Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

Consolidated Financial Statements and CPAs' Report

Second Quarter of June 30, 2018, and 2017

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CPAs' Report

To Nan Pao Resins Chemical Co., Ltd.

Introduction

We have reviewed the Consolidated Balance Sheets of Nan Pao Resins Chemical Co., Ltd. and its subsidiaries as of June 30, 2018, and 2017, the related Consolidated Statements of Comprehensive Income for the three-month and six-month periods ending on June 30, 2018 and 2017, the Consolidated Shareholders' Equity Statements and Consolidated Cash Flow Statements for the six-month periods ending on June 30, 2018 and 2017, as well as the accompanying Notes to the Consolidated Financial Statements (including summarized remarks on significant accounting policies). It is the management's responsibility to prepare a set of fairly presented financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 Interim Financial Reporting as endorsed, issued, and affected by the Financial Supervisory Commission (FSC). Our responsibility is to provide a conclusion on the consolidated financial statements based on our reviews.

Boundaries

Except for matters described in the following paragraph titled Basis for Qualified Conclusion, we conducted our reviews in compliance with Statements of Auditing Standards (SAS) No.65 Review of Financial Information Performed by the Independent Auditor of the Entity. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Since a review is substantially less in scope than an audit, we might not be fully aware of all material matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 13 of the Consolidated Financial Statements, the financial statements of the same period for some of the immaterial subsidiaries that have been included in the Consolidated Financial Statements, have not been reviewed by us. The total assets are (denoted in NTD) NT$3,128,044 thousand and NT$2,312,608 thousand as of June 30, 2018, and June 30, 2017, and account for 18% and 16% respectively of the consolidated assets. Total liabilities are NT$672,616 thousand and NT$386,880 thousand and account for 8% and 5% of the consolidated liabilities respectively. Its total comprehensive income from April 1, 2018 to June 30, 2018 and 2017, and from January 1 to June 30, 2018 and 2017 are profit of NT$14,101 thousand, profit of NT$4,791 thousand, profit of NT$25,622 thousand, and profit of NT$26,582 thousand, and account for 4%, 2%, 5%, and 12% of the consolidated comprehensive income respectively. Information disclosure has been included in the Notes to the Consolidated Financial Statements and compiled and disclosed as financial statements not reviewed by the CPAs for immaterial subsidiaries of the same period. In addition, as stated in Note 14 of the Consolidated Financial Statements, investments accounted for using the equity method as of June 30, 2018, and 2017 are NT$283,660 thousand and NT$263,388 thousand respectively. Income or loss recognized using the equity method from April 1 to June 30, 2018, and 2017, and from January 1 to June 30, 2018, and 2017 are the profit of NT$5,203 thousand, loss of NT$1,759 thousand, profit of NT$12,709 thousand and profit of NT$8,362 thousand respectively. The above figures have been recognized and disclosed in the financial statements of the same period for the investee companies, which have not been reviewed by CPAs.

Qualified Conclusion

Based on our review and reviews from other CPAs (please see Other Matters), except for the effects as stated in the paragraph of Basis for Qualified Conclusion that there would have been adjustments to the financial statements of the said insignificant subsidiaries and investees accounted for using the equity method if they had been reviewed by CPAs, we do not find in the said consolidated financial statements, in all material aspects, any violation of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and of IAS 34 Interim Financial Reporting endorsed by the FSC, which may result in unfairly presenting the consolidated financial status of Nan Pao Resins Chemical Co., Ltd. and its subsidiaries as of June 30, 2018 and 2017, and their consolidated financial performance and consolidated cash flows for the three-month and six-month periods ending on June 30, 2018 and 2017.

Emphasis of Matter

As stated in Note 17 of the Consolidated Financial Statements, Nan Pao Resins Chemical Co., Ltd. acquired substantial control over Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd. on April 1, 2017. As the Acquisition

Pricing Allocation Report had not been completed, the difference between the investment cost and net acquisition price was listed under Goodwill as for now. Subsequently, the Acquisition Pricing Allocation Report was completed in March 2018; hence, Nan Pao Resins Chemical Co., Ltd. was requested to restate Q2 2017 Consolidated Financial Statements, which have been reviewed by us.

The Qualified Conclusion has not been amended based on the aforementioned matter.

Other Matters

Financial statements of NP Australia Pty Ltd. and its subsidiaries, which have been included in the Consolidated Financial Statements of Nan Pao Resins Chemical Co., Ltd., have been reviewed by CPAs other than us. Therefore, any value of such financial statements that we have used to form our conclusion on the aforementioned consolidated financial statements is based on other CPAs' review reports. The total assets of such subsidiaries are NT$1,336,145 thousand and NT$1,005,908 thousand on June 30, 2018, and 2017, accounting for 8% and 7% respectively of the consolidated assets. The net operating revenues from April 1 to June 30, 2018, and 2017, and from January 1 to June 30, 2018, and 2017 are NT$506,625 thousand, NT$463,331 thousand, NT$982,658 thousand, and NT$902,867 thousand respectively, and each of which accounts for 13% of the consolidated net operating revenue.

