 28)	182,583	1	169,036	1
130X	Inventory (Note 4 and 11)	2,241,307	12	2,347,224	13	2320	Long-term Debt Maturing within one year (Note 21 and 35)	353,765	2	265,273	2
1412	Prepaid Rent (Note 19)	-	-	15,335	-	2399	Other Current Liabilities (Note 23, 26 and 34)	167,877	1	185,889	1
1479	Other Current Assets (Note 20)	373,296	2	453,097	3	21XX	Total Current Liabilities	4,908,092	27	4,704,901	27
11XX	Total Current Assets	11,109,972	60	10,669,750	61						
	<b>Non-Current Assets</b>						<b>Non-Current Liabilities</b>				
1517	Financial Assets Measured at FVTOCI- Non-Current (Note 4 and 7)	976,745	5	1,210,580	7	2580	Lease Liabilities - Non-Current (Note 4 and 15)	447,552	3	-	-
1535	Financial Assets at Amortized Cost - Non-Current (Note 4, 8, 9 and 35)	71,785	-	53,194	-	2540	Long-Term Debt (Note 21 and 35)	1,524,150	8	1,392,070	8
1550	Investments Accounted for Using Equity Method (Note 4 and 13)	322,657	2	292,180	2	2570	Deferred Income Tax Liabilities (Note 4 and 28)	790,157	4	705,380	4
1600	Property, Plant & Equipment (Note 4, 14 and 35)	4,096,892	22	3,959,992	23	2640	Net Defined Benefit Liabilities - Non- Current (Note 4 and 24)	115,019	1	149,410	1
1755	Right-of-use asset (Note 4, 15 and 35)	1,160,508	6	-	-	2670	Other Non-Current Liabilities (Note 23)	56,734	-	56,622	-
1760	Investment Property (Note 4 and 16)	17,760	-	17,760	-	25XX	Total Non-Current Liabilities	2,933,612	16	2,303,482	13
1805	Goodwill (Note 4, 17 and 30)	113,483	1	86,766	1	2XXX	Total Liabilities	7,841,704	43	7,008,383	40
1821	Other Intangible Assets (Note 4 and 18)	80,354	1	43,874	-		<b>Equity Attributable to Company Shareholders (Note 25)</b>				
1840	Deferred Income Tax Assets (Note 4 and 28)	288,146	2	251,359	1		Share Capital				
1985	Prepaid Rent - Non-Current (Note 19)	-	-	662,223	4	3110	Ordinary Shares	1,205,707	7	1,205,707	7
1990	Other Non-Current Assets (Note 20)	159,949	1	115,775	1	3200	Capital Reserve	2,103,848	11	2,108,235	12
15XX	Total Non-Current Assets	7,288,279	40	6,693,703	39		Retained Earnings				
						3310	Statutory Surplus Reserve	1,056,002	6	988,725	6
						3320	Special Surplus Reserve	313,321	1	313,321	2
						3350	Undistributed Earnings	4,740,757	26	4,207,525	24
						3300	Total Retained Earnings	6,110,080	33	5,509,571	32
						3400	Other Equity	321,105	2	804,110	5
						31XX	Total Owner's Equity	9,740,740	53	9,627,623	56
						36XX	Non-Controlling Interests	815,807	4	727,447	4
						3XXX	Total Equity	10,556,547	57	10,355,070	60
1XXX	Total Assets	\$ 18,398,251	100	\$ 17,363,453	100		Total Liabilities and Equity	\$ 18,398,251	100	\$ 17,363,453	100

The attached Notes are part of the consolidated financial statements.  
(Please refer to Audit Report of Deloitte & Touche on March 26, 2020)

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Consolidated Statement of Comprehensive Income  
For the Years Ended December 31, 2019 and 2018

Unit: NT\$1,000

(except earnings per share, which is denoted in NT\$)

Code		2019		2018	
		Amount	%	Amount	%
4000	Operating Revenue (Note 4, 26 and 34)	\$ 17,113,546	100	\$ 16,022,220	100
5000	Operating Cost (Note 11, 27 and 34)	<u>12,396,017</u>	<u>72</u>	<u>12,214,806</u>	<u>76</u>
5900	Gross Profit	<u>4,717,529</u>	<u>28</u>	<u>3,807,414</u>	<u>24</u>
	Operating Expenses (Note 10, 24 and 27)				
6100	Selling Expenses	1,703,986	10	1,677,805	10
6200	General and Administrative Expenses	866,071	5	780,891	5
6300	Research and Development Expenses	446,001	3	419,850	3
6450	Estimated Credit Impairment Loss	<u>19,442</u>	<u>-</u>	<u>27,858</u>	<u>-</u>
6000	Total Operating Expenses	<u>3,035,500</u>	<u>18</u>	<u>2,906,404</u>	<u>18</u>
6900	Net Operating Profit	<u>1,682,029</u>	<u>10</u>	<u>901,010</u>	<u>6</u>
	Non-Operating Income and Expenses (Note 13, 27 and 34)				
7010	Other Income	152,457	1	156,813	1
7020	Other Gain and Loss	( 6,057 )	-	18,454	-
7050	Financing Cost	( 69,224 )	-	( 61,694 )	-
7060	Share of Profit or Loss of Associates Accounted for Using Equity Method	<u>33,477</u>	<u>-</u>	<u>21,229</u>	<u>-</u>
7000	Total Non-Operating Income and Expenses	<u>110,653</u>	<u>1</u>	<u>134,802</u>	<u>1</u>
7900	Pre-Tax Profit	1,792,682	11	1,035,812	7
7950	Income Tax Expenses (Note 4 and 28)	<u>477,458</u>	<u>3</u>	<u>319,182</u>	<u>2</u>
8200	Net Profit of the Year	<u>1,315,224</u>	<u>8</u>	<u>716,630</u>	<u>5</u>

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Code		2019		2018	
		Amount	%	Amount	%
	Other Comprehensive Gain or Loss (Note 24, 25 and 28)				
8310	Items that will not be reclassified to profit or loss:				
8311	Remeasurement of Defined Benefit Plans	\$ 4,944	-	\$ 11,598	-
8316	Unrealized Valuation Loss (gain) on Investments in an Equity Instrument Measured at FVTOCI	( 315,887 )	( 2 )	( 349,496 )	( 2 )
8349	Income Tax Related to Items that will not be Reclassified	( 950 )	-	( 4,204 )	-
		( 311,893 )	( 2 )	( 342,102 )	( 2 )
8360	Items that may be Reclassified to Profit or Loss:				
8361	Exchange differences on translation of foreign financial statements	( 211,444 )	( 1 )	78,242	-
8399	Income Tax Related to Items that may be Reclassified	41,115	-	( 4,026 )	-
		( 170,329 )	( 1 )	74,216	-
8300	Total Other Comprehensive Income for the Year (net of tax)	( 482,222 )	( 3 )	( 267,886 )	( 2 )
8500	Total comprehensive income for the year	\$ 833,002	5	\$ 448,744	3
	Profit Attributable to:				
8610	Owners	\$ 1,228,200	7	\$ 672,775	4
8620	Non-Controlling Interests	87,024	1	43,855	-
8600		\$ 1,315,224	8	\$ 716,630	4
	Total Comprehensive Income Attributable to:				
8710	Owners	\$ 750,385	4	\$ 400,327	3
8720	Non-Controlling Interests	82,617	1	48,417	-
8700		\$ 833,002	5	\$ 448,744	3
	Earnings per Share (Note 29)				
9710	Base	\$ 10.19		\$ 6.15	
9810	Diluted	10.16		6.12	

The attached Notes are part of the consolidated financial statements.  
(Please refer to Audit Report of Deloitte & Touche on March 26, 2020)

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Consolidated Statement of Changes in Equity  
For the Years Ended December 31, 2019 and 2018

Unit: NT\$1,000  
(except earnings per share and share issuance price, which are denoted in NT\$)

Code		Equity Attributable to Owners						Subtotal	Total	Non-Controlling Interests	Total Equity	
		Capital	Capital Reserve	Statutory Surplus Reserve	Special Surplus Reserve	Undistributed Earnings	Exchange Difference on Conversion of Foreign Operations					Other Equity Financial Assets Measured at FVTOCI Unrealized Gain or Loss
A1	Balance as of January 1, 2018	\$ 1,086,207	\$ 1,290,212	\$ 900,538	\$ 313,321	\$ 4,158,679	( \$ 291,717 )	\$ 1,376,496	\$ 1,084,779	\$ 8,833,736	\$ 658,555	\$ 9,492,291
	Appropriation of Net Income in 2017 (Note 25)											
B1	Statutory Surplus Reserve	-	-	88,187	-	( 88,187 )	-	-	-	-	-	-
B5	Cash Dividend - NT\$5 per share	-	-	-	-	( 543,104 )	-	-	-	( 543,104 )	-	( 543,104 )
C17	Cost of Share-based Payment	-	358	-	-	-	-	-	-	358	-	358
D1	Net Profit for 2018	-	-	-	-	672,775	-	-	-	672,775	43,855	716,630
D3	Other Comprehensive Income after Tax in 2018	-	-	-	-	8,221	68,827	( 349,496 )	( 280,669 )	( 272,448 )	4,562	( 267,886 )
D5	Total Comprehensive Income in 2018	-	-	-	-	680,996	68,827	( 349,496 )	( 280,669 )	400,327	48,417	448,744
E1	Capital Increase - November 26, Issued at NT\$76.8 to 79.56 per Share (Note 25)	119,500	817,663	-	-	-	-	-	-	937,163	-	937,163
M5	Book Value Differences in Acquisition or Disposal of Shares from Subsidiaries (Note 31)	-	2	-	-	( 859 )	-	-	-	( 857 )	( 811 )	( 1,668 )
O1	Increase in Non-Controlling Interests	-	-	-	-	-	-	-	-	-	21,286	21,286
Z1	Balance as of December 31, 2018	1,205,707	2,108,235	988,725	313,321	4,207,525	( 222,890 )	1,027,000	804,110	9,627,623	727,447	10,355,070
A3	Impact of Retrospective Application (Note 3)	-	-	-	-	( 27,373 )	( 2,654 )	-	( 2,654 )	( 30,027 )	-	( 30,027 )
A5	Adjusted Balance as of 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 Net Income in 2018 (Note 25)											
B1	Statutory Surplus Reserve	-	-	67,277	-	( 67,277 )	-	-	-	-	-	-
B5	Cash Dividend - NT\$5 per share	-	-	-	-	( 602,854 )	-	-	-	( 602,854 )	-	( 602,854 )
D1	Net Profit for 2019	-	-	-	-	1,228,200	-	-	-	1,228,200	87,024	1,315,224
D3	Other Comprehensive Income after Tax in 2019	-	-	-	-	2,536	( 164,464 )	( 315,887 )	( 480,351 )	( 477,815 )	( 4,407 )	( 482,222 )
D5	Total Comprehensive Income in 2019	-	-	-	-	1,230,736	( 164,464 )	( 315,887 )	( 480,351 )	750,385	82,617	833,002
M7	From share of changes in equities of subsidiaries	-	( 4,387 )	-	-	-	-	-	-	( 4,387 )	4,387	-
O1	Increase in Non-Controlling Interests	-	-	-	-	-	-	-	-	-	1,356	1,356
Z1	Balance as of 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

The attached Notes are part of the consolidated financial statements.  
(Please refer to Audit Report of Deloitte & Touche on March 26, 2020)

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Consolidated Statement of Cash Flows  
For the Years Ended December 31, 2019 and 2018

Unit: NT\$1,000

C o d e		2019	2018
	Cash flow from operating activities		
A10000	Net Profit before Tax for the Year	\$ 1,792,682	\$ 1,035,812
A20010	Gains and Losses:		
A20100	Depreciation	371,136	279,946
A20200	Amortization	15,491	28,432
A20400	Estimated Credit Impairment Loss	19,442	27,858
A20900	Financing Costs	69,224	61,694
A21200	Interest Income	( 34,382 )	( 35,318 )
A21300	Dividend Income	( 55,462 )	( 98,176 )
A21900	Employee Stock Option Costs	-	358
A22300	Associates' Share of Profit (Loss)		
	Accounted for Using Equity Method	( 33,477 )	( 21,229 )
A22500	Loss on Disposal of Properties, Plants, and Equipment	380	4,650
A23100	Gain from disposal of investments	( 12,446 )	-
A23700	Allowance for Inventory Valuation and Obsolescence Loss	12,936	14,677
A23900	Goodwill Impairment Loss	-	3,048
A30000	Net Variable in Operational Assets/Liabilities		
A31130	Notes Receivable	13,382	5,091
A31150	Accounts Receivable	( 143,647 )	( 462,436 )
A31160	Accounts Receivable - Stakeholders	( 12,716 )	11,346
A31180	Other Receivables	17,062	( 162,489 )
A31200	Inventory	120,805	( 112,351 )
A31240	Other Current Assets	79,535	( 58,056 )
A31990	Other Non-Current Assets	644	( 2,509 )
A32125	Contract Liabilities	( 22,625 )	18,716
A32130	Notes Payable	( 16,787 )	( 16,819 )
A32150	Accounts Payable	53,505	( 15,220 )
A32180	Other Payables	56,626	7,669
A32230	Other Current Liabilities	( 18,115 )	98,705
A32240	Net Defined Benefit Liabilities	( 30,048 )	( 18,034 )
A32990	Other Non-Current Liabilities	<u>24,729</u>	<u>13,714</u>
A33000	Cash Flow from Operating Activities	2,267,874	609,079
A33100	Interest Income Received	28,949	33,390
A33300	Interest Paid	( 67,834 )	( 60,634 )
A33500	Income Tax Paid	( <u>365,000</u> )	( <u>425,915</u> )
AAAA	Net Cash Inflow from Operating Activities	<u>1,863,989</u>	<u>155,920</u>
	Cash Flow from Investment Activities		
B00040	Acquisition of Financial Assets Measured at Amortized Cost	( 829,420 )	( 255,737 )
B00010	Purchase of financial assets at fair value through other comprehensive income	( 82,367 )	-
B00050	Disposal of Financial Assets Measured at Amortized Cost	219,270	330,305

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<u>C o d e</u>		<u>2019</u>	<u>2018</u>
B00300	Proceeds from Capital Reduction of Investments Accounted for under financial assets at fair value through other comprehensive income	\$ 315	\$ -
B02200	Acquisition of net cash outflow from a <i>business</i>	( 48,195 )	-
B02700	Purchase of Properties, Plants, and Equipment	( 609,602 )	( 812,970 )
B02800	Disposition of PPE	33,703	15,904
B03700	Increase in Refundable Deposits	( 24,942 )	-
B03800	Decrease in Refundable Deposits	49,110	-
B04500	Purchased Intangible Assets	( 26,653 )	( 12,266 )
B05350	Acquisition of right-of-use asset	( 80,978 )	-
B07300	Increase in Prepaid Rent	-	( 59,186 )
B07600	Dividends Received	58,462	105,676
B09900	Disposition of right-of-use asset	<u>5,843</u>	<u>-</u>
BBBB	Net Cash Flow from Investing Activities (out)	( <u>1,335,454</u> )	( <u>688,274</u> )
	Cash Flow from Financing Activities		
C00100	Increase in Short-Term Loans	4,561,349	4,660,487
C00200	Decrease in Short-Term Loans	( 4,465,366 )	( 4,652,123 )
C00500	Increase in Short-Term Notes and Bills Payable	-	259,509
C00600	Decrease in Short-Term Notes and Bills Payable	-	( 379,432 )
C01600	Long-Term Loans Borrowed	2,963,409	3,226,780
C01700	Long-Term Loans Repaid	( 2,740,543 )	( 3,222,707 )
C03000	Increase in Guarantee Deposits	2,901	1,928
C03100	Decreases in Guarantee Deposits	( 1,041 )	( 996 )
C04020	Repayment of the principal portion of lease liabilities	( 46,233 )	-
C04500	Cash Dividends	( 619,816 )	( 543,508 )
C04600	Capital Cash Increase	-	937,163
C05400	Acquisition of Subsidiary Shares	-	( 1,668 )
C05800	Changes in Non-Controlling Equity	<u>18,318</u>	<u>21,690</u>
CCCC	Net Cash Flow from Financing Activities(out)	( <u>327,022</u> )	<u>307,123</u>
DDDD	Impacts of Exchange Rate Fluctuation on Cash and Cash Equivalents	( <u>138,257</u> )	<u>37,992</u>
EEEE	Net Increase (Decrease) in Cash and Cash Equivalents	63,256	( 187,239 )
E00100	Cash and Cash Equivalents at Beginning of Year	<u>3,679,348</u>	<u>3,866,587</u>
E00200	Cash and Cash Equivalents at End of Year	<u>\$ 3,742,604</u>	<u>\$ 3,679,348</u>

The attached Notes are part of the consolidated financial statements.  
(Please refer to Audit Report of Deloitte & Touche on March 26, 2020)

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Consolidated Financial Report  
January 1 to December 31, 2019 and 2018  
(Reviewed only, not audited in accordance with generally accepted auditing  
standards)  
(In NT\$ '000, unless otherwise specified)

(1) Company History

Nan Pao Resins Chemical Co., Ltd. (hereinafter called "Nan Pao" or "the Company") was founded in October 1963, and our main business concerns the manufacturing, wholesale, and retail of synthetic resins, synthetic plastics, adhesives, resin coatings, dyes, and pigments.

The Company was permitted to undertake public share issuance in May 2017, and in July of the same year, the Company's shares can be traded and sold as an emerging stock at the Taipei Exchange (GreTai Securities Market). The Company went public at the Taiwan Stock Exchange in November 2018.

The Consolidated Financial Report will be shown in New Taiwan Dollars (NT\$), the Company's functional currency.

(2) Date and procedures of the passage of the Financial Report

The Consolidated Financial Statements were released on March 26, 2020, after being approved by the Board of Directors.

(3) Applicability of New Announcements and Standards and Interpretations of Amendments

- i. The first application of the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), the International Financial Reporting Interpretations Committee (IFRIC), and the Standard Interpretations Committee (SIC) (hereinafter called "IFRSs") endorsed by the Financial Supervisory Commission (hereinafter called "FSC").

With the exception of the following, the applicability of the aforementioned revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and announced by the FSC should not result in major changes to the accounting policies of the Company:

IFRS 16 "Leases"

IFRS 16 regulates the recognition of lease agreements, as well as lessor and lessee accounting. The standard supersedes IAS 17 "Leases" and IFRIC 4 "Determining Whether an Arrangement Contains a Lease". See Note 4 for the relevant accounting policies.

Definition of "Leases"

The Company will choose whether to conform to (or include) the lease based on IFRS 16 for the contract signed or changed after January 1, 2019. Contracts currently considered to be leasing contracts according to IAS 17 and IFRIC 4 will not be re-evaluated and will be processed in accordance with the transitional provisions of IFRS 16.

The Company is the lessee.

Except for the low-value target asset leases and short-term leases, the leases are recognized on a straight-line basis, and other leases will recognize the right-of-use assets and lease liabilities on the Consolidated Balance Sheet. The Consolidated Statements of Comprehensive Income will state clearly and separately the depreciation expense of the right-of-use assets and the interest expenses accrued on the lease liabilities. The interest should be calculated using the effective rate method. On the Consolidated Statements of Cash Flows, cash payments for the principle of lease liabilities will be classified under

financing activities, whereas cash payments for interest of lease liabilities will be classified under operating activities. Prior to the application of IFRS 16, expenses for contracts classified as operating leases were recognized through a straight-line basis, and leases prepaid for obtaining the right-of-use for land were recognized as prepaid rent. Cash flow from operating leases is shown in operating activities on the Consolidated Statement of Cash Flow. Contracts classified as financing leases were recognized as rental assets and rent payable on the Consolidated Balance Sheet.

The Company adjust the cumulative impact of the retroactive application of IFRS 16 to the assets, liabilities and retained earnings on January 1, 2019, without recompiling the comparative information.

Previously agreements processed as operating rental contracts under IAS 17 will be discounted by the remaining lease payments at the increase borrowing rate of the lessee on January 1, 2019. Certain right-of-use assets will be measured as lease liabilities on that day (and the amount of the prepaid or rent payable previously recognized will be adjusted). A portion of the right-of-use asset is discounted at the aforementioned interest rate and measured as if IFRS 16 had been applied at the commencement date of the lease. For the following practical expedients(2), the recognized right-of-use assets will be subject to IAS 36 assessment impairment.

The Company is expected to adopt the following practical expedients:

1. A single discount rate is used to measure the lease liability for a lease combination with reasonably similar characteristics.
2. The lease contract liabilities recognized at the end of 2018 will be adjusted for the right-of-use assets as of January 1, 2019, and will not be assessed for impairment according to IAS 36.
3. Leases that are closed before December 31, 2019, will be treated on a short-term lease basis.
4. The original direct cost is not included in the measurement of the right-of-use assets on January 1, 2019.
5. When measuring the lease liabilities, after sight will be used for decisions on the lease term.

For the leases classified as finance leases under IAS 17, the carrying amount of the lease assets and lease liabilities on December 31, 2018, will be used as the carrying amount of the right-of-use assets and lease liabilities on January 1, 2019.

The weighted average lessee's incremental borrowing rate used by the Company to calculate lease liabilities recognized on January 1, 2019 is 4.17%. The reconciliation between the lease liabilities recognized and the future minimum lease payments of non-cancellable operating lease on December 31, 2018 is presented as follows:

Total amount of future minimum lease payments under non-cancellable operating leases on December 31, 2018	\$ 539,095
Less: Short-term leases to which exemption is applicable	( 36,836)
Less: Leases of low-value assets to which exemption is applicable	( 2,001)
Undiscounted total amount total on January 1, 2019	<u>\$ 500,258</u>
Present value discounted at the incremental borrowing rate of interest on January 1, 2019	\$ 482,289

Add: Obligation under finance leases on December 31, 2018	26,247
Lease liabilities on January 1, 2019	<u>\$ 508,536</u>

The Company is the lessor.

No adjustments will be made to the lessor's leases during the transition and IFRS 16 will be applied from January 1, 2019.

Adjustments to assets, liabilities and equity on January 1, 2019 due to first-time adoption of IFRS 16 were listed as follows:

	January 1, 2019 Amount before restatement	Adjustment due to first- time adoption	January 1, 2019 Amount after restatement
Prepaid leases - current	\$ 15,335	(\$ 15,335)	\$ -
Prepaid leases - non-current	662,223	( 662,223)	-
Property, plant and equipment	8,198	( 8,198)	-
Right-of-use assets	-	1,137,621	1,137,621
Other current assets	266	( 266)	-
Deferred tax assets	251,359	663	252,022
Effect on assets		<u>\$ 452,262</u>	
Lease liabilities - current	\$ -	\$ 54,341	\$ 54,341
Other current liabilities	\$ 24,406	(\$ 24,406)	\$ -
Lease liabilities - non-current	-	454,195	454,195
Other non-current liabilities	1,841	( 1,841)	-
Effect on liabilities		<u>\$ 482,289</u>	
Retained earnings	\$ 4,207,525	(\$ 27,373)	\$4,180,152
Other equity	804,110	( 2,654)	801,456
Effect on equity(Note)		<u>( \$ 30,027)</u>	

Note: RLA Polymers Pty Ltd. is deemed to have applied the effects of IFRS16 on the commencement date of the lease.

ii. FSC-endorsed IFRSs that are applicable from 2020 onwards

New announcements/revisions/standards and interpretations of amendments	Effective Date of Publication by IASB
Amendments to IFRS 3, "Business Combinations"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7, "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8, "Definition of Materiality"	January 1, 2020 (Note 3)

Note 1: The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

Note 2: Accounts in the fiscal years starting after January 1, 2020 shall be applicable to this amendment.

Note 3: The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

### 1. Amendments to IFRS 3, "Business Combinations"

The amendments clarified that to be considered a business, activities and assets acquired from business combination must include, at a minimum, an input and a substantive process that handles input that together significantly contribute to the ability to create outputs. The definitions of outputs will focus on goods and services provided to customers by removing the payment method that helps reduce costs in the definition of output. It also removes the requirement for the acquirer to assess whether market participants have the ability to replace the missing input and processes to continue to provide output.

In addition, the amendments added a concentration test that permits a simplified assessment of whether an acquired set of activities and assets is a business. Corporates may elect whether or not to apply the test.

### 2. Amendment to IAS 1 and IAS 8 "Definition of Material"

The definitions of materiality were not changed in the amendment which only provided explanations that are easier to understand. Amended the definition of materiality and provided additional explanation that non-material information may cause obscuring of material information. In addition, IAS 1 previously used "possible influence on users" as the criteria for materiality. The amendment changed the criteria to "reasonably be expected to influence decisions of users".

Apart from the aforementioned effects, After the passage of the Consolidated Financial Report, the Company will continue to assess the impact of the revision of other standards and interpretations on the financial condition and performance. The related impact will be disclosed on the completion of the assessment.