Deloitte & Touche Taiwan

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

August 9, 2018

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

Consolidated Financial Statements

June 30, 2018, December 31, 2017, and June 30, 2017

Unit: NT$1,000

Code	Asset	June 30, 2018 (Reviewed) Sum	%	December 31, 2017 (Audited) Sum	%	June 30, 2017 Restated and reviewed Sum	%
	Current assets						
1100	Cash and cash equivalents (Note 4 and 6)	$ 3,848,651	22	$ 3,866,587	25	$ 4,626,186	31
1136	Financial assets at amortized cost - current (Note 4, 8, and 35)	316,453	2	-	-	-	-
1150	Notes receivable (Note 4 and 11)	296,888	2	298,490	2	235,131	2
1170	Accounts receivable (Note 4, 5, and 11)	3,102,829	17	2,653,921	18	2,547,030	17
1180	Accounts receivable - related persons (Note 4, 5, 11, and 34)	341,130	2	331,830	2	367,804	3
1200	Other receivables (Note 4 and 11)	36,764	-	37,861	-	44,972	-
1220	Current income tax assets	20,632	-	19,763	-	40,100	-
130X	Inventory (Note 5 and 12)	2,475,593	14	2,251,781	15	2,011,521	13
1412	Prepaid rent (Note 19)	14,787	-	14,044	-	8,927	-
1476	Other financial assets - current (Note 4, 10, and 35)	-	-	263,565	2	126,744	1
1479	Other current assets (Note 20)	476,683	3	399,662	3	315,721	2
11XX	Total current assets	10,930,410	62	10,137,504	67	10,324,136	69
	Non-current assets						
1517	Financial assets measured at FVTOCI non-current (Note 4 and 7)	1,559,529	9	-	-	-	-
1523	Available-for-sale on financial assets - current (Notes 4 and 9)	-	-	183,580	1	183,580	1
1535	Financial assets at amortized cost - non-current (Notes 4, 8, and 35)	55,591	-	-	-	-	-
1550	Investments accounterd for using the equity method (Note 14)	283,660	2	278,451	2	263,388	2
1600	Property, Plants & Equipment (Notes 15 and 35)	3,629,571	21	3,346,729	22	2,952,269	20
1760	Investment property (Note 16)	17,760	-	17,760	-	17,760	-
1805	Goodwill (Note 17)	89,613	-	91,978	1	92,640	1
1821	Other intangible assets (Note 18)	51,729	-	49,301	-	51,283	1
1840	Deferred income tax assets	244,320	1	247,094	2	190,563	1
1980	Other financial assets - non-current (Notes 4, 10, and 35)	-	-	10,221	-	3,619	-
1985	Prepaid rent - non-current (Note 19)	619,552	4	598,033	4	476,908	3
1990	Other non-current assets (Note 20)	124,832	1	238,491	1	326,884	2
15XX	Total Non-Current Assets	6,676,157	38	5,061,638	33	4,558,894	31
1XXX	Total Assets	$17,606,567	100	$15,199,142	100	$14,883,030	100

Code	Liabilities and Shareholders' Equity	June 30, 2018 (Reviewed) Sum	%	December 31, 2017 (Audited) Sum	%	June 30, 2017 Restated and reviewed Sum	%
	Current liabilities						
2100	Short-term loans (Note 21 and 35)	$ 1,714,192	10	$ 1,306,649	9	$ 1,572,239	11
2110	Short-term notes payable (Note 21)	99,938	1	119,923	1	149,807	1
2130	Contract liabilities - current (Note 4 and 26)	36,109	-	-	-	-	-
2150	Notes payable (Note 22)	53,878	-	52,334	-	52,335	-
2170	Accounts payable (Note 22 and 34)	1,963,922	11	1,948,306	13	1,656,987	11
2216	Dividends payable	543,104	3	-	-	532,455	4
2219	Other payables (Note 34)	817,776	5	789,681	5	775,125	5
2230	Current income tax liabilities	144,041	1	224,170	2	150,797	1
2320	Long-term debt maturing within one year (Note 21 and 35)	45,529	-	33,553	-	4,281	-
2399	Other current liabilities (Note 23)	174,639	1	32,302	-	60,946	-
21XX	Total current liabilities	5,593,128	32	4,506,918	30	4,954,972	33
	Non-current liabilities						
2540	Long-term debt (Note 21 and 35)	1,624,178	9	1,604,339	11	1,156,809	8
2570	Deferred income tax liabilities (Note 5)	694,698	4	751,050	5	811,652	5
2640	Net defined benefit liabilities - non-current	172,976	1	179,041	1	230,598	2
2670	Other Non-Current Liabilities (Note 23)	42,649	-	41,999	-	40,582	-
25XX	Total Non-current Liabilities	2,534,501	14	2,576,429	17	2,239,641	15
2XXX	Total Liabilities	8,127,629	46	7,083,347	47	7,194,613	48
	Equity attributable to shareholders of the Company (Note 25)						
	Equity						
3110	Ordinary Shares	1,086,207	6	1,086,207	7	1,064,909	7
3150	Stock dividends to be distributed	-	-	-	-	21,298	-
3100	Total share capital	1,086,207	6	1,086,207	7	1,086,207	7
3200	Capital reserve	1,290,212	7	1,290,212	9	1,290,212	9
	Retained earnings						
3310	Statutory Surplus Reserve	988,725	6	900,538	6	900,538	6
3320	Special Surplus Reserve	313,321	2	313,321	2	313,321	2
3350	Undistributed earnings	3,878,792	22	4,158,679	27	3,664,341	25
3300	Total Reserved Earnings	5,180,838	30	5,372,538	35	4,878,200	33
3400	Other equity	1,209,138	7	(291,717)	(2)	(230,318)	(2)
31XX	Total Owner's Equity	8,766,395	50	7,457,240	49	7,024,301	47
36XX	Non-controlling Interests	712,543	4	658,555	4	664,116	5
3XXX	Total Equity	9,478,938	54	8,115,795	53	7,688,417	52
	Total Liabilities and Equity	$17,606,567	100	$15,199,142	100	$14,883,030	100

The attached Notes are parts of this set of Consolidated Financial Statements.

(Please refer to Audit Report of Deloitte & Touche on August 9, 2018.)

Chairman: Wu, Cheng-Hsien Manager: Hsu, Ming-Hsien Accounting Manager: Lin, Kun-Chin

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

Consolidated Comprehensive Balance Sheet

April 1 to June 30, 2018, and 2017, and January 1 to June 30, 2018, and 2017

(Reviewed only, not audited in accordance with generally accepted auditing standards)

Unit: NT$1,000

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

		January 1, 2018 to June 30, 2018		January 1, 2017 to June 30, 2017 (Restated)		January 1, 2018 to June 30, 2018		January 1, 2017 to June 30, 2017 (Restated)	
Code		Sum	%	Sum	%	Sum	%	Sum	%
4000	Operating revenue (Notes 4, 26, and 34)	$ 4,073,039	100	$ 3,652,967	100	$ 7,579,886	100	$ 6,886,235	100
5000	Operating cost (Notes 12, 27, and 34)	3,147,058	77	2,680,347	73	5,870,301	77	4,977,110	72
5900	Gross profit	925,981	23	972,620	27	1,709,585	23	1,909,125	28
	Operating expenses (Note 27)								
6100	Selling expenses	424,426	11	365,673	10	799,291	11	684,433	10
6200	General and administrative expenses	196,553	5	227,999	6	380,744	5	426,045	6
6300	Research and development expenses	102,674	3	90,076	3	197,116	3	179,468	3
6450	Estimated credit impairment loss or gain	17,189	-	-	-	22,220	-	-	-
6000	Total operating expenses	740,842	19	683,748	19	1,399,371	19	1,289,946	19
6900	Net operating profit	185,139	4	288,872	8	310,214	4	619,179	9
	Non-operating income and expenses (Notes 14 and 27)								
7010	Other income	120,917	3	54,586	1	129,349	2	59,659	1
7020	Other gains and losses	58,249	1	(39,446)	(1)	32,184	-	(76,684)	(1)
7050	Financing cost	(15,381)	-	(12,528)	-	(29,247)	-	(23,442)	(1)
7060	Share of the profit or loss of associates accounted for using the equity method	5,203	-	(1,759)	-	12,709	-	8,362	-
7000	Total Non-operating Income and Expenses	168,988	4	853	-	144,995	2	(32,105)	(1)
7900	Pre-tax profit	354,127	8	289,725	8	455,209	6	587,074	8
7950	Income tax expenses (Note 4 and 28)	94,934	2	83,462	3	87,492	1	140,834	2
8200	Net profit of this period	259,193	6	206,263	5	367,717	5	446,240	6
	Other comprehensive gain or loss								
8310	Items that will not be reclassified to profit or loss:								
8316	Unrealized valuation loss (gain) on investments in an equity instrument measured at FVTOCI	(547)	-	-	-	(547)	-	-	-
8349	Income tax relating to items that will not be reclassified (Note 28)	-	-	-	-	(1,727)	-	-	-
		(547)	-	-	-	(2,274)	-	-	-
8360	Items that may be reclassified to profit or loss:								
8361	Foreign currency translation difference	147,928	4	74,564	2	153,947	2	(279,107)	(4)
8399	Income tax relating to items that may be reclassified (Notes 28)	(28,406)	(1)	(12,074)	-	(18,047)	-	46,103	1

		119,522	3	62,490	2	135,900	2	(233,004)	(3)
8300	Comprehensive income or loss (net value after tax) in this period	118,975	3	62,490	2	133,626	2	(233,004)	(3)
8500	Total Consolidated Profit/Loss for the Current Period	$ 378,168	10	$ 268,753	7	$ 501,343	7	$ 213,236	3