### iii. IFRSs announced by IASB but not yet approved by the FSC nor in effect

<u>New announcements/revisions/standards and interpretations of amendments</u>	<u>Effective Date of Publication by IASB (Note)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be Determined
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendment to IAS 1 to "classify liabilities as current or non-current"	January 1, 2022

Note : Unless otherwise stated, the aforementioned New Publication/Amendment/ Standards and Interpretations of Amendments are effective from the fiscal year after their respective dates.

### Amendment to IAS 1 to "classify liabilities as current or non-current"

The amendment was made to clarify that when liabilities are classified as non-current, the merged company's right for deferred repayment of at least 12 months after the reporting period at the end of the reporting period must be evaluated. If the merged company has the right at the end of the reporting period, the liability is classified as non-current regardless of whether the merged company plans to exercise the right. The amendment also clarified that if the merged company is required to comply with certain conditions before it gains the right to defer the liabilities, the merged company must have

followed the specified conditions at the end of the reporting period, even if the lender tested the merged company for compliance with these conditions at a later date.

The amendment specifies that to achieve the purpose of debt classification, the aforementioned full repayment refers to the transfer of cash, other economic resources or equity instruments of the merged company to the transaction counterparty to eliminate of the liabilities. Terms of a liability that could, at the option of the counterparty, result in full repayment by the transfer of equity instruments of the merged company. In addition, if the option is recognized separately in equity in accordance with the provisions of IAS 32 "Financial Instruments: Presentation", the provisions described above shall not affect the classification of liabilities.

Besides the effects mentioned and up until the publishing date of the consolidated financial statements, the combined Company is continuing to assess the amendment effects from other standards and interpretations on financial status and performance. Relevant effects shall be disclosed when assessment is completed.

#### (4) Description of Material Accounting Policies

##### i. Statement of Compliance

The consolidated financial statements are prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs endorsed and announced by the FSC.

##### ii. Basis of Preparation

In addition to assessment of financial instruments based on their fair value and the present value of defined benefit obligations minus net defined benefit liabilities recognized at fair value, the Consolidated Financial Report is prepared on a historical basis.

Fair value measurement is divided into three levels based on observability and materiality of the related input:

1. Level 1 Input Value: The offer price (unadjusted) of similar assets or liabilities available in the market on day of assessment.
2. Level 2 Input Value: refers to market inputs other than Level 1 inputs as directly observable (i.e., the price) or indirectly observable (i.e., deduced from the price) assets or liabilities.
3. Level 3 Input Value: refers to unobservable inputs of assets or liabilities.

##### iii. 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 of the balance sheet date; and
3. Cash and Cash Equivalent (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities with settlement in the 12 months after the balance sheet date;
3. Liabilities for which settlement date cannot be extended unconditionally to more than 12 months after the balance sheet date.

Other types of assets or liabilities are classified as non-current assets.

##### iv. Basis of the Merger

The Consolidated Financial Statement includes the Company and entities it controls (subsidiaries). The Consolidated Income Statement has been included in operating loss and profit for acquisition or disposal of subsidiaries from the date of acquisition or up until the date of disposal. The financial statements of subsidiaries have been adjusted to align its accounting policies with those of the Company. All transactions, account balances, income, and expenses between the entities have been written off. The comprehensive income of a subsidiary belongs to the owners of the Company as also its non-controlling interests, even if the latter becomes a deficit balance.

When a change affecting the ownership of the subsidiary does not cause the Company to lose control of the subsidiary, it will be treated as equity transactions. The carrying amount of the Company and its non-controlling interests have been adjusted to reflect the relative changes in the equity of the subsidiary. The difference between the adjusted non-controlling interest amount and its paid or received fair value consideration will be considered as equity belonging to the owners of the Company.

For details on subsidiaries, shareholding ratio, and business items, please refer to Note 12 and table 7 and 8.

v. Business Combination

The acquisition method is applied to business combinations. Acquisition costs are listed in the period of its incurrence and service.

Goodwill is measured by adding the fair value of consideration transferred and fair value of the acquirer's previously owned acquiree equity on acquisition date minus the net value of identifiable assets and assumed liabilities on acquisition date.

Acquirees have current ownership interests and non-controlling interests based on ratios for net assets during settlement. It is measured by the fair value of each consolidated transaction. Other non-controlling interests are measured at fair value.

Besides the effects mentioned and up until the publishing date of the consolidated financial statements, the combined Company is continuing to assess the amendment effects from other standards and interpretations on financial status and performance. Relevant effects shall be disclosed when assessment is completed. If the change in the fair value of the contingent consideration is an adjustment of the measurement period, it is a retrospective adjustment of the acquisition cost and a relative adjustment of the goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) are about facts and circumstances that existed on the acquisition date.

vi. Foreign Currency

In preparing each individual financial statement, transactions denominated in a currency other than the entity's functional currency (i.e. foreign currency) are converted into the entity's functional currency using the exchange rate on the date of transaction.

Monetary items denominated in foreign currencies are converted using the closing rates on the balance sheet date. Differences in delivery or conversion of monetary items are recognized in profit or loss in its period of occurrence.

Non-monetary items denominated in foreign currencies measured at fair value are converted using exchange rate on date of fair value determination. The differences are recognized under profit and loss of the period. For changes in fair value recognized in other comprehensive income, the differences arising from the exchange are recognized in other comprehensive income.

Non-monetary items denominated in foreign currencies and measured at historical cost are converted using exchange rates on date of transaction, and are not re-converted.

When preparing Consolidated Financial Statements, assets and liabilities of overseas entities (including currency of the country or subsidiaries with different currency and associates) are converted into New Taiwan Dollars with the exchange rates on each balance sheet date. Income and expense items are converted at the average exchange rate for the period. The exchange differences are recognized in other comprehensive income, and are attributed to the owners of the Company and non-controlling interests respectively.

If the Company dispose all interests of overseas entities, the cumulative exchange differences will be reclassified under gain or loss.

vii. Inventories

Inventories include raw materials, merchandise, work in progress, finished goods and semi-finished products and inventory in transit. Inventories are measured by taking the lower value between cost and net realizable value. When comparing the two, individual items are

used as the basis except for same-category inventory. The NRV is the estimated selling price under normal circumstances less estimated costs for completion and estimated costs necessary to make the sale. Cost of inventory is calculated using the weighted-average method.

viii. Investment in the Associates

Affiliate enterprises (referred to as "associate" in IFRS 10) are companies in which the Company has major influence in but they are neither its subsidiaries nor joint ventures.

The Company follows the equity method for investment in associates.

Under the equity method, investments are initially recognized at cost. The carrying amount of such investments after acquisition date changes in accordance with the Company's share of associates' gain or loss and other comprehensive income, as well as profit allocation. In addition, equity changes in associates are recognized based on shareholding ratio.

Acquisition cost is listed as goodwill when it exceeds the net fair value of the associates' identifiable assets and liabilities on date of acquisition. The goodwill includes the investment's carrying amount and shall not be amortized. The net fair value of the Company's identifiable assets and liabilities from the associates' on date of acquisition, if it exceeds acquisition cost, is listed under profit and loss for the period.

When the Company assesses impairment, the investment's entire carrying amount (including goodwill) is treated as a single asset and is compared to recoverable and carrying amount as impairment testing. Recognized impairment loss is not allocated to any component of the investment carrying amount, including goodwill. Any reversal of impairment loss is recognized within the increasing scope of the investment's recoverable amount.

The Company will no longer apply the equity method when its associates' investment ceases. The retained equity is measured at fair value. The difference in carrying value between the fair value, disposal proceeds, and investment carrying value on date of cessation is recognized under profit and loss. For any amount related to associates recognized in other comprehensive income, the accounting basis is the same as that followed by the Company for direct disposal of related assets or liabilities.

Gain or loss arising from reverse, downstream and cross-stream transactions between the Company and associates are only recognized in the Consolidated Financial Statements if it does not regard the scope of the Company's equity in the associate.

ix. Property, Plant, and Equipment

Property, plant and equipment (including assets held under financial leases) are recognized at cost, and subsequently calculated at cost less accumulated depreciation and accumulated impairment loss.

PP&E in construction is recognized at cost less accumulated impairment loss. The cost includes professional service expenses and borrowing costs eligible for capitalization. When these assets are completed and ready for use, they are classified as property, plant or equipment, and listed for depreciation.

Each material section of property, plant and equipment is depreciated using the straight-line method over its useful life. The Company reviews estimated useful life, residual value, and depreciation methods at least at the end of each year, and extend the effects of changes from accounting estimates.

Upon derecognition of property, plant and equipment, the difference between net disposal proceeds and the asset's carrying value is recognized as gain or loss.

x. Investment Property

Investment property is land whose future use is not yet determined.

Investment property is measured initially at cost (including transaction costs), and subsequently at cost less accumulated impairment loss.

Property, plant and equipment are listed under investment property with carrying amount at end of use.

Upon derecognition of investment property, the difference between net disposal proceeds and the asset's carrying value is recognized under gain or loss.

xii. Goodwill

Goodwill acquired through business combination uses the amount on the day of acquisition as its cost, and is subsequently measured at cost less accumulated impairment loss.

For the purpose of impairment testing, goodwill is allocated to each cash-generating unit or group ("CGU") that is expected to benefit from the synergies of business combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually (also when the unit shows signs of impairment) by comparing the carrying amount with goodwill and recoverable amount. If the goodwill of cash-generating unit is acquired through the year's business combination, the unit is tested for impairment before the end of the same year. If the recoverable amount of cash-generating unit to which goodwill is allocated is less than its carrying value, then impairment loss is the carrying value and the carrying value of other assets is reduced based on its ratio. Any impairment loss is recognized directly as profit and loss. Loss in impairment of goodwill cannot be reversed subsequently.

xiii. Intangible assets

1. Separate Acquisition

The intangible assets acquired separately are measured at cost, and subsequently at cost less accumulated amortization and impairment loss. Intangible assets are amortized on a straight-line basis over their useful life. They are reviewed at least once at the end of the fiscal year to assess its useful life, residual value, amortization methods, and to extend the effects of changes in accounting estimates.

2. Acquired in a Business Combination

Intangible assets acquired through business combinations are recognized at fair value on the date of acquisition and separately from goodwill. They are subsequently measured in the same way as separately-acquired intangible assets.

3. Derecognition

When derecognizing intangible assets, the difference between net disposal proceeds and asset's carrying value is recognized under profit and loss of the period.

xiii. Impairment of Tangible and Intangible Assets (other than goodwill)

The Company assesses on each balance sheet date for possible impairment of tangible and intangible assets (other than goodwill). If there is any sign of impairment, the asset's recoverable amount is estimated. If the recoverable amount for an individual asset cannot be determined, the Company will estimate the recoverable amount from its cash-generating unit.

The recoverable amount is defined as the higher value between "fair value less costs to sell" and "value in use." If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying value, the carrying value of the asset or cash-generating unit is reduced to its recoverable amount with impairment loss recognized in gain and loss.

When impairment loss is reversed subsequently, carrying value of the asset or cash-generating unit is increased to the recoverable amount after amendment, provided the carrying value is less than the one recognized in impairment loss from previous years (less amortization or depreciation). Reversed impairment loss is recognized under gain or loss.

xiv. Financial Instruments

Financial assets and liabilities are recognized in the consolidated balance sheet when they become part of the instrument contract clauses in the Company.

While recognizing financial assets and liabilities, if their fair value is not evaluated based on gain or loss, they will be measured using fair value plus transaction costs directly attributable to the acquisition or issuance of the financial asset or liability. Transaction costs directly attributable to the acquisition or issuance of financial assets or liabilities at fair value through profit or loss are recognized as gain or loss.

## 1. Financial Assets

The customary trading of financial assets is recognized and derecognized on the trading day.

### (1) Measurement Types

Financial assets held by the Company are measured at amortized cost and equity instrument investments are measured at fair value through other comprehensive income.

#### A. Financial assets measured at amortized cost

When the Company's investments in financial assets satisfy the following two conditions simultaneously, they are classified as financial assets measured at amortized cost:

- (a) Held under a certain business model of which the objective of holding the financial assets is to collect contractual cash flows; and
- (b) Cash flow generated on specific dates of contractual terms, that are solely payments of principal and interests on principal amount outstanding.

After initial recognition, financial assets measured at amortized cost (including cash and cash equivalents, receivables, other receivables, and debt instrument investments) become the total carrying value through the effective interest method less any impairment loss at amortized cost. Any gain or loss from foreign currency exchange are recognized as gain or loss.

Except for the following two circumstances, interest revenue is calculated by multiplying effective interest rates and total carrying value of financial assets:

- (a) For purchased or originated credit-impaired financial assets, interest revenue is calculated by multiplying the credit-adjusted effective rates to the financial assets at amortized cost.
- (b) For credit impairment not from purchase or origin, but becomes credit impaired financial assets subsequently, interest revenue is calculated by multiplying effective rates from the next reporting period to the financial assets at amortized cost.

Credit-impaired financial assets refer to cases of significant financial difficulties of the issuer or the debtor, breach of contract, substantial increase of likelihood that the debtor will petition for bankruptcy or other financial reorganization, or the disappearance of the financial asset from the active market due to financial difficulties.

Cash equivalents include fixed deposits acquired for less than 3 months, which are highly liquid, and can be easily converted into cash, fixed deposits or bank's acceptance bill at any time with minimum price fluctuation and can be used to satisfy short-term cash commitments.

#### B. Investments in equity instruments measured at FVTOCI

The Company may, at initial recognition, make an irrevocable election to designate an equity instrument that is neither held for trading nor recognized by acquiree's contingent consideration to be measured at FVTOCI.

Investments in an equity instrument measured at FVTOCI are measured at fair value, and any subsequent changes in fair value are recognized under other comprehensive income and accumulated in other equities. Upon disposal of investment, accumulated loss and profit are directly transferred to retained earnings and are not reclassified to profit or loss.

Dividends from investments in equity instruments measured at FVTOCI are recognized under gain or loss when the Company's right to receive payment is established, unless such dividends clearly represent the recovery of a part of certain investment costs.

(2) Impairment Loss of Financial Assets

The Company assesses impairment loss of financial assets (including accounts receivable) measured at amortized cost on the balance sheet date based on estimated credit loss.

Accounts receivable are recognized as allowance loss based on expected credit loss during the duration of the period. Other assets are assessed for significant increase in credit risk since initial recognition. If credit risk has not increased significantly, they are recognized for 12-month loss allowance from expected credit loss. If credit risk has increased significantly, they are recognized for loss allowance from expected credit loss during the duration of the period.

The expected credit loss is the weighted average of credit loss with the risk of a default occurring as weightings. The 12-month expected credit loss represents the expected credit loss from possible default events within 12 months of reporting date, whereas the full lifetime expected credit loss represents the expected credit loss from possible default events over the life of the financial instruments.

For the purpose of internal credit risk management, the merged company, without considering the collateral it holds, determines that the following circumstances represent a default in financial assets:

- A. Where there is internal or external information showing that the debtor is no longer able to pay off the debt.
- B. Where the debt is overdue more than 365 days, unless there is reasonable and authenticated information showing that the delayed default basis is more appropriate.

The impairment loss on all financial assets is accounted for by reducing the carrying amount of the allowance account.

(3) Derecognition of Financial Assets

The Company derecognizes the financial assets when the contractual rights to the cash inflow from the assets expire or when the Company transfers all the risks and rewards of ownership of the financial assets to other enterprises substantially.

2. Financial Liabilities

(1) Subsequent Measurement

Financial liabilities are measured at amortized cost by effective interest methods.

(2) Derecognition of Financial Liabilities

When derecognizing financial liabilities, the difference between its carrying value and paid consideration (including any transferred non-cash assets or liabilities) is recognized in the profit or loss account.

xv. Revenue Recognition

After the Company has identified the performance obligations of the customer's contract, the Company shall distribute the transaction price to each performance obligation and recognize revenue when the performance obligations are met.

1. Sales Revenue from Commodities

Sales revenue from commodities comes from total sales of adhesives, coatings, and building materials. For adhesives, coatings, and building materials, the customer has the right to set the price and usage of the commodity after the terms of trade are fulfilled or the counterparty has inspected and accepted the commodities. The

customer is liable for the reselling of the goods and assumes risk of product obsolescence. The Company will recognize revenue and accounts receivable at that time. Advance payments are recognized as contract liabilities before the terms of trade of the products are fulfilled.

When supplying materials for processing, control of the processed goods is not transferred, in which case it is not recognized as revenue.

2. Service revenue

For commodity purchase services, no guarantees are made by the Company before ordering. Therefore, there is no inventory risk. The Company acts as an intermediary for purchasing commodities with no subsequent obligations and recognizes net revenue when product is transferred to the customer.

xvi. Leases

2019

The merged company evaluates whether a contract belongs to (or includes) a lease on the contract establishment date.

For contracts that include both lease and non-lease components, the merged company apportions considerations in contracts based on relative stand-alone prices and processes them separately.

1. The merged company is the lessor.

Leases in which the lessee assumes substantially almost all the risks and rewards of ownership are classified as finance leases.

2. The merged company is the lessee

Except that payments for leases of low-value assets and short-term leases to which exemption is applicable are recognized as expenses on a straight-line basis over the lease term, other leases recognize right-of-use assets and lease liabilities on the lease start date.

Right-of-use assets are initially measured at cost (including the initially measured amount of lease liabilities, the lease payments paid before the lease start date less the lease incentives received, the initial direct cost, and the estimated cost of restoring underlying assets), and subsequently measured at cost less the amount after deducting accumulated depreciation and accumulated impairment losses, while adjusting the re-measurement of lease liabilities. Right-of-use assets are expressed separately in the consolidated balance sheet.

Right-of-use assets are depreciated on a straight-line basis from the lease start date to the end of the useful life or the expiration of the lease term, whichever is earlier. Underlying assets whose ownership will be obtained during the expiration of lease term or right-of-use assets whose costs reflect the exercise of purchase option are listed for depreciation from the lease start date to the end of the useful life of the underlying assets.

Lease liabilities are initially measured at the present value of lease payments (including fixed payments and changes in lease payments depending on an index or a rate). If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at the interest rate. If the interest rate cannot be easily determined, the lessee's incremental borrowing rate of interest shall be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, while interest expenses are amortized over the lease term. If the lease term and changes in lease payments depending on an index or a rate result in changes in future lease payments, the merged company re-measures lease liabilities and adjusts

right-of-use assets. However, if the carrying amount of right-of-use assets has been reduced to zero, the remaining re-measured amount is recognized in profit or loss. Lease liabilities are expressed separately in the consolidated balance sheet.

Changes in leases that do not depend on an index or a rate in lease agreements are recognized as expenses in the period in which they take place.

#### 2018

When lease terms transfer most risks and rewards of asset ownership to the lessee, they are classified as finance leases. All other leases are classified as operating leases.

1. The merged company is the lessor.

Revenue from operating leases is recognized as revenue on a straight-line basis over the relevant lease term.

2. The merged company is the lessee

Finance leases are listed as cost using the lower of the total present value of lease payments or the fair value of lease assets on the lease start date, and are also recognized as obligation under financial leases.

The interest rate implicit in leases paid in each term is listed as financial expense in the current period, and is capitalized if it is directly attributable to assets that meet the requirements.

Operating lease payments are recognized as expenses on a straight-line basis during the lease term.

3. Land and Building Leases

When leases include land and building elements, the merged company classifies them as finance or operating leases based on whether almost all risks and rewards from ownership of the elements have been transferred to the lessee. Minimum lease payments shall be apportioned to land and buildings in proportion to the fair value of land and building lease rights on the lease start date.

If lease payments can be apportioned reliably to these two elements, each element is treated according to the applicable lease classification. If lease payments cannot be apportioned reliably to these two elements, the entire lease is classified under finance leases. However, if both elements clearly meet the standards of operating leases, the entire lease is classified under operating leases.

#### xvii. Borrowing Costs

Borrowing costs of loans directly attributable to acquisition, construction, or production of assets that meet requirements is considered part of the asset's cost until it reaches the stage of functional use or is ready for sale.

Certain loans such as eligible capital expenditure that generates revenue from temporary investments are deducted from borrowing costs that meet capitalization conditions.

Except for the above, all other borrowing costs are recognized under profit and loss during period of incurrence.

#### xviii. Employee Benefits

1. Short-Term Employee Benefits

Short-term employee benefit-related liabilities are measured as non-discounted cash that is expected to be paid in exchange for employee services.

2. Post-Employment Benefits

Pension from defined contribution plans is based on the amount of pension that should be paid during the period in which the employee provides the service and shall be recognized as an expense.

Defined benefit cost (including service cost, net interest and remeasurements) of defined pension plans is determined using projected unit credit method. Service cost (including current and previous service costs) and net interests from net defined benefit liabilities (assets) are recognized as employee benefit expense when they incur, or during amendment or curtailment of the plan. Remeasurement (including actuarial loss and profit as well as return on plan assets after interest deduction) is recognized under other comprehensive income and is listed in retained earnings. It will not be reclassified under profit and loss in subsequent periods.

Net defined benefit liabilities (assets) are shortfall (surplus) for defined benefit pension plans. Net defined benefit assets cannot exceed present value of the plan's returned contributions or possible decrease in future contributions.

xix. Share-Based Payment Arrangement

Employee stock options are based on the fair value of equity instruments on grant day and the best estimate of the expected value. The expenses are recognized on a straight-line basis over the vested period, and the capital reserve-employee stock options are adjusted at the same time. If vested at grant date, expense is recognized in full at the same date. The Company establishes cash replenishment and retains employee subscription, which is the date on which the underwriting price is determined.

xx. Income Tax

Income tax expense is the sum of current income tax and deferred income tax.

1. Current Income Tax

The surtax on unappropriated earnings calculated in accordance with the Income Tax Act is recognized annually at the shareholder's meeting.

Adjustments to income tax payable in prior years are listed under current income tax.

2. Deferred Tax

Deferred income tax is calculated at the temporary differences between carrying value of assets and liabilities, and tax base used to determine the taxable income.

Deferred income tax liabilities are generally recognized for taxable temporary differences, whereas deferred tax assets are recognized when taxable income is likely available for deducting temporary differences, impairments and other expenditures.

Taxable temporary differences from associates and subsidiaries are recognized under deferred tax liabilities, except when the Company is able to control reversal of temporary difference which is not likely to be reversed in the foreseeable future. Deferred tax assets are recognized for deductible temporary differences related to such investments only to the extent that it is likely that taxable income will be used to achieve temporary differences within the foreseeable future.

The carrying value of deferred tax assets is reviewed on each balance sheet date, and reduced when taxable income is not likely to be sufficient to recover all or part of the assets. Unrecognized deferred tax assets are reviewed on each balance sheet date, and the carrying amount is increased when taxable income is likely to be sufficient to recover all or part of the assets.

Deferred tax assets and liabilities are measured at tax rates expected for liability settlement or asset realization of the same period. Tax rates are based on tax laws enacted or substantively enacted on the balance sheet date. Measurement of deferred tax liabilities and assets reflects tax results on the balance sheet date when the Company is expected to recover or settle the carrying amount of its assets and liabilities.

3. Current and Deferred Income Tax

Current and deferred income tax is recognized in profit and loss, except when recognized respectively in other comprehensive income or in equity.

If current income or deferred tax arises from business combination, tax effects are included in combined accounting.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

When the Company adopts accounting policies, the management must make judgements, estimates, and assumptions based on past experiences and other relevant factors from other sources that are not readily accessible. The actual results may differ from original estimates.

Management will continue to review estimates and basic assumptions. If an amendment of estimates only affects the current period, it shall be recognized in the current period of amendment; if an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the current year and future periods.

Income Tax

To continue to expand the scales of operation of the Company and support the working capital needs of overseas joint venture companies, the management level has decided that the retained earnings as of the end of 2017 from certain Mainland China subsidiaries will be first attributed to permanent investment (resolution passed by the Company's Board of Directors on June 6, 2018). The deferred income tax liabilities are not estimated based on the retained earnings of the above subsidiaries. If the surplus is remitted in the future, it may give rise to material deferred income tax liabilities, which will be recognized in profit or loss at time of incurrence.

(6) Cash and Cash Equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on Hand and Petty Cash	\$ 11,063	\$ 8,843
Bank Check and Demand Deposit	3,382,128	3,308,965
Cash Equivalents (investments with original maturity date of less than three months)		
Bank's Acceptance Bill	-	10,189
Bank Fixed Deposit	<u>349,413</u>	<u>351,351</u>
	<u>\$ 3,742,604</u>	<u>\$ 3,679,348</u>

The interest rate interval of bank fixed deposits on the Balance Sheet date is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bank Fixed Deposit	0.66% - 6.3%	0.66% - 5.5%

(7) Financial Assets Measured at FVTOCI - Non-Current

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Domestic Investment		
Unlisted Stocks	<u>\$ 976,745</u>	<u>\$ 1,210,580</u>

The Company invests in the aforementioned equity instruments based on medium and long-term strategic purposes and expects to make a profit through long-term investments. The Company's management believes that it is not consistent with the aforementioned long-term investment planning if short-term fair value changes of such investments are listed in profit and loss. Therefore, the Company elects to designate such investment as to be measured at FVTOCI.

The equity instruments held by the Company measured at FVTOCI are not pledged.

(8) Financial Assets Measured at Amortized Cost

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Current</u>		
Fixed Deposit with Original Maturity Date over 3 months (I)	\$ 345,729	\$ 187,386

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Restricted Time deposits (1)	19,987	5,791
Restricted demand deposit (2)	382,835	-
Refundable Deposit	<u>1,064</u>	<u>2,891</u>
	<u>\$ 749,615</u>	<u>\$ 196,068</u>

Non-Current

Fixed Deposit with Original Maturity Date over 3 Months (I)	\$ 43,051	\$ -
Restricted Time deposits (1)	5,154	7,134
Refundable Deposit	<u>23,580</u>	<u>46,060</u>
	<u>\$ 71,785</u>	<u>\$ 53,194</u>

- (I) As of December 31, 2019 and 2018, the annual interest rate interval of fixed deposits were 0.66% - 2.8% and 0.66% - 6.75% respectively.
- (II) Restricted demand deposits as of December 31, 2019 are funds that the merged company shall deposit into the dedicated bank account in accordance with the Management, Utilization, and Taxation of Repatriated Offshore Funds.
- (III) For information on credit risk management regarding financial assets measured at amortized cost, as well as impairment assessment, please refer to Note 9.
- (IV) For information on pledge of financial assets measured at amortized cost, please refer to Note 35.

(9) Credit Risk Management for Debt Instruments

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Measured at Amortized Cost - Current	\$ 749,615	\$ 196,068
Measured at Amortized Cost - Non-Current	<u>71,785</u>	<u>53,194</u>
	<u>\$ 821,400</u>	<u>\$ 249,262</u>

The Company's policy is to invest only in debt instruments with low credit risks as determined by impairment assessment. The Company takes into account historical default loss rate, current financial status of debtors and industry prospects. The Company measures 12-month expected credit loss or expected lifetime credit loss of debt instruments. Due to low credit risk of debtors and sufficient cash flow for contract settlement, expected credit loss for financial assets measured at amortized cost has not been listed as of December 31, 2019 and 2018.

(10) Notes Receivable, Accounts Receivable (including affiliates), and Other Receivables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Notes Receivable</u>		
Arising from Operations	<u>\$ 280,023</u>	<u>\$ 293,405</u>
<u>Accounts Receivable (including affiliates)</u>		
Measured at Amortized Cost		
Total carrying amount	\$ 3,578,332	\$ 3,516,825
Less: Allowance for Impairment/Bad Debts	<u>48,595</u>	<u>46,716</u>
	<u>\$ 3,529,737</u>	<u>\$ 3,470,109</u>
<u>Other Receivables</u>		
Gross carrying amount	<u>\$ 189,685</u>	<u>\$ 201,967</u>

### Accounts Receivable at Amortized Cost

Average credit period for commodity sales from the Company ranges from 30 to 180 days. Interest is not calculated for accounts receivable. To lower credit risks, management of the Company has delegated teams to handle credit limits, credit approval, and other monitoring procedures to ensure appropriate actions have been taken to recover overdue receivables. In addition, the Company reviews recoverable amount of each receivable on the balance sheet date to ensure impairment loss is recognized for unrecoverable receivables. Accordingly, management of the Company believes that credit risk has been significantly reduced.

The Company takes into account customer's default history and current financial status, industry economic situation, and considers industry outlook as basis for expected lifetime credit loss assessment. Since the Company's historical experience of credit loss indicates no significant difference in the loss patterns between the various customer segments, the Company does not group customers into different segments but determines the expected credit loss rate based on the overdue days of accounts receivables.

If evidence indicates that the counterparty is facing severe financial difficulty and recoverable amounts cannot be reliably anticipated, as in the case of the counterparty undergoing liquidation, the Company will directly write off relevant accounts receivable. Nevertheless, recourse will continue and the recovered amounts will be recognized in the profit or loss accounts.

Allowance loss for the Company's accounts receivable is as follows:

#### As of December 31, 2019

	Not Overdue	Overdue 1 - 90 days	Overdue 91 - 180 days	Overdue 181 - 270 days	Overdue 271 - 365 days	Overdue Over 365 days	Total
Expected lifetime credit loss rate	0.01%~0.1%	0.2%~5%	3%~31%	8%~67%	37%~97%	100%	
Total carrying amount	\$ 2,901,084	\$ 593,336	\$ 27,067	\$ 21,004	\$ 8,389	\$ 27,452	\$ 3,578,332
Loss from Allowance (expected lifetime credit loss)	( 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>

#### As of December 31, 2018

	Not Overdue	Overdue 1 - 90 days	Overdue 91 - 180 days	Overdue 181 - 270 days	Overdue 271 - 365 days	Overdue Over 365 days	Total
Expected lifetime credit loss rate	0.01%~0.13%	0.2%~4%	24%~23%	11%~52%	49%~100%	100%	
Total carrying amount	\$ 2,862,518	\$ 563,446	\$ 39,736	\$ 8,935	\$ 7,067	\$ 35,123	\$ 3,516,825
Loss from Allowance (expected lifetime credit loss)	( 36)	( 392)	( 2,040)	( 4,945)	( 5,855)	( 33,448)	( 46,716)
Amortized Cost	<u>\$ 2,862,482</u>	<u>\$ 563,054</u>	<u>\$ 37,696</u>	<u>\$ 3,990</u>	<u>\$ 1,212</u>	<u>\$ 1,675</u>	<u>\$ 3,470,109</u>

Information on changes in allowance for accounts receivables is as follows:

	2019	2018
Balance at Beginning of Year	\$ 46,716	\$ 32,480
Add: Listing of the Year	19,442	27,858
Less: Write-Offs of the Year	( 16,742 )	( 13,877 )
Difference in Foreign Currency Conversion	( 821 )	255
Year-End Balance	<u>\$ 48,595</u>	<u>\$ 46,716</u>

## (11) Inventory

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Commodity	\$ 154,768	\$ 196,799
Finished goods and partly-finished goods	845,553	873,028
Work-in-process	86,811	78,174
Raw material	935,688	996,733
Inventories in Transit	<u>218,487</u>	<u>202,490</u>
	<u>\$ 2,241,307</u>	<u>\$ 2,347,224</u>

Cost of sales related to inventories in 2018 and 2019 are NT\$ 12,395,637,000 and NT\$12,210,959,000 respectively, of which, cost of sales in the two years including obsolescence and loss from bad debts are NT\$12,936,000 and \$14,677,000 respectively.

## (12) Subsidiaries

Entities in the consolidated financial statements are as follows:

<u>Investor Company</u>	<u>Name of Subsidiaries</u>	<u>Business activities</u>	<u>Shareholding Ratio (%)</u>		<u>Details</u>
			<u>2019</u>	<u>2018</u>	
			<u>December</u>	<u>December</u>	
			<u>31</u>	<u>31</u>	
Nan Pao Resins Chemical Co.	Nan Pao Chemical Co. Ltd.	Trading of chemical substances	100	100	
	Nan Pao Application Material Co.	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.	Manufacturing, packaging, and processing of raw materials for various pharmaceutical and health food	52.3	49.9	Note 1
	Phymed Bio-Tec Co.	R&D and Trading of Health Food	100	100	
	Biorich Biotechnology Co.	R&D, Production, Trading of New High Protein Business and Health Food	57.1	57.1	Note 2
	Nan Pao Advanced Materials Co.	Trading of Adhesives and Chemicals	70	70	
	Fuqing Nan Pao Investments 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	Note 3
	All Saints Enterprises Ltd.	General Investment	54.53	54.53	Note 3

Investor Company	Name of Subsidiaries	Business activities	Shareholding Ratio (%)		Details
			2019	2018	
			December	December	
	Ongoing Profits Ltd.	General Investment	32.18	32.18	Note 3
	PT. Indo Nan Pao Resins Chemical	Production and Trading of Adhesives	49	49	Note 4
	Progroup Technology Co., Ltd	Trading of Water-Based PU Resin	91.99	-	Note 11
	Nan Pao Philippines Export Inc.	Trading of adhesives	-	-	Note 9
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	Note 5
ITLS Holding Pte. Ltd.	ITLS (Malaysia) SDN BHD	Production and Trading of Construction Materials	100	100	
	PT. ITLS Indonesia	Production and Trading of Construction Materials	100	100	
	ITLS Vietnam Co., Ltd.	Production and Trading of Construction Materials	100	100	
	ITLS-Rich (S) Pte. Ltd.	Trading of Hardware and Construction Materials	-	100	Note 6
	ITLS-SB SDN BHD	Production and Trading of Hardware and Construction Materials	100	100	
Fuqing Nan Pao Investments 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	Note 3
	Nan Pao Resins (Holdings) Ltd.	General Investment	100	100	
	All Saints Enterprises Ltd.	General Investment	45.47	45.47	Note 3
	Mega Victory Ltd.	General Investment	-	100	Note 11
	ITLS – TWA Australia Pty. Ltd.	Production and Trading of Hardware, Construction Materials, and Chemicals	-	100	Note 12
	NP Australia Pty. Ltd.	General Investment	100	100	
	Ongoing Profits Ltd.	General Investment	67.82	67.82	Note 3
	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	

Investor Company	Name of Subsidiaries	Business activities	Shareholding Ratio (%)		Details
			2019	2018	
			December	December	
	Nan Pao Resins (HK) Limited	Production and trading of adhesives	100	-	Note 8
Greatwill Materials (HK) Ltd.	Foshan Nan Pao Advanced Materials Co., Ltd.	Production and Trading of Adhesives	99	99	Note 3
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	Nanpao Chenghong New Material Technology Co., Ltd.	Trading of footwear materials	51	51	
	Foshan Nan Pao Advanced Materials Co., Ltd.	Production and Trading of Adhesives	1	1	Note 3
Nan Pao Resins (Holdings) Ltd.	Eastlion Enterprises Ltd.	General Investment	100	100	
	Eastlion Industrial Ltd.	General Investment	-	100	Note 10
	Nan Pao Resins Development Ltd.	General Investment	100	100	
Eastlion Enterprises Ltd.	Nan Pao Resins (Dongguan) Co., Ltd	Processing of Adhesives	100	100	
Nan Pao Resins Development Ltd.	Dongguan Jia Chin Electronics Co., Ltd.	Production and Trading of Coatings and Advanced Resins	100	100	
All Saints Enterprises Ltd.	Great Mount Enterprises Ltd.	General Investment	100	100	
Great Mount Enterprises Ltd.	Nan Pao Resins (China) Co., Ltd	Production and Trading of Adhesives and Coatings	100	100	
Mega Victory Ltd.	Progroup Technology Co., Ltd.	Trading of Water-Based PU Resin	-	91.99	Note 11
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	Note 4
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	Note 7

- Note 1: In December 2019, the merged company did not subscribe to the capital increase of Prince Pharmaceutical Co., Ltd. in accordance with the shareholding ratio, resulting in an increase in the shareholding ratio from 49.9% to 52.3%.
- Note 2: The Company acquired fractional shares of Biorich Biotechnology Co. in October 2018, increasing shareholding ratio from 57.06% to 57.1%.
- Note 3: Total direct and indirect shareholding account is 100%.
- Note 4: Total direct and indirect shareholding account is 67.50%.
- Note 5: ITLS International Development Co., Ltd. established and invested in Aftek Materials Vietnam Co., Ltd. in February 2018 with 70% shareholding ratio.
- Note 6: The Company acquired remaining shares of ITLS-Rich (S) Pte. Ltd. in March 2018 increasing shareholding ratio from 80% to 100%, The liquidation was completed and the company registration was canceled in June 2019
- Note 7: Nanpao Advanced Investment Co., Ltd. established and invested in Nanpao Resins Materials (Yunan) Co., Ltd. in Mainland China in August 2018 with 100% shareholding ratio..
- Note 8: The Company has established Nan Pao Resins (HK) Limited through its investment in Hong Kong in June 2019, Capital amounting to US\$1,800 thousand and US\$2,000 thousand was invested in October and November 2019, respectively.
- Note 9: The company has established Nan Pao Philippines Export Inc. in September 2019, and still not send first Capital yet.
- Note 10: Eastlion Industrial Ltd. was liquidated and retired in July 2019 ..
- Note 11: After Mega Victory Ltd. transferred the shares of Progroups Technology Co., Ltd. to the company in December 2019, and was liquidated and retired in December 2019 .
- Note 12: ITLS-TWA Australia Pty Ltd was liquidated and retired in November 2019.

(13) Investment Using Equity Methods

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Investment in Associates</u>		
Individual Non-Material Associates	<u>\$ 322,657</u>	<u>\$ 292,180</u>

Compilation of Information for Individual Non-Material Associates is as follows:

	<u>2019</u>	<u>2018</u>
Shares from the Company		
Net Income and Total Comprehensive Income of the Year	<u>\$ 33,477</u>	<u>\$ 21,229</u>

Shares of loss and profit and other comprehensive income of associates under equity methods are recognized in financial statements audited by CPA in the same period.

(14) Properties, Plants, and Equipment

Depreciation expense is calculated using the straight-line basis based on the below useful years:

Land Improvement	4 to 20 Years
Building	2 to 60 Years
Machinery Equipment	2 to 30 Years
Transportation Equipment	2 to 20 Years
Other Equipment	2 to 20 Years

The Company has shown no indication of impairment in 2018 and 2019, and was not assessed for impairment.

For PP&E amount considered as collateral, please refer to Note 11.

Refer to Note 35 for details regarding property, plant and equipment set as collateral.

(14) Lease agreement  
I.Right-of-use assets

	December 31, 2019
Balance of right-of-use assets	
Land(Note)	\$ 819,470
Building	302,489
Machinery equipment	129
Transportation Equipment	36,413
Other Equipment	<u>2,007</u>
	<u>\$ 1,160,508</u>
	2019
Addition of right-of-use	<u>\$ 152,432</u>
Depreciation of right-of-use	
Land(Note)	\$ 20,528
Building	36,689
Machinery equipment	142
Transportation Equipment	13,616
Other Equipment	<u>1,040</u>
	<u>\$ 72,015</u>

Note : Land use rights are originally classified as prepaid leases according to IAS17. Refer to Note 3 and Note 19 for details regarding reclassification and information for 2018. Among them, the land use rights of the Vietnamese subsidiary are pledged collateral, please refer to Note 35.

II. Lease liabilities

	December 31, 2019
Balance of lease liabilities	
Current	<u>\$ 52,029</u>
Non-current	<u>\$ 447,552</u>

The interval of discount rate on lease liabilities are as follows :

	December 31, 2019
Land	1.56%
Building	1.05%~5.37%
Machinery equipment	1.05%~2%
Transportation Equipment	1.3%~5.37%
Other Equipment	5.37%~11.2%

III. Important Leasing Activities and Terms

The merged company leases a number of land, buildings and equipment for business use, and their lease term is 2 to 89 years. At the end of the lease term, the merged company has no bargain purchase option over the land and building leased, and the merged company may not sublease or transfer all or part of the leased items without the lessor's consent.

IV. Other lease information

2019

	<u>2019</u>
Expenses for short-term leases	<u>\$ 50,830</u>
Expenses for low-value assets	<u>\$ 1,007</u>
Net cash (outflow) from lease	<u>\$ 97,656</u>

The Company elects to apply the recognition exemptions to some buildings and transportation equipment that qualify as a short-term lease or a lease with low-value underlying assets. Consequently, the Company does not recognize any right-of-use assets or lease liabilities for the said leases.

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows :

	<u>December 30, 2018</u>
Not later than 1 year	\$ 60,031
Later than 1 year and not later than 5 years	134,773
Later than 5 years	<u>344,291</u>
	<u>\$ 539,095</u>

## (16) Investment Property

	<u>Land</u>
Balance on December 31, 2019, and December 31, 2018	<u>\$ 17,760</u>

Fair values of investment property for December 31, 2018 and 2019 were NT\$ 159,657,000 and NT\$97,315,000 respectively. They were not assessed by any appraisers and only by management was using actual transaction prices in nearby areas for the past year as reference.

The investment property of the Company is self-owned and no mortgage condition exists.

## (17) Goodwill

	<u>2019</u>	<u>2018</u>
<u>Cost</u>		
Balance at Beginning of the Year	\$ 89,871	\$ 91,978
Acquisition of Business Combination in the year (Note 31)	29,488	
Acquisition of the Year		2,997
Net Exchange Difference	( 2,845 )	( 5,104 )
Year-End Balance	<u>\$ 116,514</u>	<u>\$ 89,871</u>
<u>Accumulated Impairment Loss</u>		
Balance at Beginning of the Year	\$ 3,105-	\$ -
Recognized Impairment of the Year		3,048
Net Exchange Difference	(74)	57
Year-End Balance	<u>\$ 3,031</u>	<u>\$ 3,105</u>
Year-End Net Amount	<u>\$ 113,483</u>	<u>\$ 86,766</u>

The Company tests for impairment on recoverable amount of goodwill at year-end, using value-in-use as basis for calculation of recoverable amount. Calculation of value-in-use is based on the cash flows of the Company's future financial projections as an estimate to reflect specific risks of relevant cash generating units.

Subsidiary production was less than expected. The Company evaluated recoverable goodwill on December 31, 2018, and recognized goodwill impairment of NT\$ 3,048,000 related to subsidiaries.

Recoverable amount is decided based on value-of-use, estimated using management's cash flow projection in the next five years. and calculated with weighted average capital cost rate of 7.22%. These assumptions are based on past operations of CGU and management's expectations for the market.

#### (18) Other Intangible Assets

	Customer Relations	Computer Software	Others	Total
<u>Cost</u>				
Balance as of January 1, 2018	\$ 58,658	\$ 35,065	\$ 7,719	\$ 101,442
Separate Acquisition	5,859	3,175	235	9,269
Disposal	-	( 335 )	( 2,795 )	( 3,130 )
Reclassification	-	-	( 1,061 )	( 1,061 )
Net Exchange Difference	( 4,071 )	16	108	( 3,947 )
Balance as of December 31, 2018	<u>\$ 60,446</u>	<u>\$ 37,921</u>	<u>\$ 4,206</u>	<u>\$ 102,573</u>
<u>Accumulated Amortization and Impairment</u>				
Balance as of January 1, 2018	\$ 26,427	\$ 18,769	\$ 6,945	\$ 52,141
Amortization Expense	6,244	5,645	7	11,896
Disposal	-	( 335 )	( 2,795 )	( 3,130 )
Reclassification	-	-	( 371 )	( 371 )
Net Exchange Difference	( 1,972 )	14	121	( 1,837 )
Balance as of December 31, 2018	<u>\$ 30,699</u>	<u>\$ 24,093</u>	<u>\$ 3,907</u>	<u>\$ 58,699</u>
Balance as of December 31, 2018	<u>\$ 29,747</u>	<u>\$ 13,828</u>	<u>\$ 299</u>	<u>\$ 43,874</u>
<u>Cost</u>				
Balance as of January 1, 2019	\$ 60,446	\$ 37,921	\$ 4,206	\$ 102,573
Separate Acquisition	-	9,841	22,325	32,166
Disposal	11,781	-	9,243	21,024
Reclassification	-	-	-	-
Net Exchange Difference	( 2,071 )	( 134 )	( 317 )	( 2,522 )
Balance as of 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 as of January 1, 2019	\$ 30,699	\$ 24,093	\$ 3,907	\$ 58,699

	Customer Relations	Computer Software	Others	Total
Amortization Expense	6,675	6,359	2,457	15,491
Disposal	-			
Reclassification	-			
Net Exchange Difference	( 1,089 )	( 109 )	( 105 )	( 1,303 )
Balance as of December 31, 2019	<u>\$ 36,285</u>	<u>\$ 30,343</u>	<u>\$ 6,259</u>	<u>\$ 72,887</u>
Balance as of December 31, 2019	<u>\$ 33,871</u>	<u>\$ 17,285</u>	<u>\$ 29,198</u>	<u>\$ 80,354</u>

The amortization cost is calculated based on the straight-line basis for the following useful life:

Customer Relations	8 to 11 years
Computer Software	3 to 10 years
Others	2 to 10 years

(19) Prepaid Lease

	December 31, 2018
Current	\$ 15,335
Non-Current	<u>662,223</u>
	<u>\$ 677,558</u>

As of December 31, 2017 and 2018, prepaid lease payments are in the following regions:

	December 31, 2018
Vietnam	\$ 414,724
China	199,099
Malaysia	61,608
Indonesia	<u>2,127</u>
	<u>\$ 677,558</u>

The right-of-use for land for the above range from 30 to 89 years, and terms will expire between 2023 and 2107.

(20) Other Assets

	December 31, 2019	December 31, 2018
<u>Current</u>		
Input tax amount	\$ 121,729	\$ 160,692
Prepaid cost of goods	132,761	208,413
Prepaid Expense	73,054	57,799
Tax Overpaid Retained for Offsetting the Future Tax Payable	33,657	15,515
Refundable Deposits		
Other	<u>12,095</u>	<u>10,678</u>
	<u>\$ 373,296</u>	<u>\$ 453,097</u>
<u>Non-Current</u>		
Prepaid Equipment	\$ 152,633	\$ 107,815
Refundable Deposits	-	
Other	<u>7,316</u>	<u>7,960</u>
	<u>\$ 159,949</u>	<u>\$ 115,775</u>

(21) Loans

i. Short-Term loans

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Secured loans from banks (Note 38)	\$ 276,906	\$ 88,963
Bank Credit Loans	<u>1,094,370</u>	<u>1,206,731</u>
	<u>\$ 1,371,276</u>	<u>\$ 1,295,694</u>

Annual rates for short-term loans are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Secured loans from banks	1.52% ~ 5.22%	1.52% ~ 3.44%
Bank Credit Loans	0.91% ~ 4.35%	0.91% ~ 5.39%

ii. Long-Term Debts

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bank secured loans (Note 1)	\$ 108,412	\$ 155,498
Bank credit loans (Note 2)	<u>1,769,503</u>	<u>1,501,845</u>
	1,877,915	1,657,343
Less: Those mature within one year	<u>353,765</u>	<u>265,273</u>
	<u>\$ 1,524,150</u>	<u>\$ 1,392,070</u>

Note 1: Bank secured loans are secured by the merged company's own land, buildings, right-of-use assets and deposit certificates (see Note 35). The aforementioned long-term loans are due before June 2022, and payment of interest and principal are made on schedule. As of December 31, 2019 and 2018, the effective annual interest rates were of 2.6969% to 2.7205% and 3.336% to 3.695%.

Note 2: Bank credit loans are due before December 2024, and interest and principal are paid on schedule. As of December 31, 2019 and 2018, the effective annual interest rates were 0.6% to 2.7205% and 1% to 3.766%.

(22) Notes Payable and Accounts Payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Bill Payable</u>		
Arising from Operations	<u>\$ 12,788</u>	<u>\$ 35,908</u>
<u>Accounts Payable</u>		
Arising from Operations	<u>\$ 1,936,397</u>	<u>\$ 1,923,206</u>

The Company has formulated a set of financial risk management policies to ensure that all payables are repaid within agreed term of credit.

(23) Other Liabilities

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Current</u>		
Other Liabilities		
Refund Liabilities	\$ 113,894	\$ 101,921
Revenue Received in Advance	-	
Others	<u>53,983</u>	<u>83,968</u>
	<u>\$ 167,877</u>	<u>\$ 185,889</u>
<u>Non-Current</u>		
Other Liabilities		
Guarantee Deposits	\$ 3,680	\$ 2,050
Others	<u>53,054</u>	<u>54,572</u>
	<u>\$ 56,734</u>	<u>\$ 56,622</u>

(24) Post-Retirement Benefit Plan

i. Defined Contribution Plans

The pension system from "Labor Pension Act" applicable to domestic consolidated entities in the Company is a defined contribution plan under government administration. The Company contributes 6% of the employee's monthly salary to the account at Bureau of Labor Insurance.

The Company's subsidiaries in Mainland China and other regions will contribute a specified percentage of salary to retirement benefit plan in accordance with local laws and regulations.

ii. Defined Benefit Plans

The Company's pension system conducted in accordance with "Labor Standards Act" is a defined benefit pension plan managed by government. Employee pension payments are based on years of service and average salary for the first six months prior to retirement. The Company contributes 2% to 15% of total employee salary to the pension fund at the end of each month. The pension fund committee makes deposits in its name to the designated account at Bank of Taiwan. Before year-end, for employees whose account balance is not sufficient for payments until reaching retirement within the following year, contribution for the difference will be allocated in the following March. The Bureau of Labor Funds, Ministry of Labor is assigned to administer the account. The Company retains no rights that may influence its investment and administration strategies.

The employees belonging to subsidiaries in Indonesia are part of the retirement benefit plans of the Indonesian government. The subsidiaries are required to contribute a specified percentage of salary to the retirement benefit plans as funding.