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Code		April 1, 2018 to June 30, 2018		April 1, 2017 to June 30, 2017 (Restated)		January 1, 2018 to June 30, 2018		January 1, 2017 to June 30, 2017 (Restated)	
		Sum	%	Sum	%	Sum	%	Sum	%
	Profit attributable to:								
8610	Owners	$ 251,676	6	$ 196,377	5	$ 353,990	5	$ 427,776	6
8620	Non-controlling Interests	7,517	-	9,886	-	13,727	-	18,464	-
8600		$ 259,193	6	$ 206,263	5	$ 367,717	5	$ 446,240	6
	Total comprehensive income attributable to:								
8710	Owners	$ 364,750	10	$ 255,328	7	$ 476,622	6	$ 202,687	3
8720	Non-controlling Interests	13,418	-	13,425	-	24,721	1	10,549	-
8700		$ 378,168	10	$ 268,753	7	$ 501,343	7	$ 213,236	3
	Earnings per share (Note 29)								
9710	Base	$ 2.32		$ 1.85		$ 3.26		$ 4.04	
9810	Diluted	$ 2.31		$ 1.84		$ 3.25		$ 4.01	

The attached Notes are parts of this set of Consolidated Financial Statements.

(Please refer to Audit Report of Deloitte & Touche on August 9, 2018.)

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

January 1 to June 30, 2018 and 2017

(Reviewed only, not audited in accordance with generally accepted auditing standards)

Unit: NT$1,000

(except earnings per share and share issuance price, which are denoted in NT$)

		Equity attributable to owners											
		Capital			Retained earnings			Other Equity					
Code		Capital from common stock	Stock dividends to be distributed	Capital reserve	Statutory Surplus Reserve	Special Surplus Reserve	Undistributed earnings	Overseas Operations on translation of foreign operations' financial statements	Financial assets measured at FVTOCI Unrealized gain or loss	Subtotal	Total	Non-controlling Interests	Total Equity
A1	Balance as of January 1, 2018	$ 1,086,207	$ -	$ 1,290,212	$ 900,538	$ 313,321	$ 4,158,679	($ 291,717)	$ -	($ 291,717)	$ 7,457,240	$ 658,555	$ 8,115,795
A3	Impact of retrospective application (Note 3)	-	-	-	-	-	-	-	1,376,496	1,376,496	1,376,496	-	1,376,496
A5	Adjusted 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)
D1	Net income from January 1 to June 30, 2018	-	-	-	-	-	353,990	-	-	-	353,990	13,727	367,717
D3	Other comprehensive income after tax from January 1, 2018, to June 30, 2018	-	-	-	-	-	(1,727)	124,906	(547)	124,359	122,632	10,994	133,626
D5	Total comprehensive income from January 1, 2018, to June 30, 2018	-	-	-	-	-	352,263	124,906	(547)	124,359	476,622	24,721	501,343
M5	Differences from book value in acquisition of shares from subsidiaries (Note 31)	-	-	-	-	-	(859)	-	-	-	(859)	(806)	(1,665)
O1	Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	30,073	30,073
Z1	Balance as of June 30, 2018	$ 1,086,207	$ -	$ 1,290,212	$ 988,725	$ 313,321	$ 3,878,792	($ 166,811)	$ 1,375,949	$ 1,209,138	$ 8,766,395	$ 712,543	$ 9,478,938
A1	Balance as of January 1, 2017	$ 1,034,909	$ -	$ 778,977	$ 768,016	$ 313,321	$ 3,902,903	($ 5,229)	$ -	($ 5,229)	$ 6,792,897	$ 337,219	$ 7,130,116
	Appropriation of net income in 2016 (Note 25)												
B1	Statutory Surplus Reserve	-	-	-	132,522	-	(132,522)	-	-	-	-	-	-
B5	Cash dividend - NT$5 per share	-	-	-	-	-	(532,455)	-	-	-	(532,455)	-	(532,455)
C13	Distribution of capital surplus stock dividend - NT$0.2 per share (Note 25)	-	21,298	(21,298)	-	-	-	-	-	-	-	-	-
D1	Net profit from January 1, 2017 to June 30, 2017	-	-	-	-	-	427,776	-	-	-	427,776	18,464	446,240
D3	Other comprehensive income after tax from January 1, 2017, to June 30, 2017	-	-	-	-	-	-	(225,089)	-	(225,089)	(225,089)	(7,915)	(233,004)
D5	Total comprehensive income from January 1, 2017, to June 30, 2017	-	-	-	-	-	427,776	(225,089)	-	(225,089)	202,687	10,549	213,236
E1	Capital increase on June 16, issued at NT$180 per share (Note 25)	30,000	-	510,000	-	-	-	-	-	-	540,000	-	540,000
M5	Differences from book value in the acquisition of shares from subsidiaries (Note 31)	-	-	-	-	-	(1,361)	-	-	-	(1,361)	(4,630)	(5,991)
M7	Changes in shares in the subsidiaries (Note 31)	-	-	22,533	-	-	-	-	-	-	22,533	(22,533)	-
O1	Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	343,511	343,511
Z1	Balance as of June 30, 2017	$ 1,064,909	$ 21,298	$ 1,290,212	$ 900,538	$ 313,321	$ 3,664,341	($ 230,318)	$ -	($ 230,318)	$ 7,024,301	$ 664,116	$ 7,688,417

The attached Notes are parts of this set of Consolidated Financial Statements.