Amounts included in defined benefit plans listed in the consolidated balance sheet are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present Value of Defined Benefit Obligations	\$ 428,052	\$ 436,747
Fair Value of Plan Assets	( <u>313,033</u> )	( <u>287,337</u> )
Net Defined Benefit Liabilities	<u>\$ 115,019</u>	<u>\$ 149,410</u>

Changes in net defined benefit liabilities are as follows:

Movement of net defined benefit liabilities:

	<u>Present value of defined benefit obligation</u>	<u>Fair value of employee benefit plan assets</u>	<u>Net defined benefit liabilities</u>
Balance as of January 1, 2018	<u>\$ 456,404</u>	<u>( \$ 277,363 )</u>	<u>\$ 179,041</u>
Cost of services			
Current service cost	7,868	-	7,868
Cost of service in the previous period and repayment losses	122	-	122
Interest fees (income)	<u>5,486</u>	<u>( 2,909 )</u>	<u>2,577</u>
Recognized in profit and loss	<u>13,476</u>	<u>( 2,909 )</u>	<u>10,567</u>
Remeasurements			
Return on plan assets (excluding amounts that are included in net interest)	-	( 8,403 )	( 8,403 )
Actuarial losses - Changes in financial assumptions	3,515	-	3,515
Actuarial gains- Adjustments based on history	( 4,095 )	-	( 4,095 )
Actuarial gains - Others	<u>( 2,615 )</u>	<u>-</u>	<u>( 2,615 )</u>

	Present value of defined benefit obligation	Fair value of employee benefit plan assets	Net defined benefit liabilities
Recognized in other comprehensive profit and loss	( 3,195)	( 8,403)	( 11,598)
Employer contribution	-	( 23,747)	( 23,747)
Benefits payment	( 29,183)	25,085	( 4,098)
Net exchange differences	( 755)	-	( 755)
Balance as of December 31, 2018	<u>436,747</u>	<u>( 287,337)</u>	<u>149,410</u>
Cost of services			
Current service cost	7,460	-	7,460
Cost of service in the previous period and repayment losses	( 1,137)	-	( 1,137)
Interest fees (income)	5,477	( 2,916)	2,561
Recognized in profit and loss	<u>11,800</u>	<u>( 2,916)</u>	<u>8,884</u>
Remeasurements			
Return on plan assets (excluding amounts that are included in net interest)	-	( 10,319)	( 10,319)
Actuarial losses - Changes in financial assumptions	7,100	-	7,100
	Present value of defined benefit obligation	Fair value of employee benefit plan assets	Net defined benefit liabilities
Actuarial gains- Adjustments based on history	(\$ 2,495)	\$ -	(\$ 2,495)
Actuarial losses- Others	770	-	770
Recognized in other comprehensive profit and loss	<u>5,375</u>	<u>( 10,319)</u>	<u>( 4,944)</u>
Employer contribution	-	( 23,870)	( 23,870)
Benefits payment	( 26,183)	11,409	( 14,774)
Net exchange differences	313	-	313
Balance as of December 31, 2019	<u>\$ 428,052</u>	<u>( \$ 313,033)</u>	<u>\$ 115,019</u>

The amount of defined benefit plan recognized in profit or loss was summarized by functions as follows:

	2019	2018
Operating costs	\$ 5,196	\$ 5,527
Amortization expenses	2,045	1,986
Administrative expenses	956	2,222
Research and development expenses	687	832
	<u>\$ 8,884</u>	<u>\$ 10,567</u>

The Company has exposed the following risks in pension system of "Labor Standards Act":

1. Investment Risk: Bureau of Labor Funds, by itself or through an intermediary, invests pension fund in foreign/domestic equity securities, debt securities, and bank deposits, provided the distributed amount of the Company's plan assets are higher than 2-year fixed deposit rates of local banks domestic.

2. Interest Rate Risk: decrease in government bond interest rate will increase present value of defined benefit obligation. However, return on debt investments of plan assets will also increase. Effects of the two on net defined benefit obligations will partially offset each other.
3. Salary Risk: present value of defined benefit obligations is calculated with reference to future salaries of plan members. Salary increase of plan members will increase present value of defined benefit obligations.

Present value of the Company's defined benefit obligation is determined by a qualified actuary. Material assumptions on the measurement date are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount Rate	0.7%~8 %	1%~8.5%
Expected Salary Growth Rate	2%~10%	2.5%~10%

If reasonably possible changes occur in material actuarial assumptions while all other assumptions remain unchanged, the present value of defined benefit obligations will increase (decrease) as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount Rate		
0.25% Increase	( \$ 9,619 )	( \$ 10,085 )
0.25% Decrease	<u>\$ 10,010</u>	<u>\$ 10,489</u>
Expected Salary Growth Rate		
0.25% Increase	<u>\$ 9,778</u>	<u>\$ 10,005</u>
0.25% Decrease	( <u>\$ 9,458</u> )	( <u>\$ 9,941</u> )

As actuarial assumptions may be related to one another, changes in a single assumption is not likely, and actual change in present value of defined benefit obligations may not be reflected in the analysis above.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Expected Contribution within 1 Year	<u>\$ 21,837</u>	<u>\$ 22,925</u>
Average Maturity Period of Defined Benefit Obligations	9 to 18.27 Years	9 to 18.11 Years

(25) Equity

i. Capital

Ordinary Shares

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Authorized Shares (thousand shares)	<u>200,000</u>	<u>200,000</u>
Authorized Capital	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of Issued and Paid-For Shares (thousand shares)	<u>120,570</u>	<u>120,570</u>
Issued Capital	<u>\$ 1,205,707</u>	<u>\$ 1,205,707</u>

Ordinary shares are issued with the par value of NT\$10 per share, and each ordinary share represents the right to vote and receive dividends.

In anticipation of underwriting of pre-IPO listing, the board of directors passed a resolution on September 26, 2018 to issue 11,950,000 shares at NT\$10 per share at par value and issued at a premium of NT\$76,8 - NT\$79,56. Actual share capital is NT\$1,205,707,000 after capital increase. Capital Surplus

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>May be used to make up for loss, cash distribution, or for capital replenishment</u>		
(1)		
Stock Issuance Premium	\$ 2,040,204	\$ 2,040,204
Difference Between Share Price Acquired from Subsidiaries and Book Value	2	2
<u>Only to Offset Loss</u>		
Recognized value of changes in equity of ownership of subsidiaries (2)	19,424	23,811
Employee Stock Options Exercised	44,083	44,083
Expired Stock Options	135	135
	<u>\$ 2,103,848</u>	<u>\$ 2,108,235</u>

1. The capital surplus from stock issuance premium may be used to cover loss and may also be used to issue cash or capital when the Company has no loss, but the capital replenishment is restricted to a certain ratio of paid-in capital every year.
2. The capital surplus of the recognized value of changes in the equity of ownership of subsidiaries is the value of affected equity transactions recognized for change in the equity of subsidiaries, or the adjustment value of the capital surplus of the subsidiary recognized by the Company through the equity method.

ii. Retained Earnings and Dividend Policy

Pursuant to the policy on allocation of surplus in the Company's Articles of Association, the Company shall first pay taxes and cover for loss from previous years if the surplus is found after closing the accounts for the year. Subsequently, 10% shall be appropriated as a legal capital reserve, and after which the surplus could be appropriated based on other legal regulations or regulations of the competent authority, or appropriated as a special capital reserve. A distribution motion regarding the earnings left over shall be prepared by the Board of Directors, and submitted to the shareholders for a resolution. The Company's Articles of Association has stipulated policy on employee remuneration and directorial compensations. Please see (6) Employee Remuneration and Directorial Compensations in Note 27.

As the Company is in a period of robust growth, in order to cope with future operational expansion plan, dividend distribution should be no less than 10% of the year's remaining profit. Shareholder dividend shall be paid in a combination of cash and stock dividend, in which cash dividend will account for 20% to 100%, and the stock dividend 0% to 80%.

Legal capital reserve may be used to cover loss. When the Company has no loss, the portion of legal capital reserve that exceeds 25% of total paid-in capital may be used to pay in cash, in addition to capital replenishment.

The Company distributes and appropriates special capital reserve pursuant to Letter No. 1010012865、No. 1010047490 and Letter No. 1030006415 from the FSC, and "Q&A of the Application of the Special Capital Reserve After Adopting the International Financial Reporting Standards (IFRSs)."

The Company held Shareholders' Meetings on June 14, 2019 and 2018, during which the 2018 and 2017 appropriation of earnings passed, respectively, were as follows:

	Earnings appropriation proposal		Dividends per share (NT\$)	
	2018	2017	2018	2017
Legal Capital Reserve	\$ 67,277	\$ 88,187		
Cash Dividend	602,854	543,104	\$ 5	\$ 5

The Company's proposal for distribution of earnings for 2019 was proposed by the board of directors on March 26, 2020:

	Earnings appropriation proposal	Dividends per share (NT\$)
Legal Capital Reserve	\$ 122,820	
Cash Dividend	723,425	\$ 6

The distribution of earnings for 2019 is still pending resolution from annual shareholders' meeting on June 2020.

iii. Special Capital Reserve

For the first-time adoption of IFRSs, unrealized write-ups, accumulated revaluation adjustment, and retained earnings appropriated from surplus were listed at a total of NT\$313,321,000. Special capital reserve of the same amount has been appropriated.

iv. Other Equity Items

1. Exchange differences on translation of foreign financial statements

	2019	2018
Balance at Beginning of the Year	(\$ 222,890)	(\$ 291,717)
Impact amounts of applied IFRS 16		
Balance as of January 1, 2019 (Adjusted)	( 2,654 )	-
Changes in Tax Rates From Current Year		10,544
Currency translation differences from overseas operations	( 164,464 )	58,283
Year-End Balance	( \$ 390,008 )	( \$ 222,890 )

2. Unrealized Financial Asset Gains and Losses Measured at FVTOCI

	January 1, 2019 to December 31, 2019	January 1, 2018 to December 31, 2018
Opening Balance Current	\$ 1,027,000	\$ 1,376,496
Unrealized profit and loss Equity Instrument	( 315,887 )	( 349,496 )
Ending Balance	\$ 711,113	\$ 1,027,000

v. Non-Controlling Interests

	January 1, 2019 to December 31, 2019	January 1, 2018 to December 31, 2018
Balance at Beginning of the Year	\$ 727,447	\$ 658,555
Net Profit of the Year	87,024	43,855
Other Comprehensive Income of the Year		
Exchange differences on translation of foreign financial statements	( 5,865 )	5,389
Remeasurement of Defined Benefit Plans	1,807	( 964 )
Related Income Tax	( 349 )	137
Increase in Non-Controlling Interests from Acquisition of Subsidiaries (Note 31)	-	( 811 )
Difference in Book Value and Price of Equity Acquisition from Subsidiaries (Note 33)	4,387	-
Dividend Payout from Subsidiaries	( 16,962 )	( 404 )
Share Return from Subsidiary Liquidation	-	( 8,787 )
Cash Capital Increase in Subsidiaries	18,318	-
Others	-	30,477
Year-End Balance	<u>\$ 815,807</u>	<u>\$ 727,447</u>

(26) Revenue

(I) Please refer to Note 40 for details on customer contract revenue.

(II) Contract Balance

	December 31, 2019	December 31, 2018	January 1, 2018
Accounts receivable (include related party Note 10)	<u>\$ 3,578,332</u>	<u>\$ 3,516,825</u>	<u>\$ 3,063,274</u>
Provision - Current Product sales	<u>\$ 18,874</u>	<u>\$ 41,499</u>	<u>\$ 22,783</u>
Refund liability - current (listed in other current liabilities)			
Product sales	<u>\$ 113,894</u>	<u>\$ 101,921</u>	<u>\$ 54,740</u>

Changes in contract liabilities are caused mainly by difference of timing between obligation fulfillment and customers' payments.

(27) Net Profit for the Year

(I) Other Revenues

	2019	2018
Dividend Income	\$ 55,462	\$ 98,176
Government grants income	51,510	23,045
Interest Income	34,382	35,318
Rental Income	3,836	274
Other Income	7267	-
	<u>\$ 152,457</u>	<u>\$ 156,813</u>

(II) Other gain and loss

	<u>2019</u>	<u>2018</u>
Net Foreign Exchange Profit (loss)	(\$ 19,066)	\$ 19,090
Loss from Disposal of Properties, Plants, and Equipment	-	( 803 )
Disposal of Profit on investments	12,446	-
Others	<u>563</u>	<u>167</u>
	<u>(\$ 6,057)</u>	<u>\$ 18,454</u>

(III) Financial Costs

	<u>2019</u>	<u>2018</u>
Interest of bank loans	\$ 53,911	\$ 61,707
Interest of lease liabilities	19,531	-
Loan interest payable	-	1,058
Less: amount included in cost of required assets	<u>( 4,218 )</u>	<u>( 1,071 )</u>
	<u>\$ 69,224</u>	<u>\$ 61,694</u>

Information on capitalization of interest is as follows:

	<u>2019</u>	<u>2018</u>
Capitalization of Interest Amount	\$ 4,218	\$ 1,071
Rates from Capitalization of Interest	1.6%	1.6%

(IV) Depreciation and Amortization

	<u>2019</u>	<u>2018</u>
Depreciation Summarized by Functions		
Operating Costs	\$ 261,263	\$ 211,165
Operating Expense	<u>109,873</u>	<u>68,781</u>
	<u>\$ 371,136</u>	<u>\$ 279,946</u>
Amortization Summarized by functions		
Operating Costs	\$ 139	\$ 1,989
Operating Expense	<u>15,352</u>	<u>26,443</u>
	<u>\$ 15,491</u>	<u>\$ 28,432</u>

(V) Employee Benefit Expense

	<u>2019</u>	<u>2018</u>
Short-Term Employee Benefits		
Salaries	\$ 1,830,842	\$ 1,690,311
Labor and Health Insurance	119,913	172,133
Others	<u>134,509</u>	<u>127,272</u>
	<u>2,085,264</u>	<u>1,989,716</u>

	<u>2019</u>	<u>2018</u>
Post-Retirement Benefits		
Defined Contribution Plan	86,753	84,939
Defined Benefit Plan (Note 24)	<u>8,884</u>	<u>10,567</u>
	<u>95,637</u>	<u>95,506</u>
	<u>\$ 2,180,901</u>	<u>\$ 2,085,222</u>
Summarized by Functions		
Operating Costs	\$ 744,040	\$ 697,570
Operating Expense	<u>1,436,861</u>	<u>1,387,652</u>
	<u>\$ 2,180,901</u>	<u>\$ 2,085,222</u>

(VI) Employee remuneration

The Company's remuneration for employees and Directors shall be 2 to 6% and under 3% of the earnings before tax of the year and before deducting remuneration for employees and Directors. From July 1 to September 30, 2019 and 2018, January 1 to September 30, 2019 and 2018 the estimated ratio of employee and directorial. These items were respectively determined by the Board of Directors in March 2020 and 2019 as follows:

1. Estimated Ratio

	<u>2019</u>	<u>2018</u>
Employee Rewards	2.7%	3.7%
directorial		
compensations	1.3%	1.5%

2. Amount

	<u>2019</u>	<u>2018</u>
	C a s h	C a s h
Employee Rewards	\$ 42,000	\$ 33,000
directorial		
compensations	20,000	13,322

If changes are made to the amount after the publication of the Consolidated Annual Financial Report, they apply in accordance with accounting estimation changes and will be included in the financial statements of the following year.

Actual employee compensation and remuneration for directors in 2018 and 2017 were consistent with amounts recognized in the consolidated financial statements.

Please refer to "Market Observation Post System" of Taiwan Stock Exchange for information on the Company's employee and directorial compensations

(VII) Currency Exchange Gain or loss

	<u>2019</u>	<u>2018</u>
Total currency exchange gain	\$ 121,683	\$ 221,313
Total currency exchange loss	( <u>140,749</u> )	( <u>202,223</u> )
Net Profit (loss)	( <u>\$ 19,066</u> )	( <u>\$ 19,090</u> )

(28) Income tax

i. Main composition of income tax expense recognized in profit or loss

	<u>2019</u>	<u>2018</u>
Current Income Tax		
Generated during the Year	\$ 341,593	\$ 282,735
Surtax on Unappropriated Retained Earnings	196	29,110
Adjustments from Previous Years	15,760	73,088
Repatriation of overseas funds	33,648	-
R&D Deduction	<u>-</u>	<u>( 1,756 )</u>
	<u>391,197</u>	<u>383,177</u>
Deferred Income Tax		
Changes in Tax Rates	-	58,299
Generated during the Year	<u>86,261</u>	<u>( 122,294 )</u>
	<u>86,261</u>	<u>( 63,995 )</u>
	<u>\$ 477,458</u>	<u>\$ 319,182</u>

Reconciliation between accounting income and income tax expense is as follows:

	<u>2019</u>	<u>2018</u>
Profit before tax	<u>\$ 1,792,682</u>	<u>\$ 1,035,812</u>
Profit before tax calculated using income tax expense at the statutory rate	\$ 526,296	\$ 296,617
Expense not Deductible for Tax	29,831	3,708
Tax-Exempt Income	( 11,092 )	( 19,635 )
Unrecognized Temporary Difference	( 72,765 )	( 99,434 )
Changes in Tax Rates	-	58,299
Permanent Difference	( 13,625 )	( 3,202 )
Surtax on Unappropriated Retained Earnings	196	29,110
Adjustments in Prior Years	15,760	73,088
	<u>2019</u>	<u>2018</u>
Tax relief	( \$ 30,791 )	( \$ 17,613 )
R&D investment tax credits	-	( 1,756 )
Repatriation of overseas funds	<u>33,648</u>	<u>-</u>
	<u>\$ 477,458</u>	<u>\$ 319,182</u>

The amendment to the Income Tax Act in 2018 adjusted business income tax from 17% to 20%. The applicable tax rate for undistributed earnings in 2018 is reduced from 10% to 5%. The tax rate applicable to subsidiaries in China is 25%, while taxes generated in other jurisdictions are calculated based on the tax rates in each jurisdiction.

The Management, Utilization, and Taxation of Repatriated Offshore Funds of the Republic of China was promulgated by the President in July 2019. New profit-making enterprises that apply for the repatriation of funds between August 15, 2019 and August 14, 2020 and repatriate the funds within the authorized period shall be applicable to a tax rate of 8% instead of 20%. The repatriated funds shall be deposited into a dedicated foreign currency deposit account and the tax shall be deducted once the processing bank deposits the funds into the dedicated account. The Company repatriated US\$13,879 thousand in accordance with the authorization of the competent authority in November and December 2019 and paid NT\$33,648 thousand in taxes.

The amended Statute for Industrial Innovation of the Republic of China was promulgated by the President in July 2019. It expressly provides that the use of undistributed earnings to construct or purchase specific assets or technologies may be deducted as expenditures in the form of reinvested capital from the undistributed earnings in calculation of the current year's undistributed earnings for assessment of additional income tax leviable on undistributed earnings from 2018 of the merged company.

ii. Income Tax Expense Recognized in Other Comprehensive Income

	<u>2019</u>	<u>2018</u>
<u>Deferred Income Tax</u>		
Changes in Tax Rates	\$ -	\$ 8,817
Accrued in the Current Year		
Translations from Overseas Operations	41,115	( 14,570 )
Remeasurement of Defined Benefit Plans	( <u>950</u> )	( <u>2,477</u> )
	<u>\$ 40,165</u>	<u>( \$ 8,230 )</u>

iii. Current Income Tax Assets and Liabilities

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current Income Tax Assets		
Tax Refund Receivable	<u>\$ 3,705</u>	<u>\$ 13,197</u>
Current Income Tax Liabilities		
Income Tax Payable	<u>\$ 182,583</u>	<u>\$ 169,036</u>

iv. Deferred Income Tax Assets and Liabilities

Changes in deferred income tax assets and liabilities are as follows:

2019

<u>Deferred Income Tax Assets</u>	<u>Balance at Beginning of Year</u>	<u>Recognized in Profit and Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Exchange Difference</u>	<u>Year-End Balance</u>
Temporary Difference					
Currency Translation Difference from Overseas Operations	\$ 56,387	\$ -	\$ 41,115	\$ -	\$ 97,502
Defined Benefit Retirement Plan	30,632	( 5,843 )	( 950 )	79	23,918
Loss on Inventory Write-Down	29,913	( 142 )	-	( 176 )	29,595
Loss Allowance	2,887	1,645	-	( 435 )	4,097
Accrued Leave Benefits	3,757	571	-	( 171 )	4,157
Unrealized Gross Profit	14,749	7,365	-	-	22,114

	Balance at Beginning of Year	Recognized in Profit and Loss	Recognized in Other Comprehensiv e Income	Exchange Difference	Year-End Balance
<u>Deferred Income Tax Assets</u>					
Others	35,733	8,639	-	(4,017)	40,355
	174,058	12,235	40,165	(4,720)	221,738
Impairment Credit	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 Income Tax Liabilities</u>					
Temporary Difference					
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>

Note: The subsidiary RLA Polymers Pty Ltd. is deemed to have applied the effects of IFRS16 on the commencement date of the lease.

2018

	Balance at Beginning of Year	Recognized in Loss and Profit	Recognized in Other Comprehensiv e Income	Exchange Difference	Year-End Balance
<u>Deferred Income Tax Assets</u>					
Temporary Difference					
Currency Translation Difference from Overseas Operations	\$ 59,750	\$ -	(\$ 4,026)	\$ -	\$ 55,724
Defined Benefit Retirement Plan	31,818	3,220	(4,204)	(202)	30,632
Loss on Inventory Write-Down	28,076	5,279	-	(3,442)	29,913
Allowance for Bad Debts	2,240	644	-	3	2,887
Accrued Leave Benefits	2,858	967	-	(68)	3,757
Unrealized Gross Profit	12,972	1,777	-	-	14,749
Others	30,414	(2,540)	-	7,859	35,733
	168,128	9,347	(8,230)	4,150	173,395
Impairment Credit	78,966	9,002	-	(10,004)	77,964
	<u>\$ 247,094</u>	<u>\$ 18,349</u>	<u>(\$ 8,230)</u>	<u>(\$ 5,854)</u>	<u>\$ 251,359</u>
<u>Deferred Income Tax Liabilities</u>					
Temporary Difference					
Foreign Investment Income	\$ 515,752	(\$ 45,590)	\$ -	(\$ 16)	\$ 470,146
Provision for Land Appreciation Tax	235,087	-	-	-	235,087
Others	211	(56)	-	(8)	147
	<u>\$ 751,050</u>	<u>(\$ 45,646)</u>	<u>\$ -</u>	<u>(\$ 24)</u>	<u>\$ 705,380</u>

v. **Unused Impairment Credit**

As of December 31, 2019, the relevant information is set out below:

<u>Unused Credit Balance</u>	<u>Final Deduction</u>
\$ 13,463	109
27,119	110
33,852	111
23,726	112
79,365	113
195	114
1,135	115
61,232	116

<u>Unused Credit Balance</u>	<u>Final Deduction</u>
9,641	117
399	118
<u>161,703</u>	註
<u>\$ 411,830</u>	

Note: The deduction of losses of certain subsidiaries is not subject to a deduction time limit in accordance with local regulations.

vi. Income Tax Approval Status

The Company's business income tax filing cases of domestic subsidiaries for 2017 are approved by the tax authority.

(29) Earnings per Share

The profits and weighted average number of ordinary shares used for the calculation of earnings per share (EPS) are as follows:

Net Profit of the Year

	<u>2019</u>	<u>2018</u>
Net Profit Attributable to Company Owners	<u>\$ 1,228,200</u>	<u>\$ 672,775</u>

Shares

	<u>2019</u>	<u>Unit: 1,000 shares 2018</u>
Weighted average number of ordinary shares used for calculation of basic EPS	120,571	109,469
Dilutive Effects of Potential Ordinary Shares:		
Employee Remuneration	<u>331</u>	<u>411</u>
Weighted average number of ordinary shares used for calculation of diluted EPS	<u>120,902</u>	<u>109,880</u>

If the Company chooses to offer employees cash or stock remuneration, while calculating diluted earnings per share and assuming that remuneration is paid in stocks, the dilutive potential ordinary shares will include weighted average number of outstanding shares to calculate diluted earnings per share. While determining diluted earnings per share before distributing shares to employees as remuneration in the following year, the dilutive effects of such potential ordinary shares should still be considered.