(Please refer to Audit Report of Deloitte & Touche on August 9, 2018.)

Chairman: Wu, Cheng-Hsien Manager: Hsu, Ming-Hsien Accounting Manager: Lin, Kun-Chin

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

Consolidated Cash Flow Statement

January 1 to June 30, 2018, and 2017

(Reviewed only, not audited in accordance with generally accepted auditing standards)

Unit: NT$1,000

Code		January 1, 2018 to June 30, 2018	January 1, 2017 to June 30, 2018 (Restated)
	Cash flow from operating activities		
A10000	Current net profit before tax	$ 455,209	$ 587,074
A20010	Gains and Losses:		
A20100	Depreciation	132,438	111,400
A20200	Amortization	14,000	10,378
A20300	Estimated credit impairment loss or gain	22,220	-
A20300	Bad debt expenses	-	5,448
A20900	Interest expenses	29,247	23,442
A21200	Interest income	(17,226)	(9,260)
A21300	Dividend income	(98,176)	(45,864)
A22300	Share of the profit and loss of associates accounted for using the equity method	(12,709)	(8,362)
A22500	Loss on disposal of properties, plants, and equipment	1,131	4,082
A23200	Loss of investments on disposal of assets using the equity method	-	17,268
A23700	Allowance for inventory valuation and obsolescence loss	22,159	43,474
A29900	Compensation paid	-	34,715
A30000	Net variable in operational assets/liabilities		
A31130	Notes receivable	1,608	23,514
A31150	Accounts receivable	(410,591)	14,157
A31160	Accounts receivable - stakeholders	30,153	54,022
A31180	Other receivables from subsidiaries	2,694	(10,892)
A31200	Inventory	(226,356)	(266,083)
A31240	Other current assets	(81,642)	53,568
A31990	Other non-current assets	64	(6,080)
A32125	Contract liabilities	13,326	-
A32130	Notes payable	(9,246)	(26,911)
A32150	Accounts payable	1,563	(84,196)
A32180	Other payables	56,760	(47,691)
A32230	Other Current Liabilities	87,590	14,188
A32240	Net defined benefit liabilities	(6,065)	(4,639)
A32990	Other noncurrent liabilities	(76)	(10,095)
A33000	Cash flow from operating activities	8,075	476,657
A33100	Interest income received	16,154	9,025
A33300	Interest Paid	(29,105)	(25,319)
A33500	Income Tax Paid	(241,842)	(158,283)
AAAA	Net cash inflow (outflow) from operating activities	(246,718)	302,080

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Code		January 1, 2018 to June 30, 2018	January 1, 2017 to June 30, 2018 (Restated)
	Cash flow from investment activities		
B00040	Acquisition of financial assets measured at amortized cost	($ 98,174)	$ -
B00050	Disposal of financial assets measured at amortized cost	51,308	-
B00300	Acquisition of available-for-sale financial assets	-	(20,000)
B01800	Acquisition of shares in subsidiaries	(1,665)	(5,991)
B02200	Acquisition of net cash inflow from subsidiaries	-	66,258
B02700	Purchase of property, plant and equipment	(330,275)	(414,292)
B02800	Disposition of PPE	11,814	9,529
B03700	Increases in refundable deposits	(1,067)	(3,429)
B03800	Decreases in refundable deposits	2,125	348
B04500	Purchased intangible assets	(9,760)	(1,580)
B06500	Increases in other financial assets	-	(44,755)
B06600	Decreases in other financial assets	-	66,967
B07300	Increases in prepaid rent	-	(42,543)
B07600	Dividends received	105,234	53,364
BBBB	Net cash flow from investing activities (out)	(270,460)	(336,124)
	Cash from from financing activities		
C00100	Increases in short-term loans	2,275,401	2,949,713
C00200	Decreases in short-term loans	(1,873,029)	(3,080,560)
C00500	Increases in short-term notes and bills payable	199,612	299,371
C00600	Decreases in short-term notes and bills payable	(219,597)	(299,450)
C01600	Long-term loans borrowed	181,622	965,678
C01700	Long-term loans repaid	(154,111)	(958,719)
C03000	Increases in guarantee deposits	1,024	399
C03100	Decreases in guarantee deposits	(323)	(709)
C04600	Capital cash increase	-	540,000
C05800	Changes in non-controlling equity	30,073	223,837
CCCC	Net cash inflow from financing activities	440,672	639,560
DDDD	Impacts on cash and cash equivalents from changes in exchange rates	58,570	(256,410)
EEEE	Increases (decreases) in cash and cash equivalents	(17,936)	349,106
E00100	Cash and cash equivalents at the beginning of the year	3,866,587	4,277,080
E00200	Cash and cash equivalents at the end of the year	$ 3,848,651	$ 4,626,186

The attached Notes are parts of this set of Consolidated Financial Statements.