(30) Business Consolidation

i. Acquisition of subsidiaries

	<u>Main Business Activities</u>	<u>Acquisition Date</u>
Morgan Ceramic Tile Adhesives	Production and sales of adhesives, additives and putty	July 31, 2019

The consolidated company acquired the construction and production equipment of Morgan Ceramic Tile Adhesives in July 2019 and obtained the lease renewal rights of its real estate, customer relationship, and employees equipped with necessary skills and experience. The acquisition included inputs and process that handles inputs, and had the ability to create outputs, thus fulfilling the

definition of a business and is processed in accordance with IFRS 3 Business Combination. The objective of the acquisition is to expand the combined business and strengthen the product portfolio of the combined business.

ii. Transfer consideration

	<u>A m o u n t</u>
Cash	\$ 48,195
Contingent consideration agreement (Note)	<u>3,009</u>
	<u>\$ 51,204</u>

Note: According to the contingent consideration agreement, if the production capacity and gross profit of Morgan Ceramic Tile Adhesives from August 2019 to February 2020 meet the agreed standard, the merged company must pay the Seller an additional AUD 250 thousand. The fair value of this obligation as of the acquisition date is estimated to be NT\$3,009 thousand.

iii. Assets acquired on the acquisition date

	<u>A m o u n t</u>
Non-current assets	
Intangible assets	\$ 21,024
Property, plant, and equipment	692
	<u>\$ 21,716</u>

iv. Goodwill arising from the acquisition

	<u>A m o u n t</u>
Transfer consideration	\$ 51,204
Minus: Fair value of the obtained identifiable net assets	( 21,716 )
Goodwill arising from the acquisition	<u>\$ 29,488</u>

Goodwill arising from the acquisition of Morgan Ceramic Tile Adhesives business unit is mainly from the control premium. In addition, consideration paid for the acquisition included the expected combination synergies, income growth, future market development and staff value of the Morgan Ceramic Tile Adhesives business unit. However, as such effects do not fulfill the recognition criteria of the identifiable intangible assets, they are not recognized separately.

(31) Transactions with non-controlling interests

	<u>2019</u>	<u>2018</u>	
	P r i n c e Pharmaceutic al Co., Ltd.	ITLS-Rich (S) Pte. Ltd.(二)	B i o r i c h Biotechnolog y Co., Ltd.
Cash consideration paid	\$ 56,683	\$ 1,665	\$ 3
Carrying amount of net assets of the subsidiaries in non-controlling interests based on calculation of corresponding changes in equity	<u>( 52,296 )</u>	<u>( 806 )</u>	<u>( 5 )</u>
Difference in equity transactions	<u>\$ 4,387</u>	<u>\$ 859</u>	<u>( \$ 2 )</u>

	2019	2018	
	P r i n c e Pharmaceutic al Co., Ltd.	ITLS-Rich (S) Pte. Ltd.(=)	B i o r i c h Biotechnolog y Co., Ltd.
Equity transaction balance adjustment			
Capital reserve - Difference in the share price and nominal value of the acquired shares of subsidiaries	\$ -	\$ -	\$ 2
Capital surplus - Changes in equity of ownership of subsidiaries	( 4,387)	-	-
Unappropriated retained earnings	-	( 859)	-
	<u>(\$ 4,387)</u>	<u>(\$ 859)</u>	<u>\$ 2</u>

- (I) In December 2019, the merged company did not subscribe to the capital increase of Prince Pharmaceutical Co., Ltd. in accordance with the shareholding ratio, resulting in an increase in the shareholding ratio from 49.9% to 52.3%.
- (II) The Company acquired the remaining 20% of shares from ITLS-Rich (S) Pte. Ltd. in February 2018, increasing shareholding ratio from 80% to 100%.
- (III) The Company used NT\$3,000 to subscribe to shares from Biorich Biotechnology Co. in October 2018, which increased shareholding ratio from 57.06% to 57.1%.
- As the above-mentioned transactions did not change the merged company's control over such subsidiaries, the merged company treated the transactions as equity transactions

### (32) Capital Risk Management

Amalgamated company has to maintain large capital for plants and equipment expansion, therefore the capital management policy of amalgamated company is to ensure the necessary financial resources and operational plans to cover the required operational capital, capital expenditures and dividend expenditure in the future.

### (33) Financial instruments

- i. Fair value information - financial instruments not measured at fair value

The carrying amount of the Company's financial instrument not measured at fair value would be a significant approximation of fair value.

- ii. Fair value information - financial instruments measured at fair value on a repetitive basis

#### 1. Fair value measurement hierarchy

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>T o t a l</u>
<u>Financial assets measured at</u>				
<u>FVTOCI</u>				
Domestic unlisted stocks:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 976,745</u>	<u>\$ 976,745</u>

December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>T o t a l</u>
<u>Financial assets measured at</u>				
<u>FVTOCI</u>				
Domestic unlisted stocks:	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,210,580</u>	<u>\$1,210,580</u>

2. Reconciliation of Financial Instruments using Level 3 Fair Value  
Financial Assets Measured at FVTOCI

	<u>2019</u>	<u>2018</u>
Balance at Beginning of Year	\$ 1,210,580	\$ 1,560,076
Recognized in Other Comprehensive Income (unrealized loss and profit from financial asset measured at FVTOCI)	( 315,887 )	( 349,496 )
Acquisition	82,367	-
Proceeds from capital reduction	( 315 )	-
Year-End Balance	<u>\$ 976,745</u>	<u>\$ 1,210,580</u>

3. Valuation Technique and Input Measured at Level 3 Fair Value

- i. Certain domestic unlisted (or OTC) stocks use market method to estimate fair value. The judgment is based on industry type, valuation from similar types of businesses, and the Company's operating status, or in reference to the Company's net value.
- ii. Equity investment in the domestic (OTC) equity investment is calculated using asset method. The judgment is based on total value of individual assets and liabilities covered by evaluation standards to reflect overall value of the business or equity.

iii. Classification of Financial Instruments

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial Assets</u>		
Financial Assets Measured at Amortized Cost (Note 1)	\$ 8,563,449	\$ 7,894,091
Financial Assets Measured at FVTOCI	976,745	1,210,580
<u>Financial Liabilities</u>		
Measurement of amortized cost (Note 2)	6,014,674	5,702,609

Note 1: Balance refers to financial assets measured at amortized cost, including cash and cash equivalents, debt instrument investment, accounts receivable (including affiliates), other receivables.

Note 2: Balance refers to financial liabilities measured at amortized cost, including short-term loans, accounts payable, other payables, long-term debt (including maturity within 1 year), and guarantee deposits (listing other current and non-current liabilities).

iv. Objectives and Policy of Financial Risk Management

The Company's main financial instruments include equity and debt instruments, accounts receivable, accounts payable, short-term securities, loans payable and lease liability. The financial management department serves each operating unit, coordinating operations in domestic and foreign financial markets. Financial risks

associated with operations of the Company is managed through internal risk reporting based on risk levels and analysis. These risks include market risks (foreign exchange rates, interest rates and other price risks), credit risk and liquidity risk.

Material financial activities from the Company are reviewed by the board of directors using relevant regulations and internal control. While carrying out financial planning, the financing department will rigorously abide by segregation of duties and relevant financial risk control procedures. Internal auditors will also continue to review policy compliance and risk exposure. The Company does not undertake transactions of financial instruments (including derivative financial instruments) for speculative purposes.

1. Market Risks

Due to the Company's operating activities, most financial risks undertaken by the Company are foreign exchange risks (see following summary (1)), interest rate risks (see summary (2)), and risks of other pricing (see summary (3)).

Management and measurement of market risks from financial instruments and risk exposure of the Company remain unchanged.

i. Foreign Exchange Risks

The Company undertakes product sales and purchases in foreign currencies, and are exposed to foreign exchange risks.

Please see Note 38 for details on carrying amount of monetary assets denominated in non-functional currency, and liabilities denominated in foreign currency on balance sheet date (including monetary items denominated in non-functional currencies written off in the consolidated financial statements).

Sensitivity Analysis

The Company is mostly affected by exchange rate fluctuation of the USD and Vietnamese Dong.

The following table is a sensitivity analysis of the Company regarding the impact of 1% change in functional currency against exchange rate of each foreign currency. The sensitivity analysis only includes monetary items in circulating foreign currency. A positive figure in the table below indicates amount of increase in profit before tax when functional currency depreciates by 1% against each relevant foreign currency. When functional currency appreciates by 1% against each relevant foreign currency, the impact on net profit will be the negative of the same amount.

	Influence from the USD		
	2019	2018	
Profit or loss	\$ 16,444	\$ 14,470	A

	Influence from VND		
	2019	2018	
Profit or loss	\$ 8,249	\$ 5,617	B

A. Mainly derived from cash and cash equivalents, receivables, payables and loans denominated in USD that are still outstanding on the balance sheet date and have not been hedged by cash flows.

B. Mainly derived from cash and cash equivalents, receivables, payables denominated in Vietnamese Dong that is still outstanding on the balance sheet date and has not been hedged by cash flows.

ii. Interest Rate Risk

As individual entities in the Company borrow capital with both fixed and floating rates, there is exposure to interest rate risks. The Company manages interest rate risks by maintaining an appropriate mix of fixed and floating rates.

The carrying amount of financial assets exposed to interest rate and financial liabilities of the Company on the balance sheet date are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Interest rate risks with fair value		
Financial Assets	\$ 763,334	\$ 610,802
Financial Liabilities	499,581	-
Interest Rate Risks with Cash Flow		
Financial Assets	3,621,382	3,183,724
Financial Liabilities	3,249,191	2,953,037

Sensitivity Analysis

The sensitivity analysis on interest rate risks is based on exposure of non-derivative instruments to interest rate risks on the balance sheet date. For liabilities with floating rate, the analysis assumes them to be in external circulation throughout the reporting period.

If interest rate is increased/decreased by 1%, the Company's net profit before tax for 2019 and 2018 would increase/decrease by NT\$ 8,123,000 and NT\$ 7,383,000 respectively, due to changes in loan interest rates of the consolidated company.

iii. Risks to Other Prices

The Company is exposed to equity price risk due to investments in domestic unlisted equity. As there is no open market quotation for such equity pricing, the price risk is immaterial.

2. Credit Risk

Credit risks refer to risks that cause financial loss to the Group due to borrower's delay in honoring contractual obligations. As of the balance sheet date, the Company's largest credit risk exposure from counterparty's failure to fulfill obligation comes from the carrying amount of financial assets recognized in the consolidated balance sheet.

As counterparties of the Company are all business organizations with fair credit rating, there is no anticipated material credit risk. The Company also continues to evaluate the financial status of clients for accounts receivables.

Accounts receivable with significant concentration of credit risk are as follows:

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Group A	\$ 371,342	11	\$ 357,724	10

### 3. Liquidity Risk

The Company manages and maintains sufficient cash and cash equivalents and readily available financial products to support the Company's operations and mitigate effects of fluctuations in cash flows. The management of the Company supervises the use of financing credit from banks and ensures compliance with the terms of loan agreements.

The Company's working capital and financing credit from banks can sufficiently accommodate future operational needs. Hence, there is no liquidity risk due to the inability to raise funds to fulfill contractual obligations.

#### i. Liquidity of non-derivative financial liabilities and table of interest rate risk

Contractual maturity analysis of balances for non-derivative financial liabilities is calculated based on earliest required loan repayment date of the Company. It is compiled based on undiscounted cash flows of financial liabilities (including principal and estimated interest). As such, the following table presents bank loans that the Company may be asked to immediately repay first, regardless of the chances of banks in exercising such right. The analysis of maturity of other non-derivative liabilities is prepared in accordance with agreed repayment date.

Undiscounted interests relating to cash flow from floating interest rate payments is extrapolated based on interest rate yield curve on balance sheet date.

December 31, 2019

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>
<u>Non-Derivative</u>			
<u>Financial Liabilities</u>			
Non-Interest-Bearing	\$ 2,761,803	\$ 3,680	\$ -
Liabilities			
Lease liabilities	68,704	173,513	424,260
Floating Interest Rate			
Instruments	<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>

Further information on the maturity analysis of lease liabilities is listed as follows::

	<u>Less than 1 year</u>	<u>1 year to 5 years</u>	<u>5 years to 10 years</u>	<u>10 years to 20 years</u>	<u>Over 20 years</u>
Lease liabilities	<u>\$ 68,704</u>	<u>\$ 173,513</u>	<u>\$ 161,879</u>	<u>\$ 206,392</u>	<u>\$ 55,989</u>

December 31, 2018

	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>
<u>Non-Derivative</u>			
<u>Financial Liabilities</u>			
Non-Interest-Bearing	\$ 2,747,522	\$ 2,050	\$ -
Liabilities			
Floating Interest Rate	<u>1,577,814</u>	<u>1,423,694</u>	<u>-</u>
Instruments	<u>\$ 4,325,336</u>	<u>\$ 1,425,744</u>	<u>\$ -</u>

The above-mentioned amount of non-derivative financial asset and liability instruments with floating interests are subject to change due to floating rates and differences in interest rate estimated as of balance sheet date.

ii.	Financing Credit	<u>December 31, 2019</u>	<u>December 31, 2018</u>
	Unsecured      Bank Borrowing      Credit (reviewed      each year)		
	Amount Used	\$ 2,958,646	\$ 2,814,990
	Amount Available	<u>5,060,258</u>	<u>4,468,230</u>
		<u>\$ 8,018,904</u>	<u>\$ 7,283,220</u>
	Secured      Bank Borrowing Credit		
	Amount Used	\$ 386,460	\$ 244,462
	Amount Available	<u>158,742</u>	<u>241,400</u>
		<u>\$ 545,202</u>	<u>\$ 485,862</u>

(34) Related Party Transactions

All transactions between the Company and its subsidiaries (affiliates of the Company), account balances, income, and expenses are written off during consolidation and therefore are not shown in this Note. In addition to those disclosed in other Notes, transactions between the Company and other affiliates are as follows.

i. Name and Relations of Affiliates

<u>Name of Affiliate</u>	<u>Relations with the Company</u>
Total Acrylic Polymer Industry (Tapi) Corporation	Affiliate enterprises
Pou Chen Corporation and Subsidiaries	Investors with Significant Influence
Kunshan Nan Pao Coatings Engineering Co., Ltd.	Other affiliates (the Chairman of the Company is an executive of the Company prior to May 2018.)

ii. Operating Revenue

<u>Category of Affiliates/Name</u>	<u>2019</u>	<u>2018</u>
Investors with Significant Influence	\$ 1,457,866	\$ 1,352,346
Other Affiliates	<u>-</u>	<u>19,624</u>
	<u>\$ 1,457,866</u>	<u>\$ 1,371,970</u>

There is no significant difference in the Company's selling price to affiliates and average customers. Payment term is 30 to 90 days, which is no different for non-related parties.

iii. Purchase Inventory

<u>Category of Affiliates</u>	<u>2019</u>	<u>2018</u>
Affiliate Enterprises	<u>\$ 19,761</u>	<u>\$ 22,219</u>

There is no significant difference in the Company's purchase price from affiliates and non-affiliates. Payment term is 30 days to 45 days, which is no different for non-affiliates.

iv. Receivables from Related Parties

Accounting Items	Category of Affiliates/Name	2019 December 31	2018 December 31
Accounts Receivable	Investors with significant influence Pou Chen Group and Subsidiaries	<u>\$ 371,342</u>	<u>\$ 357,724</u>

No guarantee is received for outstanding receivables from related parties.

v. Payables to Related Parties

Accounting Items	Category of Affiliates	2019 December 31	2018 December 31
Accounts Payable	Affiliate enterprises	<u>\$ 1,427</u>	<u>\$ 2,643</u>
Other Payables	Investors with significant influence	<u>\$ 127</u>	<u>\$ 132</u>

No guarantee is given for outstanding payables to related parties.

vi. Others – Refund Liabilities

Accounting Items	Category of Affiliates/Name	2019 December 31	2018 December 31
Other Current Liabilities	Investors with significant influence Pou Chen Group and Subsidiaries	<u>\$ 70,356</u>	<u>\$ 78,443</u>

vii. Managerial Remuneration

	2019	2018
Short-Term Employee Benefits	\$ 60,485	\$ 49,767
Benefits after retirement	7,114	1,680
Share-Based Payment	-	124
	<u>\$ 67,599</u>	<u>\$ 51,571</u>

Remuneration to directors and other executives are determined by the Remuneration Committee in reference to compensations from industry standard, individual performance, company performance, and reasonable ties to future risks.

(35) Assets Pledged as Collateral

The following assets are provided as collateral for customs duties, letters of credit, long-term and short-term financing loans:

	December 31, 2019	December 31, 2018
Property, Plant and Equipment	\$ 133,495	\$ 111,040
Time Deposits(Note)	25,141	12,925
Right-of-Use Assets	17,674	-
	<u>\$ 176,310</u>	<u>\$ 123,965</u>

Note: financial assets measured at amortized cost.

### (36) Significant Contingent Liability and Unrecognized Contract Commitments

In addition to those stated in the other Notes, the Company has the following significant contingent liabilities and material commitments as of balance sheet date:

(I) As of December 31, 2019 and 2018, the number of unused credits issued by the Company for procurement of raw material and machinery and equipment are NT\$ 86,319 thousand, and NT\$ 106,415 thousand respectively.

(II) Unrecognized contract commitments of the Company were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Purchase of Properties, Plants, and Equipment (Note)	\$ 723,115	\$ 89,288
Procurement of raw material	<u>46,084</u>	<u>46,080</u>
	<u>\$ 769,199</u>	<u>\$ 135,368</u>

Note: The merged company signed the R&D and administration building construction contract in June 2019, and the unrecognized contractual commitment amount was NT\$681,811 thousand.

(III) 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 subsidiary Nan Pao Chemical Co., Ltd.

Based on the ruling of Changhua District Court, He Kui Chemical Company argued for ownership of machinery and equipment in the plant. Based on the above-mentioned, He Kui Chemical Company filed for indemnity lawsuit against Nan Pao Chemical Co., Ltd. for damage caused by use of machinery and equipment, and sought for indemnity of NT\$53,102,000. 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 90s and early 2000s, with surplus value under NT\$53,102,000. The Company has appropriated NT\$38,445,000 liability reserve based on remaining value.

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

(37) Significant post-period events

The COVID-19 pandemic that erupted in January 2020 caused the temporary suspension of operations of certain subsidiaries' factories in China and other areas severely affected by the epidemic as well as the temporary suspension of operations of certain customers and suppliers of the merged company. The state of control of the epidemic cannot be evaluated as of the date of the publication of this consolidated financial report. Therefore, the merged company could not reasonably estimate the ability of the aforementioned entities to pay for goods and the extent of the impact on operation and the overall industry.

(38) Information Regarding Material Assets and Liabilities Denominated in Foreign Currencies

The following information was summarized from foreign currencies of entities within the Company. Exchange rates were the ones used to translate foreign currencies into functional currencies. Material Assets and Liabilities Denominated in Foreign Currencies are listed below:

December 31, 2019

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

December 31, 2018

Financial Assets	Foreign Currency	Exchange Rate	Carrying amount
<u>Monetary Items</u>			
USD	\$ 45,851	30.715 (USD:NTD)	\$ 1,408,248
USD	14,297	6.8646 (USD:CNY)	439,203
USD	7,619	14,420 (USD:IDR)	234,020
USD	4,814	7.82 (USD:HKD)	147,590
HKD	13,127	0.1277 (HKD:USD)	51,472
VND	526,224,183	0.000043 (VND:USD)	693,419
MYR	6,880	0.3411 (MYR:AUD)	50,846
<u>Financial Liabilities</u>			
<u>Monetary Items</u>			
USD	4,428	30.6468 (USD:NTD)	135,697
USD	2,796	6.8632 (USD:CNY)	85,894
USD	4,256	7.833 (USD:HKD)	130,729
USD	7,046	14,420 (USD:IDR)	216,406
USD	2,185	23,250 (USD:VND)	67,005
USD	4,765	1.4177 (USD:AUD)	146,353
VND	99,863,300	0.000043 (VND:USD)	131,755

The Company mostly undertakes exchange rate risk in US Dollars. The following information is aggregated in terms of functional currency of foreign currency holding entities. The exchange rate disclosed is the exchange rate of functional currency converted into presentation currency. The following are significant influences on currency exchange gain or loss (realized and unrealized):

Functional Currency	2019		2018	
	Functional and Presentation Currency	Net exchange profit or loss	Functional and Presentation Currency	Net Exchange Income
USD	30.912 (USD:NTD)	(\$ 1,303)	30.149 (USD:NTD)	(\$ 23,480)
NTD	1 (NTD:NTD)	( 29,192)	1 (NTD:NTD)	41,809
CNY	4.472 (CNY:NTD)	4,866	4.560 (CNY:NTD)	( 5)

Functional Currency	2019		2018	
	Functional and Presentation Currency	Net exchange profit or loss	Functional and Presentation Currency	Net Exchange Income
SGD	22.66 (SGD:NTD)	( 329 )	22.35 (SGD:NTD)	81
AUD	21.495 (AUD:NTD)	( 365 )	22.54 (AUD:NTD)	( 10,556 )
IDR	0.00221 (IDR:NTD)	( 2,961 )	0.00213 (IDR:NTD)	9,353
Others		<u>10,218</u> <u>( \$ 19,066 )</u>		<u>1,888</u> <u>\$ 19,090</u>

(39) Other Disclosures

Information on

(I) Significant Transactions and

(II) Investees

1. Financing provided (Table 1)
2. Endorsements/guarantees provided to others (Table 2)
3. Marketable securities held at balance sheet date (excluding investments in subsidiaries, associates, and joint ventures) (Table 3)
4. Accumulated purchase or disposal of individual marketable securities in excess of NT\$300 million or 20% of paid-in capital (None)
5. Acquisition of real estate at price in excess of NT\$300 million or 20% of the paid-in capital (Table 4)
6. Disposal of real estate at price in excess of NT\$300 million or 20% of the paid-in capital (None)
7. Purchases and sales with related parties in excess of NT\$100 million or 20% of paid-in capital (Table 5)
8. Amount of receivable from related parties in excess of NT\$100 million or 20% of paid-in capital (Table 6)
9. Derivative financial instrument transactions (None)
10. Others: Intercompany relationships and significant intercompany transactions (Table 10)
11. Information on Investees (Table 7)

(III) Information on Investments in Mainland China:

1. Mainland China investees' names, main business items, amount of paid-in capital, investment methods, capital transaction conditions, shareholding ratios, current investment loss and profit, end-of-term investment book value, investment income repatriation and investment limits in Mainland China. (Table 8)
2. Direct or indirect significant transactions with Mainland China investee companies through third region, and their prices, terms of payment, unrealized gains and losses: (Table 9)
  - i. Purchase amount and percentage and the ending balance and percentage of payables.
  - ii. Sales amount and percentage and the ending balance and percentage of receivables.
  - iii. Property transaction amount and resulting gain or loss.
  - iv. Ending balance of endorsement, guarantee or collateral provided and its purposes.
  - v. The maximum balance, ending balance, interest rate range and total amount of current interest in financing.
  - vi. Other transactions having significant impact on profit and loss or financial status of the period, such as providing or receiving services.

#### (40) Department Information

Information is provided to main business decision makers to allocate resources and assess the performance of each department and focus on type of product or service delivered or provided. The merging company shall report on the following information to the departments:

##### i. Departmental Income and Operation Results

Income and results of ongoing operations of the merging company based on reporting departments are analyzed as follows:

	Taiwan	Mainland China	Vietnam	Australia	Other Regions	Adjustments and Write-Off	Total
<u>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
Revenue between Departments	<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>
Department Income	<u>\$ 495,825</u>	<u>\$ 350,784</u>	<u>\$ 647,194</u>	<u>\$ 33,729</u>	<u>\$ 145,110</u>	<u>\$ 9,387</u>	\$ 1,682,029
Interest Income							34,382
Other Income							118,075
Other profit and loss							( 6,057 )
Financing Cost							( 69,224 )
Share of affiliated companies' profit (loss) adopts the equity method							33,477
Income before tax							<u>\$ 1,792,682</u>
<u>2018</u>							
Revenue							
Revenue from External Customers	\$ 3,497,110	\$ 5,940,406	\$ 3,269,460	\$ 1,994,845	\$ 1,320,399	\$ -	\$16,022,220
Revenue between Departments	<u>2,476,354</u>	<u>1,057,069</u>	<u>639,914</u>	<u>22,758</u>	<u>39,596</u>	<u>( 4,235,691 )</u>	<u>-</u>
Total Revenue	<u>\$ 5,973,464</u>	<u>\$ 6,997,475</u>	<u>\$ 3,909,374</u>	<u>\$ 2,017,603</u>	<u>\$ 1,359,995</u>	<u>( \$ 4,235,691 )</u>	<u>\$16,022,220</u>
Department Income	<u>\$ 338,149</u>	<u>\$ 128,590</u>	<u>\$ 242,670</u>	<u>\$ 50,443</u>	<u>\$ 93,733</u>	<u>\$ 47,425</u>	\$ 901,010
Interest Income							35,318
Other Income							121,495
Other profit and loss							18,454
Financing Cost							( 61,694 )
Share of affiliated companies' profit (loss) adopts the equity method							21,229
Income before tax							<u>\$ 1,035,812</u>

Department profit/loss refers to the profit made by each department and excludes non-operating income and expense nor income tax expense. The assessment is provided to the main business decision-maker to allocate resources to departments and assess their performance.

The main business decision makers of the merging company will base their decisions on each type of operating result. Information on classified assets and liabilities from different business activities are not evaluated, and only the operating results of the reportable segments are shown.

##### ii. Revenue from Main Products

Revenue analysis of main products of the merging company is as follows:

	2019	2018
Adhesives	\$ 12,487,929	\$ 11,423,743
Coatings	1,794,592	1,757,081
Construction materials	2,131,575	2,137,677
Others	<u>699,450</u>	<u>703,719</u>
	<u>\$ 17,113,546</u>	<u>\$ 16,022,220</u>

iii. Geographic Information

The merging company mainly operates in three geographical areas – Taiwan, Mainland China and Southeast Asia.

The information of the continuing business unit of the merging company from external customers is classified according to the location of the customer and the non-current assets are classified according to the location of the assets as follows:

	<u>Revenue from External Customers</u>	
	<u>2019</u>	<u>2018</u>
Asia	\$ 12,602,356	\$ 11,526,562
Taiwan	2,416,552	2,363,313
Oceania	1,779,158	1,781,868
America	85,305	125,667
Africa	76,869	79,204
Europe	<u>153,306</u>	<u>145,606</u>
	<u>\$ 17,113,546</u>	<u>\$ 16,022,220</u>

	<u>Non-Current Assets</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Taiwan	\$ 3,213,051	\$ 2,736,700
Mainland China	681,564	660,331
Southeast Asia	1,356,741	1,415,298
Australia	<u>700,247</u>	<u>366,241</u>
	<u>\$ 5,951,603</u>	<u>\$ 5,178,570</u>

Non-current assets exclude financial instruments and deferred tax assets.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Loans to Others  
January 1 to December 31, 2019

Table 1

Unit: NT\$1,000

No	Financing Company	Counter Party	Financial Statement Account	Whether being Related parties	Maximum Balance	Balance of Period End	Amount Actually Drawn (Note 4)	Interest rate range (%)	Capital financing feature (Note 1)	Amount of Transaction	Short-term financing Reason for financing	Amount of Allowance for Doubtful Account	Collateral		Limitation on financing to specific entities for specific entities	Limitation on financing to specific entities
													Title	Value		
0	Nan Pao Resins Chemical Co., Ltd.	RLA Polymers (M) Sdn Bhd	Other accounts receivable-related parties	Yes	\$ 94,800	\$ 89,940	\$ 89,940	4.2	2	\$ -	Operating turnover	\$ -	-	\$ -	\$ 1,948,148	\$ 3,896,296
1	Nan Pao Group Holdings Ltd.	RLA Polymers (M) Sdn Bhd	Other accounts receivable-related parties	Yes	5,056	-	-	3.25	2	-	Operating turnover	-	-	-	3,787,106	3,787,106
2	Progroups Technology co. Ltd.	Biorich Biotechnology Co., Ltd.	Other accounts receivable-related parties	Yes	900	-	-	2	2	-	Operating turnover	-	-	-	15,772	31,543
3	Nan Pao Resins (China) Co., Ltd.	Nan Pao (Kunshan) E-commerce Ltd.	Other accounts receivable-related parties	Yes	115,075	-	-	4.5675~5	2	-	Operating turnover	-	-	-	386,761	386,761

Note 1: explanations on the borrowings and their natures are as follows:

1. Business transactions are present
2. Short-term financing capital is needed

Note 2: The following are the Company's rules and procedures for loaning funds to others:

1. Amount of loan to others shall be less than 40% of the Company's net value.
2. The maximum amount of loan permitted to a single borrower:

- (1) For capital loan and business transaction counterparties, the maximum amount permitted to a single borrower cannot exceed the total purchase or sales (whichever is higher) between two parties in the last year. However, maximum amount may not exceed the total amount of capital loan.
- (2) For those in need of capital loan and short-term financing, the maximum amount permitted to a single borrower may not exceed 20% of the Company's net value.

Note 3: Procedures of capital loan to subsidiaries that has directly or indirectly invested in the Company and to others are set out below:

1. Total capital loan to others shall be less than 100% of the Company's net value.
2. The maximum amount of loan permitted to a single borrower:

- (1) For capital loan and business transaction counterparties, the maximum amount permitted to a single borrower cannot exceed the total purchase or sales (whichever is higher) between two parties in the last year. However, maximum amount may not exceed the total amount of capital loan.
- (2) For those in need of capital loan and short-term financing, the maximum amount permitted to a single borrower may not exceed 20% of the Company's net value.

Note 4: For foreign companies who hold 100% voting rights owned by the Company directly or indirectly, the total amount of loans and loans to individual borrowers to such companies may not exceed the net worth of the lending company.

Note 5: already written off during compilation of the consolidated financial statements

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Endorsements for Others  
January 1 to December 31, 2019

Table 2

Unit: NT\$1,000

No	Endorsement/Guarantee Provider Company name	Guaranteed Party Company name	Relation (Note 1)	Ceiling limit on endorsements and guarantees for a single enterprise (Note 2)	Highest endorsement or guarantee amount for current period	Endorsement or guarantee amount at end of the Period	Amount Actually Drawn	Property-guaranteed amount	Aggregated endorsement or guarantee ratio on net value of of which on the financial statements (%)	Endorsement/ Guarantee Maximum Amount (Note 2&Note 3)	Endorse-ment /guarantee for the subsidiary by the parent company	Endorse-ment /guarantee for the parent company by the subsidiary	For Mainland China Endorse-ment/ Guarantee
0	Nan Pao Resins Chemical Co., Ltd.	ITLS-SB SDN BHD	2	\$ 1,948,148	\$ 9,246	\$ -	\$ -	\$ -	-	\$ 6,818,518	Y	N	N
		Phytomed Bio-tec Co., Ltd.	2	1,948,148	10,000	10,000	2,400	-	0.10	6,818,518	Y	N	N
		Nan Pao Resins Chemical Philippines, Inc.	2	1,948,148	31,600	29,980	3,171	-	0.31	6,818,518	Y	N	N
		ITLS International Development Co., Ltd.	2	1,948,148	50,000	20,000	-	-	0.21	6,818,518	Y	N	N
		Nan Pao Advanced Materials Vietnam Co., Ltd.	2	1,948,148	31,600	29,980	-	-	0.31	6,818,518	Y	N	N
		Nan Pao Materials Vietnam Co., Ltd.	2	1,948,148	126,400	-	-	-	-	6,818,518	Y	N	N
		RLA Polymers (M) SDN BHD	2	1,948,148	92,460	-	-	-	-	6,818,518	Y	N	N
		RLA Polymers Pty Ltd.	2	1,948,148	158,000	149,900	100,824	-	1.54	6,818,518	Y	N	N
		Nan Pao Resins International Ltd.	2	1,948,148	316,000	74,950	-	-	0.77	6,818,518	Y	N	N
		Nan Pao Group Holdings Ltd.	2	1,948,148	158,000	89,940	-	-	0.92	6,818,518	Y	N	N
		Progroups Technology co. Ltd.	2	1,948,148	10,000	10,000	-	-	0.10	6,818,518	Y	N	N
		PT. Indo Nan Pao Resins Chemical Co., Ltd.	2	1,948,148	61,790	-	-	-	-	6,818,518	Y	N	N
		Nan Pao Philippines Export, Inc	2	1,948,148	31,390	14,990	-	-	0.15	6,818,518	Y	N	N
		Nan Pao Resins (HK) Limited	2	1,948,148	219,730	134,910	-	-	1.39	6,818,518	Y	N	N
1	NP Australia Pty Ltd.	RLA Polymers Pty Ltd.	2	128,799	108,266	102,925	-	-	15.98	450,797	N	N	N

Note 1: relationship between endorser and those being endorsed is 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 Company's maximum guarantee and the endorsement for a single business is no more than 20% of the Company's ending net value. The maximum endorsement is no more than 70% of the Company's year-end net value.

Note 3: The Company's subsidiaries that has direct or indirect investment has a maximum guarantee and the endorsement for a single business of no more than 20% of the Company's ending net value. The maximum endorsement is no more than 70% of the Company's year-end net value.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Details on Marketable Securities at the end of the period  
December 31, 2019

Table 3

Unit: NT\$1,000

Company holding shares	Type and name of securities	Relationship with the issuer	Accounting item	At end of the Period				Remarks
				Number of shares	At book value	Percentage of shares (%)	Fair value	
Nan Pao Resins Chemical Co., Ltd.	Dairen Chemical Corp. - publicly owned company	None	The financial asset in other comprehensive income measured at fair value through profit and loss - non-current	6,515,606	\$ 937,791	2	\$ 937,791	
	Hua Chi Venture Capital Co., Ltd. - privately-issued equity	.	.	126,316	3,712	2	3,712	
	Hsin Sheng Photovaltaic Co., Ltd. - privately-issued equity	.	.	1,600,000	2,370	10	2,370	
	Revivegen Environmental Technology Co., Ltd. - publicly owned company	.	.	375,000	12,949	2	12,949	
	FlexUP Technologies Corp. - privately-issued equity	.	.	1,200,000	4,128	7	4,128	
	Contact Organics Pty Ltd. - privately-issued equity	.	.	1,191	7,338	8	7,338	
					<u>\$ 968,288</u>		<u>\$ 968,288</u>	
Nan Pao Chemical Company Ltd.	Ace Chemical Corp. - privately-issued equity	None	The financial asset in other comprehensive income measured at fair value through profit and loss - non-current	893,265	<u>\$ 8,457</u>	10	<u>\$ 8,457</u>	

Note 1: marketable securities in table refer to stocks, bonds, beneficiary certificates, and other related derivative securities within the scope of IFRS 9: Financial instruments.

Note 2: please see table 7 and 8 for information on investments in subsidiaries and affiliated companies.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Acquisition of real estate at cost in excess of NT\$300 Million or 20% of paid-in capital  
January 1, 2019 to December 31, 2019

Table 4

Unit: NT\$1,000

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-Party	Nature of Relationship	Prior Transaction of Realated Counter-Party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Nan Pao Resins Chemical Co., Ltd.	Building	(Note)	\$ 690,000	Monthly ettlement by the onstruction progress and acceptance	Kong Chou Construction Co ., LTD.	-	-	-	-	\$ -	Not applicable for the case of engaging others to construct on its own land	The Company's R&D and Administrati on building	-

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

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Amount of purchases and sales with related parties up to NT\$100 million or 20% of its paid-in capital  
January 1 to December 31, 2019

Table 5

Unit: NT\$1,000

Purchase(Sale) company	Name of counterparty	Relations	Transaction				Unusual Trade Conditions and Reasons		Notes and accounts receivable (payable)		Remarks
			Purchase/Sale	Amount (NT\$)	Ratio of total Purchase (Sales)	Credit Period	Unit Price	Credit Period	Balance (Note)	Ratio on total accounts receivable or payable (%)	
Nan Pao Resins Chemical Co.,Ltd.	Nan Pao Resins ( Vietnam ) Enterprise Ltd.	Subsidiary	Sales	( \$ 1,053,120)	20	Payment within 90 days	Equivalent	Equivalent	\$ 254,495	23	
	Nan Pao Materials Vietnam Co., Ltd.	Subsidiary	Sales	( 153,611)	3	Payment within 90 days	Equivalent	Equivalent	60,186	5	
	PT. Indo Nan Pao Resins Chemical Co., Ltd.	Subsidiary	Sales	( 369,735)	7	Payment within 90 days	Equivalent	Equivalent	130,066	12	
	Eastlion Enterprises Ltd.	Subsidiary	Sales	( 200,541)	4	Payment within 90 days	Equivalent	Equivalent	9,284	1	
	Nan Pao Resins (Fo Shan) Co., Ltd.	Subsidiary	Sales	( 142,478)	3	Payment within 90 days	Equivalent	Equivalent	19,503	2	
Nan Pao Resins ( Vietnam ) Enterprise Ltd.	Nan Pao Resins International Ltd	Same ultimate company	Sales	( 316,352)	11	Payment within 90 days	Equivalent	Equivalent	91,310	14	
	Pou Chen Group and subsidiaries	Investors with significant influence	Sales	( 155,279)	5	Payment within 45~60 days	Equivalent	Equivalent	28,467	4	
Nan Pao Resins (Dong-Guan) Co., Ltd.	Eastlion Enterprises Ltd.	Same ultimate company	Net sale of processing	( 327,256)	83	Payment within 30 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 company	Sales	( 110,224)	6	Payment within 90 days	Equivalent	Equivalent	30,703	7	
	Pou Chen Group and subsidiaries	Investors with significant influence	Sales	( 106,591)	6	Payment within 45 days	Equivalent	Equivalent	29,208	7	
Nan Pao Chemical Company Ltd.	Nan Pao Materials Vietnam Co., Ltd.	Same ultimate company	Sales	( 121,564)	81	Payment within 90 days	Equivalent	Equivalent	36,074	81	
Progroups Technology co. Ltd.	Nan Pao Resins ( Vietnam ) Enterprise Ltd.	Same ultimate company	Sales	( 100,898)	59	Payment within 90 days	Equivalent	Equivalent	22,393	66	
Nan Pao Materials Vietnam Co., Ltd.	Nan Pao Resins International Ltd	Same ultimate company	Sales	( 145,619)	14	Payment within 60~90 days	Equivalent	Equivalent	45,475	19	
Nan Pao Resins International Ltd.	Pou Chen Group and subsidiaries	Investors with significant influence	Sales	( 466,703)	97	Payment within 60 days	Equivalent	Equivalent	102,491	100	
PT. Indo Nan Pao Resins Chemical Co., Ltd.	Pou Chen Group and subsidiaries	Investors with significant influence	Sales	( 480,710)	44	Payment within 90 days	Equivalent	Equivalent	167,040	51	
Eastlion Enterprises Ltd.	Pou Chen Group and subsidiaries	Investors with significant influence	Sales	( 129,701)	13	Payment within 45 days	Equivalent	Equivalent	2,606	1	

Note: Except for investors with significant influence, they would be written off during the compilation of the consolidated financial report.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Amount of accounts receivable from related parties up to NT\$100 million or 20% of its paid-in capital  
December 31, 2019

Table 6

Unit: NT\$1,000

Company with Accounts Receivable	Name of counterparty	Relations	Related party of account receivables Account balance (Note 2)	Turnover Ratio%	Overdue Accounts Receivable from Related Party		Accounts Receivable from Related Party Amount Recoverable After period	Listed Deductibles Bad debt
					Amount	Processing Method		
Nan Pao Resins Chemical Co.,Ltd	Nan Pao Resins ( Vietnam ) Enterprise Ltd.	Subsidiary	\$ 254,495	3.97	\$ -	Not applicable	\$ 38,911	\$ -
	PT Indo Nan Pao Resins Chemical Co., Ltd.	Subsidiary	130,066	3.42	-	Not applicable	70,120	-
Eastlion Enterprises Ltd.	Nan Pao Resins ( HK ) Limited	Same ultimate company	115,814	( Note 1 )	-	Not applicable	-	-
PT. Indo Nan Pao Resins Chemical Co., Ltd.	Pou Chen Group and subsidiaries	Investors with significant influence	167,040	2.85	-	Not applicable	79,457	472
Nan Pao Resins International Ltd.	Pou Chen Group and subsidiaries	Investors with significant influence	102,491	4.88	-	Not applicable	76,198	-

Note 1: Balance of other receivables at the end of the period in which turnover ratio is not applicable.

Note 2: Except for investors with significant influence, they would be written off during the compilation of the consolidated financial report.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Information on investees, locations, etc.  
January 1 to December 31, 2019

Table 7

Unit: NT\$1,000  
(Only foreign currency is denoted in dollars)

Name of Investor Company	Name of Investee Company	Location	Main Service Items	Initial Investment		Held at the end of the period			Investee Company Profit (loss) for the Period	Recognized Investment Profit/Loss for the current period (Note 1)	Remarks
				End of the current period	End of Last Year	Number of Shares	Ratio	Book Value			
Nan Pao Resins Chemical Co.,Ltd	Nan Pao Chemical Co., Ltd.	No.12, Nanhai li., Xigang Dist., Tainan City	Trading of Chemicals	\$ 300,000	\$ 300,000	15,000,000	100	\$ 150,945	\$ 7,982	\$ 5,142	
	Nan Pao Application Material Co.	No.12, Nanhai li., Xigang Dist., Tainan City	Trading of Chemicals	60,000	60,000	200,000	100	9,383	( 258)	( 258 )	
	Nan Pao Electronic Material Co.	No.510, Zhongshan Rd., Xigang Dist, Tainan City	Production and Trading of Electronic Materials	63,540	63,540	4,000,000	100	49,560	4,463	4,463	
	ITLS International Development Co. Ltd	5F, No.356, Sec.1, Neihu Rd., Neihu Dist, Taipei	Trading of Building Materials and Chemicals	755,000	755,000	30,500,000	100	287,347	( 5,906)	( 5,906 )	
	Prince Pharmaceutical Co.,Ltd.	9F, No. 107, Sec.3, Chongxin Rd., Sanchung Dist., New Taipei City	Manufacturing, packaging, processing of various medicine and health food materials	324,683	268,000	16,767,305	52.3	356,889	9	4	
	Phymed Bio-Tec Co.,Ltd.	No.12, Nanhai li., Xigang Dist., Tainan City	R&D and Trading of Health Food	16,000	16,000	600,000	100	3,877	( 120)	( 120 )	
	Biorich Biotechnology Co.,Ltd.	5F, No.356, Sec.1, Neihu Rd., Neihu Dist, Taipei	R&D, Production and Trading of New High Protein Business and Health Food	64,121	64,121	391,462	57.1	6,647	2,463	1,407	
	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	5,996	3,102	2,171	
	Progroup Technology Co., Ltd.	No.12, Nanhai li., Xigang Dist., Tainan City	Trading of Waterborne PU Resin	70,814	-	459,950	91.99	72,542	1,878	1,728	
	Total Acrylic Polymer Industry (TAPI) Corporation	12 F, No. 117, Sec. 2, Chongqing N. Rd., Datung Dist., Taipei City	Production and Trading of Adhesives, Resins, and Other Chemicals Materials	120,000	120,000	1,500,000	30	322,657	111,589	33,477	
	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	191,351	22,832	22,832	
	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	181,007	15,093	15,093	
	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	29,977	4,555	4,555	
	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	874,455	174,873	171,027	
	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	408,490	( 18,646)	( 18,646 )	
	Nan Pao Overseas Holdings Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General Investment	2,103,010	2,071,057	68,300,502	100	3,722,798	495,998	487,636	
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General Investment	186,588	186,588	983,333	73.75	716,775	144,190	104,862	Nan Pao Resins Chemical Co., Ltd. and affiliated companies hold 100% 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	213,323	1,726	941	Nan Pao Resins Chemical Co., Ltd. and affiliated companies hold 100% 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	305,173	390,892	126,000	Nan Pao Resins Chemical Co., Ltd. and affiliated companies hold 100% 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	208,834	82,945	40,643	Nan Pao Resins Chemical Co., Ltd. and affiliated companies hold 67.5% shares
Nan Pao Philippines Export Inc.	Lot IL-2 Subic Bay Gateway Park Phase II, Subic Bay Freeport Zone	Trading of Adhesives	-	-	-	-	-	-	-		
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	147,134	( 7,847)		
	Aftek Materials Vietnam Co., Ltd.	No. 16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and Trading of Building Materials	49,172	49,172	-	70	37,499	( 8,104)		
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	136,709 (USD 4,560,000)	136,709 (USD 4,560,000)	10,000	100	191,325	22,889		
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	167,253 (USD 5,578,821)	167,253 (USD 5,578,821)	21,197,000	100	134,406	15,003		
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	2,047,649 (USD 68,300,502)	2,017,184 (USD 67,284,333)	68,300,502	100	3,790,018	496,063		
ITLS Holding Pte. Ltd.	ITLS (Malaysia) SDN BHD	Lot 75289, Lebuhraya Pasir Gudang, Mukim Plentong (PermasJaya) , 81750 Masai, Johor, Malaysia	Production and Trading of Building Materials	30,792 (USD 1,027,092)	30,792 (USD 1,027,092)	3,250,000	100	22,314	4,555		
	PT. ITLS Indonesia	Jl. Pajajaran Raya No. 44, Kel. Gandasari, Kec. Jatiuwung, Tangerang-15137 Indonesia	Production and Trading of Building Materials	75,898 (USD 2,531,620)	75,609 (USD 2,461,620)	2,507,109	100	21,963	( 6,639)		

(continued on next page)

(continued from previous page)

Name of Investor Company	Name of Investee Company	Location	Main service items	Initial Investment		Held at the end of the period			Investee Company Profit (loss) for the current period	Investment profit or loss Recognized in the current period (Note 1)	Remarks
				End of the current period	End of Last Year	Number of Shares	Ratio	Book Value			
ITLS Holding Pte. Ltd.	ITLS Vietnam Co., Ltd.	No.16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and Trading of Building Materials	130,518 (USD 4,353,487)	130,518 (USD 4,353,487)	-	100	77,264	( 5,282)		
	ITLS-Rich (S) Pte. Ltd.	Blk1049,Eunos Avenue 6,#01-132, Singapore 409628	Trading of Hardware and Building Materials	\$ -	\$ 6,317 (SGD 275,000)	-	-	\$ -	\$ -	Liquidation and cancellation in June 2019.	
	ITLS-SB SDN BHD	Lot 75289, Lebuhraya Pasir Gudang, Mukim Plentong (PermasJaya) , 81750 Masai, Johor, Malaysia	Production and Trading of Hardware and Building Materials	20,690 (SGD 928,632)	20,690 (SGD 928,632)	2,000,000	100	18,916	171		
	Greatwill Materials (HK) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General Investment	37,775 (USD 1,260,000)	37,775 (USD 1,260,000)	7,172	67.68	345,104	116,275		
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General Investment	56,591 (USD 1,887,627)	56,591 (USD 1,887,627)	350,000	26.25	257,630	144,190	Nan Pao Resins Chemical Co., Ltd. and affiliated companies hold 100% shares	
	Nan Pao Resins (Holdings) Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General Investment	781,101 (USD 26,054,073)	781,101 (USD 26,054,073)	10,000	100	823,932	91,491		
	All Saints Enterprises Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General Investment	159,886 (USD 5,333,075)	159,886 (USD 5,333,075)	4,547,451	45.47	177,880	1,726	Nan Pao Resins Chemical Co., Ltd. and affiliated companies hold 100% shares	
	Mega Victory Ltd.	Visits Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	General Investment	-	70,967 (USD 2,367,154)	-	-	-	13,860	Liquidation and cancellation in December 2019.	
	ITLS –TWA Australia Pty. Ltd.	Level 4, 147 Collins Street Melbourne Vic 3000	Production and Trading of Hardware, Building Materials, and Chemicals	-	126,030 (AUD 6,000,000)	-	-	-	6	Liquidation and cancellation in November 2019.	
	NP Australia Pty. Ltd.	Level 4, 147 Collins Street Melbourne Vic 3000	General Investment	529,628 (AUD 25,214,354)	498,120 (AUD 23,714,354)	25,214,354	100	643,986	12,685		
	Ongoing Profits Ltd.	Vistra Corporate Serrices Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General Investment	115,028 (USD 3,836,817)	115,028 (USD 3,836,817)	3,287,546	67.82	678,802	390,892	Nan Pao Resins Chemical Co., Ltd. and affiliated companies hold 100% shares	
	Treasure Wealth (HK) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General Investment	138,208 (USD 4,610,000)	138,208 (USD 4,610,000)	4,610	100	158,745	19,161		
	Goldford Investments Ltd.	Creque Buildin, P.O. Box 116, Road Town, Tortola, British Virgin Islands	General Investment	17,534 (USD 584,844)	17,534 (USD 584,844)	486,000	100	91,477	14,263		
	Nan Pao Resins Chemical Philippines, Inc.	Road 22 Phase 11, Cogeo Village, Antipolo City, Philippines	Trading of Adhesives	6,296 (USD 210,000)	6,296 (USD 210,000)	9,000	100	53,017	13,306		
Nan Pao Resins International Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Trading of Chemicals and Related Products	770 (HKD 200,000)	770 (HKD 200,000)	1,000	100	16,090	6,520			
Nan Pao Resins (HK) Limited	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General Investment	113,924 (USD 3,800,000)	-	3,800,000	100	99,498	( 14,875 )			
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	239,840 (USD 8,000,000)	239,840 (USD 8,000,000)	10,000	100	972,107	144,004		
Nan Pao Resins (Holdings) Ltd.	Eastlion Enterprises Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General Investment	603,800 (USD 20,140,100)	603,800 (USD 20,140,100)	20,240	100	711,677	87,155		
	Eastlion Industrial Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General Investment	-	3 (USD 100)	-	100	-	( 1,084 )	Liquidation and cancellation in July 2019.	
	Nan Pao Resins Development Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General Investment	89,940 (USD 3,000,000)	89,940 (USD 3,000,000)	3,000	100	105,104	5,413		
All Saints Enterprises Ltd.	Great Mount Enterprises Ltd.	Unit 2102, 21/F The Broadway, No., 54-62 Lockhart, Road, Wanchai, Hong Kong	General Investment	299,800 (USD 10,000,000)	299,800 (USD 10,000,000)	10,000	100	386,902	1,774		
Mega Victory Ltd.	Progroup Technology Co., Ltd.	No.12, Nanhai, Nanhai li., Xigang Dist., Tainan City	Trading of Waterborne PU Resin	-	75,000	-	-	-	10,192	Be acquisition by Nan Pao Resins Chemical Co., Ltd. in December 2019.	
NP Australia Pty Ltd.	RLA Polymers Pty. Ltd.	Level 4, 147 Collins Street Melbourne Vic 3000	Production and Trading of Building Materials and Chemicals	343,103 (AUD 16,334,344)	311,595 (AUD 14,834,344)	11,152,080	100	433,567	423		
Ongoing Profits Ltd.	Rising Sun Associates Ltd.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Island	General Investment	145,329 (USD 4,847,546)	145,329 (USD 4,847,546)	3,000,000	100	999,135	390,956		
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	137,608 (USD 4,590,000)	137,608 (USD 4,590,000)	-	50	151,624	38,334		
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	2,269 (IDR 1,040,625,000)	2,269 (IDR 1,040,625,000)	1,040,625	18.5	90,734	33,903	Nan Pao Resins Chemical Co., Ltd. and affiliated companies hold 67.5% 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	102,178 (USD 3,408,217)	102,178 (USD 3,408,217)	-	100	996,215	390,991		
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 Building Materials and Chemicals	125,438 (AUD 5,971,801)	125,438 (AUD 5,971,801)	18,415,500	100	184,770	( 3,534 )		

Note 1: The Company is only required to list the amount of profit and loss of each of the subsidiaries and each investee that adopts the equity method. The rest of the information can be exempted.