(Please refer to Audit Report of Deloitte & Touche on August 9, 2018.)

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 June 30, 2018, and 2017
(Reviewed only, not audited in accordance with generally accepted auditing standards)
(In NT$ ‘000, unless otherwise specified)

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

II. Date and procedures of the passage of the Financial Report

The Consolidated Financial Statements were released on August 9, 2018, after being approved by the Board of Directors.

III. 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:

1. IFRS 9 "Financial Instruments" and related amendments

   IFRS 9 - "Financial Instruments” supersedes IAS 39 “Financial Instruments: Recognition and Measurement” and several requirements of IFRS 7 “Financial Instruments: Disclosures” are amended. New requirements of IFRS 9 cover the classification, measurement, impairment of financial assets, and the general hedge accounting. Please refer to Note 4 for related accounting policies.

Measurement Types, Valuation, and Impairment of Financial Assets

Based on existing facts and conditions on January 1, 2018, the Company has made restatements on the measurement types of existing financial assets and chosen not to restate the comparison period. Bellow summarizes measurement types as determined by IAS 39 and IFRS 9, the carrying amount and changes therein of the various financial assets as of January 1, 2018:

Category of Financial Assets	Types of measurement IAS 39	Types of measurement IFRS 9	At book value IAS 39	At book value IFRS 9	Details
Cash and cash equivalents	Loans and accounts receivable	Measured at amortized cost (check)	$ 3,866,587	$ 3,866,587	(2)
Investment in stocks	Available-for-sale financial assets	Investments in equity instruments measured at FVTOCI	183,580	1,560,076	(1)
Bank time deposit with the original maturity date over 3 months	Loans and accounts receivable	Measured at amortized cost (check)	273,037	273,037	(2)
Restricted bank deposits	Loans and accounts receivable	Measured at amortized cost (check)	749	749	(2)
Notes receivables, accounts receivables, and other receivables	Loans and accounts receivable	Measured at amortized cost (check)	3,322,102	3,322,102	(2)
Refundable deposit	Loans and accounts receivable	Measured at amortized cost (check)	49,285	49,285	(2)

	2018 January 1 At book value (IAS 39)	Reclassification	Revaluation	2018 January 1 At book value (IFRS 9)	2018 January 1 Other equity Impact	Details
Financial assets measured at FVTOCI - equity instrument						
Add: Reclassification of available-for-sale financial assets (IAS 39)	$ -	$ 183,580	$ 1,376,496			(1)
	-	183,580	1,376,496	$ 1,560,076	$ 1,376,496	
Financial assets measured at amortized cost						
Add: Reclassification of loans and receivables (IAS 39)	-	7,511,760	-			(2)
	-	7,511,760	-	7,511,760	-	
	$ -	$ 7,695,340	$ 1,376,496	$ 9,071,836	$ 1,376,496	

(1) As the equity investments classified as financial assets available-for-sale under IAS 39 were not held for trading, the Company has chosen to reclassify the entire sum as Financial assets measured at FVTOCI based on IFRS 9.

In particular, for the unlisted stock investments originally measured at cost by IAS 39, are classified as financial assets measured at FVTOCI based on IFRS 9, and should be re-measured at fair value. Therefore, the Company's financial assets and other equity, measured at fair value through other comprehensive income, have increased by NT$1,376,496,000 through the adjustment of unrealized income from financial assets measured at FVTOCI on January 1, 2018.

(2) Cash and cash equivalents, accounts receivable, accounts payable, other receivables, other financial assets, and refundable deposits, which were classified as loans and receivables under IAS 39, are now classified as financial assets measured at amortized cost under IFRS 9 and will be evaluated for expected credit loss.

2. IFRS 15 "Revenue from Customer Contracts" and related amendments

IFRS 15 stipulates the principle of recognition of revenue from customer contracts. The guideline will replace IAS 18 "Income" and IAS 11 "Construction Contract," and related interpretations. Please see Note 4 for relevant accounting policies.

The net result of revenue recognized and amounts received and receivables would be recognized as contract assets (liabilities). Prior to the application of IFRS 15, contracts under IAS 18 recognize the decrease in receivables or advance receipts upon revenue recognition.

Discount on sales that may occur is recognized as a refund liability when the income is recognized (other current liabilities are accounted for). Before adoption of IFRS 15, this was only recognized as a deduction from accounts receivable.

The Company has chosen to undertake retrospective adjustment for IFRS 15 for contracts not completed by January 1, 2018. Relevant accumulated impacts will be adjusted to the retained earnings as of January 1, 2018.