Note 2: Please refer to Table 8 for information on investees in Mainland China.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Information on investment in Mainland China  
January 1 to December 31, 2019

Table 8

Unit: NT\$1,000  
(Only foreign currency is denoted in dollars)

Investee Company in Mainland China Company Name	Main Service Items	Actual Paid-In Capital (Note 4)	Investee Company (Note 1)	Accumulated Outflow of Investment from Taiwan at the beginning of the period Amount Invested (Note 4)	Outflow or recovery of investment during the period		Accumulated outflow from Taiwan at the end of the period Amount Invested (Note 4)	Investee company Profit (loss) of the current period	Shareholding ratio of the company's direct or indirect investments (%)	Investment Profit or Loss Recognized in the current period (Note 2)	Investment at the end of the period Book Value	Investment Income remitted at end of the current period
					Outflow	Recovery						
Nan Pao Resins (China) Co., Ltd.	Production and Trading of Adhesives and Coatings	\$ 299,800 (USD 10,000,000)	(2) Great Mount Enterprises Ltd.	\$ 323,482 (USD 10,789,932)	\$ -	\$ -	\$ 323,482 (USD 10,789,932)	\$ 1,779	100	\$ 1,779 (2)B.	\$ 386,761	\$ -
Fuqing Nan Pao Resins Co., Limited	Production and Trading of Adhesives	136,709 (USD 4,560,000)	(2) Wealth Castle Development Ltd.	149,600 (USD 4,990,000)	-	-	149,600 (USD 4,990,000)	23,044	100	23,044 (2)B.	190,292	134,553
Nan Pao Resins (Dongguan) Co., Ltd.	Processing of Adhesives	80,946 (USD 2,700,000)	(2) Eastlion Enterprises Ltd.	76,205 (USD 2,541,860)	-	-	76,205 (USD 2,541,860)	3,310	100	3,310 (2)B.	119,354	-
Dongguan Jia Chin Electronics Co., Ltd.	Production and Trading of Coatings and High Performance Resins	89,940 (USD 3,000,000)	(2) Nan Pao Resins Development Ltd.	91,879 (USD 3,064,683)	-	-	91,879 (USD 3,064,683)	5,414	100	5,414 (2)B.	105,087	-
Foshan Nan Pao Advanced Materials Co., Ltd.	Production and Trading of Adhesives	44,970 (USD 1,500,000)	(2) Greatwill Materials (HK) Ltd. and Nan Pao Resins (Foshan) Co., Ltd.	-	-	-	-	117,639	68	79,997 (2)B.	346,295	-
Nan Pao Resins (Foshan) Co., Ltd.	Production and Trading of Adhesives	239,840 (USD 8,000,000)	(2) Giant Profit Development Ltd.	233,473 (USD 7,787,627)	-	-	233,473 (USD 7,787,627)	144,017	100	144,017 (2)B.	971,106	161,021
Nanpao Chenghong New Material Technology Co., Ltd.	Trading of Footwear Materials	21,525 (RMB 5,000,000)	(3) Nan Pao Resins (Fo Shan) Co., Ltd.	-	-	-	-	5,700	51	2,907 (2)B.	15,062	-
Gangyi Electronic (Dongguan) Co., Ltd. (Note 5)	Trading of Chemicals	-	(2) Qang Yi Electronic Factory Company Ltd.	12,328 (USD 400,000)	-	-	12,328 (USD 400,000)	-	-	-	-	-
Nanpao Advanced Investment Co., Ltd.	Production and Trading of Magnetic Rings, Magnetic Covers, Iron Cores and Electronic Components	560,626 (USD 18,700,000)	(2) Nan Pao Group Holdings Ltd.	560,626 (USD 18,700,000)	-	-	560,626 (USD 18,700,000)	( 24,240 )	100	( 24,240 ) (2)B.	497,521	-
Nan Pao (Kunshan) Electronic Commerce Co., Ltd.	Online Business Agency and General Merchandise Trading	149,900 (USD 5,000,000)	(3) Nan Pao Advanced Investment Co., Ltd.	-	-	-	-	( 36,946 )	100	( 36,946 ) (2)B.	89,852	-
Nantong Nan Pao Resins Materials Co., Ltd.	Online Business Agency and General Merchandise Trading	164,890 (USD 5,500,000)	(3) Nan Pao Advanced Investment Co., Ltd.	-	-	-	-	( 5,640 )	100	( 5,640 ) (2)B.	147,578	-
Nan Pao Resins (Yunan) Co., Ltd.	Production and Trading of Adhesives	134,910 (USD 4,500,000)	(3) Nan Pao Advanced Investment Co., Ltd.	-	-	-	-	( 387 )	100	( 387 ) (2)B.	132,694	-

Aggregate investment amount remitted from Taiwan to Mainland China at end of period (Note 4)	Investment Amounts Authorized by Investment Commission, MOEA (Note 4)	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs (MOEA) (Note 4)
\$ 1,282,368 (USD 42,774,102)	\$ 2,849,577 (USD 95,049,260)	\$ 5,844,444

Note 1: Investment is divided into the following three categories (indicate the category number):

- (1) Direct investment in Mainland China.
- (2) Invest in Mainland China through companies in a third-party region (please specify investment company in third-party region).
- (3) Other methods

Note 2: Investment gains and losses recognized in the current period column:

- (1) If the Company is in preparation status, no investment loss and profit occur, it shall be noted
- (2) There are three types of recognized investment loss and profit, and the Company is required to note the type that applies to the Company:
  - A. The financial statements audited by international accounting firms that has relations with CPA Republic of China.
  - B. The financial statements audited by CPA of Taiwan parent company.
  - C. Others.

Note 3: The Company's investment limit in Mainland China is calculated as follows:

$$\$9,740,740 \times 60\% = \$5,844,444$$

Note 4: Relevant amounts are calculated based on the exchange rate of US\$1 = NT\$29.98 at the end of the period.

Relevant amounts are calculated based on the exchange rate of CNY 1 = NT\$4.305 at the end of the period.

Note 5: Gangyi Electronic (Dongguan) Co., Ltd. has finished liquidation in October 2017 but its share amounts have not been remitted to Taiwan; hence, it has not been removed from authorized investment amount from the MOEA.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

Significant direct or indirect transactions with the investees in Mainland China through third region, and its prices and terms of payment, unrealized gain or loss, and other information:

January 1 to December 31, 2019

Table 9

Purchase(Sale) company	Counterparty	Relations	Transaction				The amount of transaction is different from the normal transactions		Notes and accounts receivable (payable)		Unrealized profit (Note)
			Purchase/Sale	Amount (NT\$)	Ratio on total sales and purchases Ratio (%)	Credit Period	Reasons and Conditions		Balance (Note)	Ratio on total accounts receivable Notes Payable, Account Ratio (%)	
							Unit Price	Credit Period			
Nan Pao Resins Chemical Co.,Ltd.	Nan Pao Resins (Foshan) Co., Ltd.	Subsidiary	Sales	( \$ 142,478 )	( 3 )	Payment Within 90 Days	Equivalent	Equivalent	\$ 19,503	2	\$ 4,453
	Nan Pao Resins (China) Co., Ltd..	Subsidiary	Sales	( 95,901 )	( 2 )	Payment Within 90 Days	Equivalent	Equivalent	26,626	2	-
	Dongguan Jia Chin Electronics Co., Ltd.	Subsidiary	Sales	( 20,585 )	-	Payment Within 90 Days	Equivalent	Equivalent	9,902	-	2,263
	Fuqing Nan Pao Resins Co., Limited	Subsidiary	Sales	( 12,588 )	-	Payment Within 90 Days	Equivalent	Equivalent	3,257	-	-
Foshan Nan Pao Advanced Materials Co., Ltd.	Nan Pao Resins Chemical Co.	Ultimate Parent Company	Sales	( 53,005 )	( 3 )	Payment Within 30 Days	Equivalent	Equivalent	5,791	1	-
	Greatwill Materials (HK) Ltd.	Same ultimate Company	Sales	( 87,732 )	( 5 )	Payment Within 90 Days	Equivalent	Equivalent	15,365	3	-

Purchase(Sale) company	Counterparty	Relations	Transaction				The amount of transaction is different from the normal transactions		Notes and accounts receivable (payable)		Unrealized profit (Note)
			Purchase/Sale	Amount (NT\$)	Ratio on total sales and purchases Ratio (%)	Credit Period	Reasons and Conditions		Balance (Note)	Ratio on total accounts receivable Notes Payable, Account Ratio (%)	
							Unit Price	Credit Period			
Nan Pao Resins (Dongguan) Co., Ltd.	Nan Pao Resins (Foshan) Co., Ltd.	Same ultimate Company	Sales	( 55,053 )	( 3 )	Payment Within 90 Days	Equivalent	Equivalent	16,347	3	-
	Nan Pao Resins India Pvt Ltd.	Same ultimate Company	Sales	( 43,062 )	( 2 )	Payment Within 90 Days	Equivalent	Equivalent	13,133	2	-
	Nan Pao Materials Vietnam Co., Ltd.	Same ultimate Company	Sales	( 12,261 )	( 1 )	Payment Within 90 Days	Equivalent	Equivalent	3,493	1	-
Nan Pao Resins (Dongguan) Co., Ltd.	Eastlion Enterprises Ltd.	Same ultimate Company	Net Sale of Processing	( 327,256 )	( 83 )	Payment Within 30 Days	No comparable product price	No comparable third-party transaction	-	-	-
	Nan Pao Resins ( HK ) Limited	Same ultimate Company	Net Sale of Processing	( 68,806 )	( 17 )	Payment Within 30 Days	No comparable product price	No comparable third-party transaction	65,971	100	-
Nan Pao Resins (Foshan) Co., Ltd.	Fuqing Nan Pao Resins Co., Limited	Same ultimate Company	Sales	( 110,224 )	( 6 )	Payment Within 90 Days	Equivalent	Equivalent	30,703	7	-
	Nan Pao Resins (China) Co., Ltd..	Same ultimate Company	Sales	( 36,083 )	( 2 )	Payment Within 90 Days	Equivalent	Equivalent	11,292	3	-
	Eastlion Enterprises Ltd.	Same ultimate Company	Sales	( 23,155 )	( 1 )	Payment Within 90 Days	Equivalent	Equivalent	415	-	-

Purchase(Sale) company	Counterparty	Relations	Transaction				The amount of transaction is different from the normal transactions		Notes and accounts receivable (payable)		Unrealized profit (Note)
			Purchase/Sale	Amount (NT\$)	Ratio on total sales and purchases Ratio (%)	Credit Period	Reasons and Conditions		Balance (Note)	Ratio on total accounts receivable Notes Payable, Account Ratio (%)	
							Unit Price	Credit Period			
	Foshan Nan Pao Advanced Materials Co., Ltd.	Same ultimate Company	Rent Revenue	( 13,511 )	( 1 )	Payment Within 90 Days	No comparable product price	No comparable third-party transaction	12,578	3	-
	Nan Pao Resins Chemical Co.,Ltd.	Ultimate Parent Company	Sales	( 11,076 )	( 1 )	Payment Within 30 Days	Equivalent	Equivalent	2,830	1	-
Fuqing Nan Pao Resins Co., Limited	Nan Pao Resins (China) Co., Ltd.	Same ultimate Company	Sales	( 76,158 )	( 19 )	Payment Within 90 Days	Equivalent	Equivalent	24,325	24	-

Note: Already written off during compilation of the consolidated financial statements.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Business relationships, important transactions, and amounts between parent company and subsidiaries  
January 1 to December 31, 2019

Table 10

Serial number	Name of counterparty	Counterparty	Relationship with Counterparty (Note 1)	Transaction Status			
				Account	Amount (Note 2)	Transaction Terms	Percentage of consolidated total revenue or total asset (%)
0	Nan Pao Resins Chemical Co.	Nan Pao Resins (China) Co., Ltd	1	Accounts Receivable - Related Parties	\$ 26,626	Price based on average transaction price, receive 90 day payment	-
				Sales Revenue	95,901		1
		Nan Pao Resins ( Vietnam ) Enterprise Ltd.	1	Accounts Receivable - Related Parties	254,495		1
				Sales Revenue	1,053,120		6
				Purchase	24,488		-
							Price based on average transaction price, payment within 90 days
		Nan Pao Resins (Foshan) Co., Ltd.	1	Accounts Receivable - Related Parties	19,503		-
				Sales Revenue	142,478		1
				Purchase	11,076		-
							Price based on average transaction price, payment within 90 days
		PT. Indo Nan Pao Resins Chemical Co., Ltd.	1	Accounts Receivable - Related Parties	130,066		1
				Sales Revenue	369,735		2
RLA Polymers (M) SDN BHD	1	Other Receivable-Related Parties	89,940	-			
RLA Polymers Pty Ltd.	1	Sales Revenue	13,170	-			
Eastlion Enterprises Ltd.	1	Sales Revenue	200,541	1			

Serial number	Name of counterparty	Counterparty	Relationship with Counterparty (Note 1)	Transaction Status			
				Account	Amount (Note 2)	Transaction Terms	Percentage of consolidated total revenue or total asset (%)
				Purchase	33,085	No comparable product price, payment within 90 days	-
		Foshan Nan Pao Advanced Materials Co., Ltd.	1	Purchase	53,005	Price based on average transaction price, payment within 30 days	-
		Nan Pao Materials Vietnam Co., Ltd.	1	Accounts Receivable - Related Parties	60,186		-
				Sales Revenue	153,611	Price based on average transaction price, receive 90 day payment	1
		ITLS International Development Co.	1	Sales Revenue	39,541	Price based on average transaction price, receive 90 day payment	-
		Nan Pao Advanced Materials Co.	1	Sales Revenue	28,017	Price based on average transaction price, receive 90 day payment	-
		Noroo-Nan Pao Paints & Coatings ( Vietnam ) Co., Ltd.	1	Sales Revenue	29,758	Price based on average transaction price, receive 90 day payment	-
		Nan Pao Chemical Co., Ltd.	1	Purchase	18,353	Price based on average transaction price, payment within 90 days	-
		Thai Nanpao Resins Chemical Co., Ltd.	1	Sales Revenue	21,792	Price based on average transaction price, receive 90 day payment	-
		Dongguan Jia Chin Electronics Co., Ltd.	1	Sales Revenue	20,585	Price based on average transaction price, receive 90 day payment	-
		Nan Pao Resins Chemical Philippines, Inc.	1	Sales Revenue	19,589	Price based on average transaction price, receive 90 day payment	-
		Progroup Technology Co., Ltd.	1	Sales Revenue	13,344	Price based on average transaction price, receive 90 day payment	-
				Purchase	15,748	Price based on average transaction price, payment within 90 days	-
		Nan Pao Resins (HK) Limited	1	Accounts Receivable - Related Parties	43,228		-
				Sales Revenue	43,961	Price based on average transaction price, receive 90 day payment	-
		Fuqing Nan Pao Resins Co., Limited	1	Sales Revenue	12,588	Price based on average transaction price, receive 90 day payment	-

Serial number	Name of counterparty	Counterparty	Relationship with Counterparty (Note 1)	Transaction Status			
				Account	Amount (Note 2)	Transaction Terms	Percentage of consolidated total revenue or total asset (%)
1	Nan Pao Resins ( Vietnam ) Enterprise Ltd.	PT. Indo Nan Pao Resins Chemical Co., Ltd.	3	Accounts Receivable - Related Parties	14,317		-
				Sales Revenue	83,772	Price based on average transaction price, receive 90 day payment	-
		Nan Pao Resins International Ltd.	3	Accounts Receivable - Related Parties	91,310		-
				Sales Revenue	316,352	Price based on average transaction price, receive 90 day payment	2
		Progroup Technology Co., Ltd.	3	Accounts payable - Related Parties	22,393		-
				Purchase	100,898	No comparable product price, payment within 90 days	1
		Eastlion Enterprises Ltd.	3	Purchase	75,125		-
					14,656		-
		Nan Pao Resins (HK) Limited	3	Accounts payable - Related Parties			-
				Purchase	15,111	Price based on average transaction price, payment within 90 days	-
RLA Polymers Pty Ltd.	3	Sales Revenue	10,086	Price based on average transaction price, receive 90 day payment	-		
2	Nan Pao Resins (Foshan) Co., Ltd.	Fuqing Nan Pao Resins Co., Limited	3	Accounts Receivable - Related Parties	30,703		-
				Sales Revenue	110,224	Price based on average transaction price, receive 90 day payment	1
		Foshan Nan Pao Advanced Materials Co., Ltd.	3	Rent Revenue	13,511	No third party for comparable.	-
				Accounts payable - Related Parties	16,347		-
		Purchase	55,053	Price based on average transaction price, payment within 90 days	-		

Serial number	Name of counterparty	Counterparty	Relationship with Counterparty (Note 1)	Transaction Status			
				Account	Amount (Note 2)	Transaction Terms	Percentage of consolidated total revenue or total asset (%)
3	Eastlion Enterprises Ltd.	Nan Pao Resins (China) Co., Ltd	3	Other Receivable - Related Party	12,578		-
				Accounts Receivable - Related Parties	11,292		-
				Sales Revenue	36,083	Price based on average transaction price, receive 90 day payment	-
		Nan Pao Advanced Materials Co. Eastlion Enterprises Ltd.	3	Purchase	12,709	Price based on average transaction price, payment within 90 days	-
				Sales Revenue	23,155	Price based on average transaction price, receive 90 day payment	-
		Nan Pao Resins (Dongguan) Co., Ltd.	3	Processing Fee	327,256	No comparable product price, payment within 30 days	2
				Accounts Receivable - Related Parties	27,634		-
		Nan Pao Resins Chemical Philippines, Inc.	3	Sales Revenue	59,384	Price based on average transaction price, receive 90 day payment	-
				Sales Revenue	50,854	Price based on average transaction price, receive 90 day payment	-
				Sales Revenue	21,977	Price based on average transaction price, receive 90 day payment	-
Management Fee	15,780			No comparable transaction, payment within 15 days	-		
Accounts Receivable - Related Parties	115,814				1		
4	Nan Pao Resins ( HK ) Limited	Nan Pao Resins (Dongguan) Co., Ltd.	3	Accounts payable - Related Parties	65,971		-
				Processing Fee	68,806	Price based on average transaction price, payment within 30 days	-
		PT. Indo Nan Pao Resins Chemical Co., Ltd.	3	Accounts Receivable - Related Parties	20,203		-

Serial number	Name of counterparty	Counterparty	Relationship with Counterparty (Note 1)	Transaction Status			
				Account	Amount (Note 2)	Transaction Terms	Percentage of consolidated total revenue or total asset (%)
5	Nan Pao Resins (China) Co., Ltd	Nan Pao Resins Chemical Philippines, Inc.	3	Sales Revenue	20,831	Price based on average transaction price, receive 90 day payment	-
				Accounts Receivable - Related Parties	10,218		-
		Fuqing Nan Pao Resins Co., Limited	3	Sales Revenue	10,535	Price based on average transaction price, receive 90 day payment	-
				Accounts payable - Related Parties	24,325		-
6	Foshan Nan Pao Advanced Materials Co., Ltd.	Nan Pao Resins India Pvt Ltd.	3	Purchase	76,158	No comparable product price, payment within 90 days	-
				Accounts Receivable - Related Parties	13,133		-
		Greatwill Materials (HK) Ltd.	3	Sales Revenue	43,062	Price based on average transaction price, receive 90 day payment	-
				Accounts Receivable - Related Parties	15,365		-
7	Nan Pao Materials Vietnam Co., Ltd.	Nan Pao Materials Vietnam Co., Ltd.	3	Sales Revenue	12,261	Price based on average transaction price, receive 90 day payment	-
				Accounts Receivable - Related Parties	45,475		-
		Nan Pao Resins International Ltd.	3	Sales Revenue	145,619	Price based on average transaction price, receive 60 - 90 day payment through wire transfer	1
				Accounts payable - Related Parties	36,074		-
		Nan Pao Chemical Co., Ltd.	3	Purchase	121,564	Price based on average transaction price, payment within 90 days	1

Serial number	Name of counterparty	Counterparty	Relationship with Counterparty (Note 1)	Transaction Status			
				Account	Amount (Note 2)	Transaction Terms	Percentage of consolidated total revenue or total asset (%)
8	Progroup Technology Co., Ltd.	PT. Indo Nan Pao Resins Chemical Co., Ltd.	3	Accounts Receivable - Related Parties	17,675	Price based on average transaction price, receive 90 day payment	-
				Sales Revenue	59,348		-
9	Thai Nanpao Resins Chemical Co., Ltd.	PT. Indo Nan Pao Resins Chemical Co., Ltd.	3	Sales Revenue	23,009	Price based on average transaction price, receive 90 day payment	-
10	ITLS Holding Pte. Ltd.	ITLS (Malaysia) SDN BHD	3	Other Receivable - Related Party	21,579	Price based on average transaction price, receive 90 day payment	-
		ITLS-SB SDN BHD	3	Other Receivable - Related Party	19,742		-

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 compilation of the consolidated financial statements

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Properties, Plants and Equipments  
January 1 to December 31, 2019

Table 11

	L a n d	Land Improvement	B u i l d i n g	M a c h i n e r y E q u i p m e n t	Transportation E q u i p m e n t	Other Equipment	U n f i n i s h e d Constructions and Equipment to be T e s t e d	T o t a l
<u>Cost</u>								
Balance at January 1, 2019	\$ 1,179,441	\$ 6,434	\$ 1,910,042	\$ 2,520,538	\$ 234,160	\$ 745,751	\$ 390,361	\$ 6,986,727
Adjust for IFRS16	-	-	-	-	( 4,830)	( 7,603)	-	( 12,433)
Balance at January 1, 2019 (Adjusted)	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 or retirements	-	-	( 11,255)	( 72,869)	( 17,368)	( 42,719)	-	( 144,211)
Addition from acquire business	-	-	-	692	-	-	-	692
Effect of exchange rate changes	661	30	( 32,045)	( 38,276)	( 2,230)	( 4,809)	( 190)	( 76,859)
Balance at December 31, 2019	<u>\$ 1,186,651</u>	<u>\$ 11,624</u>	<u>\$ 1,952,850</u>	<u>\$ 2,583,636</u>	<u>\$ 236,726</u>	<u>\$ 772,468</u>	<u>\$ 525,118</u>	<u>\$ 7,269,073</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2019	\$ -	\$ 5,645	\$ 680,901	\$ 1,638,207	\$ 156,699	\$ 545,283	\$ -	\$ 3,026,735
Adjust for IFRS16	-	-	-	-	( 2,643)	( 1,592)	-	( 4,235)
Balance at January 1, 2019 (Adjusted)	-	5,645	680,901	1,638,207	154,056	543,691	-	3,022,500
Depreciation Expense	-	191	62,503	162,431	18,954	55,042	-	299,121
Disposals or retirements	-	-	( 1,700)	( 57,015)	( 12,659)	( 38,754)	-	( 110,128)
Effect of exchange rate changes	-	11	( 9,594)	( 25,182)	( 1,393)	( 3,154)	-	( 39,312)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 5,847</u>	<u>\$ 732,110</u>	<u>\$ 1,718,441</u>	<u>\$ 158,958</u>	<u>\$ 556,825</u>	<u>\$ -</u>	<u>\$ 3,172,181</u>
Carrying amounts at December 31, 2018	<u>\$ 1,179,441</u>	<u>\$ 789</u>	<u>\$ 1,229,141</u>	<u>\$ 882,331</u>	<u>\$ 77,461</u>	<u>\$ 200,468</u>	<u>\$ 390,361</u>	<u>\$ 3,959,992</u>
Carrying amounts at January 1, 2019 (Adjusted)	<u>\$ 1,179,441</u>	<u>\$ 789</u>	<u>\$ 1,229,141</u>	<u>\$ 882,331</u>	<u>\$ 75,274</u>	<u>\$ 194,457</u>	<u>\$ 390,361</u>	<u>\$ 3,951,794</u>
Carrying amounts at December 31, 2019	<u>\$ 1,186,651</u>	<u>\$ 5,777</u>	<u>\$ 1,220,740</u>	<u>\$ 865,195</u>	<u>\$ 77,768</u>	<u>\$ 215,643</u>	<u>\$ 525,118</u>	<u>\$ 4,096,892</u>
<u>Cost</u>								
Balance at January 1, 2018	\$ 1,179,025	\$ 5,625	\$ 1,621,156	\$ 2,334,664	\$ 204,299	\$ 694,247	\$ 170,477	\$ 6,209,493
Additions	-	831	131,704	100,540	7,342	36,998	390,261	667,676
Disposals or retirements	-	-	( 8,496)	( 80,570)	( 9,462)	( 24,579)	-	( 123,107)
Reclassification	-	-	146,471	182,154	32,235	39,740	( 182,110)	218,490
Effect of exchange rate changes	416	( 22)	19,207	( 16,250)	( 254)	( 655)	11,733	14,175
Balance at December 31, 2018	<u>\$ 1,179,441</u>	<u>\$ 6,434</u>	<u>\$ 1,910,042</u>	<u>\$ 2,520,538</u>	<u>\$ 234,160</u>	<u>\$ 745,751</u>	<u>\$ 390,361</u>	<u>\$ 6,986,727</u>

	L a n d	Land Improvement	B u i l d i n g	M a c h i n e r y E q u i p m e n t	T r a n s p o r t a t i o n E q u i p m e n t	Other Equipment	U n f i n i s h e d C o n s t r u c t i o n s a n d E q u i p m e n t t o b e T e s t e d	T o t a l
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2019	\$ -	\$ 5,625	\$ 626,257	\$ 1,568,788	\$ 146,487	\$ 515,607	\$ -	\$ 2,862,764
Depreciation Expense	-	42	56,089	152,566	17,879	53,370	-	279,946
Disposals or retirements	-	-	( 4,649)	( 67,579)	( 6,945)	( 23,380)	-	( 102,553)
Reclassification	-	-	-	-	( 129)	501	-	372
Effect of exchange rate changes	-	( 22)	3,204	( 15,568)	( 593)	( 815)	-	( 13,794)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 5,645</u>	<u>\$ 680,901</u>	<u>\$ 1,638,207</u>	<u>\$ 156,699</u>	<u>\$ 545,283</u>	<u>\$ -</u>	<u>\$ 3,026,735</u>
Carrying amounts at December 31, 2018	<u>\$ 1,179,441</u>	<u>\$ 789</u>	<u>\$ 1,229,141</u>	<u>\$ 882,331</u>	<u>\$ 77,461</u>	<u>\$ 200,468</u>	<u>\$ 390,361</u>	<u>\$ 3,959,992</u>

## **Appendix 2 : Individual Financial Statements**

### Independent Auditors' Report

To Nan Pao Resins Chemical Co., Ltd.:

#### **Audit Opinion**

We have audited the accompanying individual financial statements of Nan Pao Resins Chemical Co., Ltd., which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (including a summary on significant accounting policies).

In our opinion, based on our audits and the report of other auditors (refer to the Other Matter paragraph), the accompanying individual financial statements present fairly, in all material respects, the individual financial position of Nan Pao Resins Co., Ltd as of December 31, 2018 and 2019, and the individual financial performance and 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 2019 audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Jin-Guan-Zheng-Shen-Zi No. 1090360805 issued by the Financial Supervisory Commission on February 25, 2020, and the Generally Accepted Auditing Standards; we conducted our 2018 audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Generally Accepted Auditing Standards. Our responsibilities required under said standards will be detailed in the paragraph about the external auditor's responsibility on auditing individual financial statements. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant Code of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. With the results of our auditing and other independent auditors' reports, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinions.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the individual financial statements of Nan Pao Resins Co., Ltd for the year ended December 31, 2019 are stated as follows:

### Key Audit Matters: Authenticity of Revenue Recognition

The main sources of revenue for Nan Pao Resins Co., Ltd come from the sale of adhesives and paints. The sales amount of products of certain specifications has changed significantly in 2019. The CPA recognized the presumptive income as a significant risk based on its materiality to the individual financial statements and the regulations regarding the recognition of significant risks in the Statements of Auditing Standards. Therefore, the aforementioned product was included as a key audit item for the authenticity of income.

The key audit procedures conducted in regard to the aforementioned matter are as follows:

1. Understand and sample test the effectiveness of internal control designs related to revenue recognition
2. Select appropriate samples from sales revenue receipts, inspect sales invoices, commercial invoices, export declarations signed off by customers using revenue recognition criteria to verify the authenticity of the income, and confirm the names for receipt and for trade items.

For accounting policies and income segmentation on income recognition, please refer to Note 4 (13) and 23.

### **Other Matters**

In the individual financial statements, certain investees were not audited by us but by other CPAs. Accordingly, for our findings on the aforementioned individual financial statements, the dollar amount and information related to the investees in the statements were based on audit reports from other CPAs. As of December 31, 2019 and 2018, the total assets in equity method were NT\$998,004 thousand and NT\$ 948,380 thousand respectively and accounting for both 7% of total assets. The net revenue in equity method of 2019 was NT\$2,224 thousand, and the net loss in equity method of 2018 was NT\$9,567 thousand, accounting for 0.3% and (2.4%) of the comprehensive income respectively.

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

Management is responsible for the preparation and fair representation of the individual 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 individual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing individual 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 intends to liquidate the Company or terminate the business, or no practicable measure other than liquidation or termination of the business can be taken. Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Individual Financial Statements**

Our objectives are to obtain reasonable assurance about whether the individual 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 Generally Accepted Auditing Standards (GAAS) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If it can be reasonably expected that misstatements in individual amounts or aggregates could influence the economic decisions of users taken on the basis of these individual financial statements, then the misstatements are deemed to be material.

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

1. Identify and assess the risks of material misstatements of the individual financial statements, whether due to fraud or error, design and implement appropriate countermeasures to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Since irregularities can involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control, the risks of failing to detect material misstatements resulting from fraud is higher than for one resulting from errors.

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 Company's internal control.
3. Evaluate the appropriateness of accounting policies adopted by management as well as reasonableness of its accounting estimates and related disclosures.
4. Conclude on the appropriateness of the management's use of the going concern basis of accounting, 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 individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our audit report. However, future events or circumstances may cause the Company to lose its capacity to function as a going concern.
5. Evaluate the overall presentation, structure, and contents of individual financial statements (including the disclosures), and whether the individual 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 within the Group to express an opinion on the individual financial statements. We are responsible for the direction, supervision, and implementation 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 significant internal control deficiencies identified during our audit).

We have also provided a declaration to the governing bodies stating that the personnel of our affiliated firm has followed the item of independence in the CPA code of professional ethics. We have also communicated with the governing bodies on all relationships that may possibly be deemed to impair our independence as well as other matters (including relevant protective measures).

From the matters communicated with the governing body, we determined the key audit matters that were of most significance within the audit of the Company's individual financial statements for the year ended in December 31, 2019. 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.

Deloitte & Touché  
CPA Liao, Hung-Ju

CPA Kung, Chun-Chi

Approval No. from Financial Supervisory  
Commission R.O.C. (Taiwan)  
No. 0990031652 in FSC

Approval No. from the Securities and Futures  
Commission  
No. 0920123784 in TWSE

March 26, 2020

Nan Pao Resins Chemical Co., Ltd.  
Individual Balance Sheets  
December 31, 2019 and 2018

Unit: NT\$1,000

Code	Asset	December 31, 2019		December 31, 2018		Code	Liabilities and Shareholders' Equity	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%			Amount	%	Amount	%
	<b>Current Assets</b>						<b>Current Liabilities</b>				
1100	Cash and Cash Equivalents (Note 4 and 6)	\$ 596,617	4	\$ 828,391	6	2100	Short-Term Loans (Note 18)	\$ 710,000	5	\$ 670,000	5
1136	Financial Assets at Amortized Cost - Current(Note 4, 8 and 9)	382,835	3	-	-	2130	Contract Liability-Current (Note 23)	9,430	-	10,442	-
1150	Notes Receivable (Note 4 and 10)	180,728	1	210,017	2	2150	Notes Payable (Note 19)	10,415	-	25,072	-
1170	Accounts Receivable (Note 4, 10 and 23)	315,893	2	318,196	3	2170	Accounts Payable (Note 19 and 31)	532,446	4	607,650	5
1180	Accounts Receivable - Affiliate (Note 4, 10, 23 and 31)	614,942	4	653,955	5	2280	Lease Liabilities – Current (Note 4 and 14)	7,800	-	-	-
1200	Other Receivables (Note 4, 10 and 31)	106,633	1	18,606	-	2200	Other Payables (Note 20 and 31)	353,021	3	331,087	2
130X	Inventory (Note 4 and 11)	483,257	4	575,710	4	2230	Current Income Tax Liabilities (Note 25)	127,499	1	145,092	1
1470	Other Current Assets (Note 17)	21,954	-	41,487	-	2300	Other Current Liability(Note 20, 23 and 31)	25,518	-	22,564	-
11XX	Total Current Assets	<u>2,702,859</u>	<u>19</u>	<u>2,646,362</u>	<u>20</u>	21XX	Total Current Liabilities	<u>1,776,129</u>	<u>13</u>	<u>1,811,907</u>	<u>13</u>
	<b>Non-Current Assets</b>						<b>Non-Current Liabilities</b>				
1517	Financial Assets Measured at FVTOCI- Non-Current (Note 4 and 7)	968,288	7	1,202,938	9	2580	Lease Liabilities – Non-Current (Note 4 and 14)	33,762	-	-	-
1535	Financial Assets at Amortized Cost - Non-Current (Note 4, 8 and 9)	13,937	-	13,937	-	2540	Long Term Debt Payable (Note 18)	1,459,103	10	1,281,000	10
1550	Investments Accounted for Using Equity Method (Note 4 and 12)	8,118,026	59	7,752,711	57	2570	Deferred Income Tax Liabilities (Note 4, 5 and 25)	784,815	6	701,093	5
1600	Property, Plant & Equipment (Note 4 and 13)	1,770,504	13	1,735,208	13	2640	Net Defined Benefit Liabilities-Non-Current (Note 4 and 21)	4,106	-	-	-
1755	Right-of-use asset (Note 4 and 14)	41,394	-	-	-	2670	Other Non-Current Liabilities	99,667	1	133,221	1
1760	Investment Property (Note 4 and 15)	17,760	-	17,760	-	25XX	Total Non-Current Liabilities	<u>2,381,453</u>	<u>17</u>	<u>2,115,314</u>	<u>16</u>
1780	Other Intangible Assets (Note 4 and 16)	35,995	-	12,084	-	2XXX	Total Liabilities	<u>4,157,582</u>	<u>30</u>	<u>3,927,221</u>	<u>29</u>
1840	Deferred Income Tax Assets (Note 4 and 25)	168,327	1	122,342	1		<b>Equity Attributable to Company Shareholders (Note 22)</b>				
1990	Other Non-Current Assets (Note 17)	61,232	1	51,502	-		<b>Equity</b>				
15XX	Total Non-Current Assets	<u>11,295,463</u>	<u>81</u>	<u>10,908,482</u>	<u>80</u>	3110	Ordinary Shares	1,205,707	9	1,205,707	9
						3200	Capital Reserve	2,103,848	15	2,108,235	15
							<b>Retained Earnings</b>				
						3310	Statutory Surplus Reserve	1,056,002	8	988,725	7
						3320	Special Surplus Reserve	313,321	2	313,321	3
						3350	Retained Earnings	4,740,757	34	4,207,525	31
						3300	Total Reserved Earnings	<u>6,110,080</u>	<u>44</u>	<u>5,509,571</u>	<u>41</u>
						3400	Other Equity	321,105	2	804,110	6
						3XXX	Total Equity	<u>9,740,740</u>	<u>70</u>	<u>9,627,623</u>	<u>71</u>
1XXX	Total Assets	<u>\$ 13,898,322</u>	<u>100</u>	<u>\$ 13,554,844</u>	<u>100</u>		Total Liabilities and Equity	<u>\$ 13,898,322</u>	<u>100</u>	<u>\$ 13,554,844</u>	<u>100</u>

The attached Notes are part of the individual financial statements.  
(Please refer to Audit Report of Deloitte & Touche on March 26, 2020)

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

Nan Pao Resins Chemical Co., Ltd.  
Individual Statement of Comprehensive Income  
For the Years Ended December 31, 2019 and 2018

Unit: NT\$1,000  
(except earnings per share, which is denoted in NT\$)

Code		2019		2018	
		Amount	%	Amount	%
4000	Operating Revenue (Note 4, 23, and 31)	\$ 5,173,269	100	\$ 5,321,256	100
5000	Operating Cost (Note 11, 21, 24 and 31)	<u>3,748,277</u>	<u>72</u>	<u>4,074,419</u>	<u>77</u>
5900	Gross Profit	1,424,992	28	1,246,837	23
5910	Unrealized Interest with subsidiaries and affiliates	( 110,569)	( 2)	( 73,745)	( 1)
5920	Realized Interest with subsidiaries and affiliates	<u>73,745</u>	<u>1</u>	<u>76,303</u>	<u>2</u>
5950	Realized Operational Gross Profit	<u>1,388,168</u>	<u>27</u>	<u>1,249,395</u>	<u>24</u>
	Operating Expenses (Note 10, 24 and 31)				
6100	Selling Expenses	440,594	8	453,354	9
6200	General and Administrative Expenses	298,542	6	248,260	5
6300	Research and Development Expenses	195,450	4	184,002	3
6450	Estimated Credit Impairment Loss or Gain	<u>992</u>	<u>-</u>	<u>1,750</u>	<u>-</u>
6000	Total Operating Expenses	<u>935,578</u>	<u>18</u>	<u>887,366</u>	<u>17</u>
6900	Net Operating Profit	<u>452,590</u>	<u>9</u>	<u>362,029</u>	<u>7</u>
	Non-Operating Income and Expenses (Note 4 and 24)				
7010	Other Income	83,391	2	107,168	2
7020	Other Gains and Losses	( 26,255)	(1)	32,850	1
7050	Financing Cost	( 20,836)	-	( 26,621)	(1)
7070	Share of Profit of Subsidiaries and Affiliates or Loss of Associates Accounted for Using Equity Method	<u>1,000,020</u>	<u>19</u>	<u>381,640</u>	<u>7</u>
7000	Total Non-Operating Income and Expenses	<u>1,036,320</u>	<u>20</u>	<u>495,037</u>	<u>9</u>
7900	Pre-Tax Profit	1,488,910	29	857,066	16
7950	Income Tax Expenses (Note 4 and 25)	<u>260,710</u>	<u>5</u>	<u>184,291</u>	<u>3</u>
8200	Net Profit of the Year	<u>\$ 1,228,200</u>	<u>24</u>	<u>\$ 672,775</u>	<u>13</u>

(Continued on next page)

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Code		2019		2018	
		Amount	%	Amount	%
	Other Comprehensive Gain or Loss (Note 21, 22 and 25)				
8310	Items that will not be reclassified to profit or loss:				
8311	Remeasurement of Defined Benefit Plans	1,608	-	12,604	-
8316	Unrealized Valuation Loss (gain) on Investments in an Equity Instrument Measured at FVTOCI	( 316,702)	(6)	( 337,983)	(6)
8330	Share of the other comprehensive loss of subsidiaries and associates	2,064	-	( 11,648)	-
8349	Income Tax Related to Items that will not be Reclassified	( 321)	-	( 4,248)	-
		<u>( 313,351)</u>	<u>(6)</u>	<u>( 341,275)</u>	<u>(6)</u>
8360	Items that may be Reclassified to Profit or Loss:				
8361	Exchange differences on translation of foreign financial statements	( 203,719)	(4)	63,409	1
8380	Share of Profit of Associates Accounted for Using Equity Method	( 1,860)	-	9,444	-
8399	Income Tax Related to Items that may be Reclassified	41,115	1	( 4,026)	-
		<u>( 164,464)</u>	<u>( 3)</u>	<u>68,827</u>	<u>1</u>
8300	Total Other Comprehensive Income for the Year (net of tax)	<u>( 477,815)</u>	<u>( 9)</u>	<u>( 272,448)</u>	<u>( 5)</u>
8500	Total comprehensive income for the year	<u>\$ 750,385</u>	<u>15</u>	<u>\$ 400,327</u>	<u>8</u>
	Earnings per Share (Note 26)				
9710	Base	\$ 10.19		\$ 6.15	
9810	Diluted	10.16		6.12	

The attached Notes are part of the individual financial statements.  
(Please refer to Audit Report of Deloitte & Touche on March 26, 2020)

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

Nan Pao Resins Chemical Co., Ltd.  
Individual Statement of Changes in Equity  
For the Years Ended December 31, 2019 and 2018

Unit: NT\$1,000  
(except earnings per share and share issuance price, which are denoted in NT\$)

Code		Retained Earnings				Other Equity				
		Capital	Capital Reserve	Statutory Surplus Reserve	Special Surplus Reserve	Undistributed Earnings	Exchange Difference on Conversion of Foreign Operations	Financial Assets Measured at FVTOCI Unrealized Gain or Loss	Subtotal	Total Equity
A5	Balance as of January 1, 2018	\$ 1,086,207	\$ 1,290,212	\$ 900,538	\$ 313,321	\$ 4,158,679	( \$ 291,717 )	\$ 1,376,496	\$ 1,084,779	\$ 8,833,736
	Appropriation of Net Income in 2017 (Note 22)									
B1	Statutory Surplus Reserve	-	-	88,187	-	( 88,187 )	-	-	-	-
B5	Cash Dividend - NT\$5 per share	-	-	-	-	( 543,104 )	-	-	-	( 543,104 )
C17	Cost of Share-based Payment	-	358	-	-	-	-	-	-	358
D1	Net Profit for 2018	-	-	-	-	672,775	-	-	-	672,775
D3	Other Comprehensive Income after Tax in 2018	-	-	-	-	8,221	68,827	( 349,496 )	( 280,669 )	( 272,448 )
D5	Total Comprehensive Income in 2018	-	-	-	-	680,996	68,827	( 349,496 )	( 280,669 )	400,327
E1	Capital Increase - November 26, Issued at NT\$76.8 to 79.56 per Share (Note 22)	119,500	817,663	-	-	-	-	-	-	937,163
M5	Book Value Differences in Acquisition or Disposal of Shares from Subsidiaries	-	2	-	-	( 859 )	-	-	-	( 857 )
Z1	Balance as of December 31, 2018	1,205,707	2,108,235	988,725	313,321	4,207,525	( 222,890 )	1,027,000	804,110	9,627,623
A3	Impact of Retrospective Application (Note 3)	-	-	-	-	( 27,373 )	( 2,654 )	-	( 2,654 )	( 30,027 )
A5	Adjusted Balance as of 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 Net Income in 2018 (Note 22)									
B1	Statutory Surplus Reserve	-	-	67,277	-	( 67,277 )	-	-	-	-
B5	Cash Dividend - NT\$5 per share	-	-	-	-	( 602,854 )	-	-	-	( 602,854 )
D1	Net Profit for 2019	-	-	-	-	1,228,200	-	-	-	1,228,200
D3	Other Comprehensive Income after Tax in 2019	-	-	-	-	2,536	( 164,464 )	( 315,887 )	( 480,351 )	( 477,815 )
D5	Total Comprehensive Income in 2019	-	-	-	-	1,230,736	( 164,464 )	( 315,887 )	( 480,351 )	750,385
M7	From share of changes in equities of subsidiaries (Note 28)	-	( 4,387 )	-	-	-	-	-	-	( 4,387 )
Z1	Balance as of December 31, 2019	<u>\$ 1,205,707</u>	<u>\$ 2,103,848</u>	<u>\$ 1,056,002</u>	<u>\$ 313,321</u>	<u>\$ 4,740,757</u>	<u>( \$ 390,008 )</u>	<u>\$ 711,113</u>	<u>\$ 321,105</u>	<u>\$ 9,740,740</u>

The attached Notes are part of the individual financial statements.  
(Please refer to Audit Report of Deloitte & Touche on March 26, 2020)

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

Nan Pao Resins Chemical Co., Ltd.  
Individual Statement of Cash Flows  
For the Years Ended December 31, 2019 and 2018

Unit: NT\$1,000

C o d e		2019	2018
	Cash flow from operating activities		
A10000	Net Profit before Tax for the Year	\$ 1,488,910	\$ 857,066
A20010	Gains and Losses:		
A20100	Depreciation	132,369	121,999
A20200	Amortization	7,368	4,795
A20400	Estimated Credit Impairment Loss	992	1,750
A21900	Employee Stock Option Costs	-	358
A21200	Interest Income	( 5,050 )	( 1,047 )
A20900	Financing Costs	20,836	26,621
A21300	Dividend Income	( 55,462 )	( 98,176 )
A23700	Allowance for Inventory Valuation and Obsolescence Loss	-	12,891
A22400	Associates' Share of Profit (Loss) Accounted for Using Equity Method	( 1,000,020 )	( 381,640 )
A22500	Loss on Disposal of Properties, Plants, and Equipment	1,694	1,750
A23900	Unrealized interest with subsidiaries	110,569	73,745
A24000	Realized interest with subsidiaries	( 73,745 )	( 76,303 )
A30000	Net Variable in Operational Assets/Liabilities		
A31130	Notes Receivable	29,289	9,025
A31140	Accounts Receivable-Affiliates	-	229
A31150	Accounts Receivable	1,311	( 16,977 )
A31160	Accounts Receivable - Stakeholders	39,013	( 31,937 )
A31180	Other Receivables	( 87,061 )	( 5,987 )
A31200	Inventory	92,453	50,756
A31240	Other Current Assets	19,533	( 11,515 )
A32125	Contract Liabilities	9,430	984
A32130	Notes Payable	( 21,265 )	( 8,122 )
A32150	Accounts Payable	( 75,204 )	( 85,753 )
A32180	Other Payables	18,723	2,003
A32230	Other Current Liabilities	( 7,488 )	20,482
A32240	Net Defined Benefit Liabilities	( 31,946 )	( 16,590 )
A33000	Cash Flow from Operating Activities	615,249	450,407
A33100	Interest Income Received	4,084	1,047
A33300	Interest Paid	( 21,031 )	( 26,614 )
A33500	Income Tax Paid	( 199,109 )	( 298,172 )
AAAA	Net Cash Inflow from Operating Activities	<u>399,193</u>	<u>126,668</u>

Cash Flow from Investment Activities

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<u>C o d e</u>		<u>2019</u>	<u>2018</u>
	Cash Flow from Investment Activities		
B00040	Acquisition of Financial Assets Measured at Amortized Cost	( \$ 382,835 )	\$ -
B00010	Purchase of financial assets at fair value through other comprehensive income	( 82,367 )	-
B00300	Proceeds from Capital Reduction of Investments Accounted for under financial assets at fair value through other comprehensive income	315	-
B02700	Purchase of Properties, Plants, and Equipment	( 173,694 )	( 150,017 )
B02800	Disposition of PPE	5,211	639
B03700	Increase in Refundable Deposits	-	( 308 )
B04500	Purchased Intangible Assets	( 25,766 )	( 2,755 )
B07600	Dividends Received	<u>574,201</u>	<u>573,409</u>
BBBB	Net Cash Flow from Investing Activities (out)	<u>( 84,935 )</u>	<u>420,968</u>
	Cash Flow from Financing Activities		
C00100	Increase in Short-Term Loans	3,409,058	3,555,000
C00200	Decrease in Short-Term Loans	( 3,369,058 )	( 3,665,000 )
C00500	Increase in Short-Term Notes and Bills Payable	-	259,508
C00600	Decrease in Short-Term Notes and Bills Payable	-	( 379,431 )
C01600	Long-Term Loans Borrowed	2,861,010	3,011,000
C01700	Long-Term Loans Repaid	( 2,678,801 )	( 3,190,000 )
C04020	Repayment of the principal portion of lease liabilities	( 5,937 )	-
C04500	Cash Dividends	( 602,854 )	( 543,104 )
C04600	Capital Cash Increase	-	937,163
C05400	Acquisition of Subsidiary Shares	( <u>159,450</u> )	( <u>491,771</u> )
CCCC	Net Cash Inflow from Financing Activities	<u>( 546,032 )</u>	<u>( 506,635 )</u>
EEEE	Net Decrease in Cash and Cash Equivalents	( 231,774 )	41,001
E00100	Cash and Cash Equivalents at Beginning of Year	<u>828,391</u>	<u>787,390</u>
E00200	Cash and Cash Equivalents at End of Year	<u>\$ 596,617</u>	<u>\$ 828,391</u>

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Chairman: Wu, Cheng-Hsien

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