Current Effects on Assets and Liabilities

	2018 January 1 Amount Before Restatement	Adjustment to First-time Adoption	2018 January 1 Amount After Restatement
Accounts receivable	$ 2,653,921	$ 37,112	$ 2,691,033
Accounts receivable - stakeholders	331,830	40,411	372,241
Effects on Assets	$ 2,985,751	$ 77,523	$ 3,063,274
Other Current Liabilities	$ 32,302	$ 54,740	$ 87,042
Provision - Current	-	22,783	22,783
Effects on Liabilities	$ 32,302	$ 77,523	$ 109,825

(II) The Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by FSC for application starting 2018

New announcements/revisions/standards and interpretations of amendments	Effective Date of Publication by IASB (Note 1)
"Annual Improvements cycle 2015-2017"	On January 1st, 2019
Amendments to IFRS 9, "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	On January 1st, 2019
Amendments to IAS 19 in "Plan Amendment, Curtailment, or Settlement"	January 1, 2019 (Note 3)
'Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)'	On January 1st, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	On January 1st, 2019

Note 1: Unless otherwise stated, the aforementioned New Publication/Amendment/ Standards and Interpretations of Amendments are effective from the fiscal year after specified dates.

Note 2: FSC allows the Company to elect an earlier application of such amendments beginning on or after January 1, 2018.

Note 3: Plan amendments, curtailment, or settlement occurring after January 1, 2019, shall be applicable to this amendment.

1. IFRS 16 "Leases"

IFRS 16 stipulates accounting treatments for leases and will supersede IAS 17 “Leases” and related interpretations.

Definition of "Leases"

For the first-time application of IFRS 16, 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.

For the first-time application of IFRS 16, 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 is expected to adjust the cumulative impact of the retroactive application of IFRS 16 to the retained earnings on January 1, 2019, without recompiling the comparative information.

Current 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. All 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). Except for the following practical expedients, 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.

<u>The Company is the lessor.</u>

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

2. Amendments to IAS 19 in "Plan Amendment, Curtailment or Settlement"

   The amendment provides that when the plan is amended, curtailed, or settled, the current service cost and net interest for the remainder of the year shall be determined on the basis of the actuarial assumptions used to re-measure the net defined benefit liabilities (assets). In addition, the amendment clarifies the plan’s amendment, curtailment, or settlement’s impact on the asset cap-related regulations. The Company will defer the application of the aforementioned amendments.

Except for the aforementioned impact, as of the date of authorization of the consolidated financial statements, the Company has continued to assess the effects of amendments to other standards and interpretations on financial status and performance. Related effects will be disclosed upon completion of the assessment.

(3) IFRSs issued by the IASB but not yet approved by the FSC and have entered into effect

New announcements/revisions/standards and interpretations of amendments	Effective Date of Publication by IASB (Note)
Amendments to IFRS 10 and IAS 28 in "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS17 “Insurance Contracts”	January 1, 2021

Note: The aforementioned new, revised or amended standards or interpretations are effective for annual periods beginning on or after the effective dates unless stated otherwise.

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.

IV. Description of Significant Accounting Policies

(I) Statement of Compliance

The Consolidated Financial Report is formulated in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs recognized and announced by the FSC that have entered into effect. The Consolidated Financial Statements does not include all IFRSs disclosure information required for the Annual Report.

(II) Basis of Preparation

In addition to assessment of financial instruments based on their fair value and the present value of defined benefit assets minus net defined benefit liabilities recognized at fair value, the Consolidated Financial Report is prepared based on historical costs. The fair value assessment is categorized into three levels of inputs based on the observability and importance of the related input:

1. Level 1 input value: The quoted prices (unadjusted) of similar instruments available in the market for the same class of assets or liabilities on the day of assessment.
2. Level 2 input value: It 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.

Level 3 input value: It refers to inputs based not on observable assets or liabilities.

(IV) Basis of the Merger

The Consolidated Financial Report includes the financial reports of the Company and its wholly-owned subsidiaries. The financial reports of subsidiaries have been reorganized to bring uniformity in their accounting policies and those of the Company. In the Consolidated Financial Report, 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 its liabilities.

When a change is effected in the ownership of the subsidiary, the Company does not lose control of it, and it will be treated as equity transactions. The carry-forward amounts of the Company and its non-controlling interests have been adjusted to reflect the relative changes in the interest of the subsidiaries. The difference between the adjusted amount in non-controlling interest and the fair value of consideration will be considered as interest belonging to the owners of the Company.

Please refer to Note 13 and Table 6 and 7 for details, shareholding ratio, and business items of subsidiaries.

(4) Other Material Accounting Policies

In addition to the financial instruments and income recognition related accounting policies and the following statements, please refer to the Summary of Material Accounting Policies for the 2017 Consolidated Financial Statements.

1. Financial instruments

Financial assets and liabilities will be recognized in the consolidated balance sheet when the Company becomes a party to the contract of the financial instrument.

While recognizing the financial assets and liabilities, if their fair value cannot be evaluated based on profit or loss, it will be the fair value plus the cost of the transaction directly attributable to its acquisition or of financial assets or liabilities. The transaction costs attributable to these assets or liabilities have to be shown as gain or loss.

(1) Financial assets

Regular trading in financial assets will be effective as per the rules of trading account.

1. Measurement category

2018

The financial assets held by the Company are financial assets measured at amortized cost and equity instrument investments 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) The cash flows on specific dates that are generated from the contractual terms of the financial assets are solely payments of the principal and interest on the principal amount outstanding.

After initial recognition, the total book value of the financial assets measured by amortized cost (including cash and cash equivalents, receivables measured at amortized cost, other receivables, and debt instrument investments), is measured at amortized cost after deducting any impairment loss through the effective interest method. Any foreign currency exchange gain and loss are recognized as profit or loss.

Except for the following two circumstances, interest revenue is calculated at the value of effective interest rate times the gross carrying amount of financial assets:

a) For purchased or originated credit-impaired financial assets, interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.

b) For financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired, interest revenue is calculated by applying the effective interest rate to the amortized cost balance of such financial assets.

Cash equivalents include time deposits with maximum maturity of 3 months, which are highly liquid, and can be converted into a fixed amount of cash at any time and fixed deposits and banker's acceptances with a relatively low risk in price changes, are used for satisfying 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 contingent consideration arising from a business combination to be measured at FVTOCI.

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

Dividends of investments in equity instruments measured at FVTOCI are recognized in profit or loss when the Company’s right to receive payment is established unless such dividends clearly represent the recovery of a part of the investment cost.

2017

Financial assets of the Company are available-for-sale financial assets, loans, and accounts receivable.

a. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale, uncategorized into loans and accounts receivable, held-to-maturity investments, or at fair value through profit or loss.

These assets are measured at fair value; changes in the carrying amount of these assets that have profit or loss in foreign currencies, interest income derived on the basis of effective interest method, and dividends from available-for-sale equity investments are recognized in profit or loss account. Changes in the carrying amount of the remaining available-for-sale financial assets are recognized in other consolidated profit and loss accounts, reclassified as profit or loss on the disposal of the investment or on the determination of the impairment.

The dividend proceeds from the sale of equity interest are recognized when the rights of the Company are identified.

If the available-for-sale financial assets are equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured, the subsequent measurement will be evaluated at cost after deducting impairment loss. The difference between the carrying amount and the fair value will be recognized in the other comprehensive profit and loss when financial assets are later assessed at fair value. Any impairment has to be recognized in profit or loss account.

b. Loans and Receivables

Loans and receivables (including cash and cash equivalents, accounts receivable, debt instruments not actively traded, refundable deposits, and other financial assets) have to be measured at amortized cost after deducting impairment loss through the effective interest method unless the interest on short-term account receivable is immaterial.

Cash equivalents include time deposits with maximum maturity of 3 months, which are highly liquid, and can be converted into a fixed amount of cash at any time and fixed deposits and banker's acceptances with a relatively low risk in price changes, are used for satisfying short-term cash commitments.

B. Impairment of financial assets

2018

The impairment loss of financial assets (including accounts receivable) measured by the Company on the Balance Sheet date is based on the estimated amortized cost on each balance sheet date.

Accounts receivable are recognized for allowance loss based on expected credit loss during the duration of the period. For other debt instrument investments, whether credit risk has significantly increased since initial recognition will be evaluated. A loss allowance for the 12-month expected credit loss is required if the credit risk has not increased significantly after initial recognition, and a loss allowance for the full lifetime expected credit loss is required if the credit risk has increased significantly after initial recognition.

The expected credit loss is the weighted average of credit loss with the respective risk of a default occurring as the weightings. The 12-month expected credit loss represents the expected credit loss that results from those possible default events on the financial instrument within 12 months after the reporting date, whereas the full lifetime expected credit loss represents the expected credit loss that results from all possible default events over the life of the financial instrument.

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

2017

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset other than the ones at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of single or multiple events that have occurred after the initial recognition of the asset and the events have a negative impact on the estimated future cash flows of the financial assets.

For financial assets measured at amortized cost, such as accounts receivable, if there is no objective evidence of impairment exists for an individually assessed financial asset, they shall be collectively assessed for impairment. Evidence of objective impairment of the collective existence of receivables may include past experience of the Company's collections and observable changes in the national or regional economic situation associated with the arrears of receivables.

The impairment loss in financial assets after amortization is measured as the difference between the asset's carrying amount and the discounted present value of estimated future cash flows of the original effective interest rate on the financial assets.

The decrease in the impairment loss of amortized financial assets is objectively determined as related to that which occurred after the impairment. Then the previously recognized impairment loss is either directly or by adjusting the allowance account for reversal recognized as profit or loss. Of course, provided the reversal of the carrying amount of the financial assets does not exceed the amortized cost of the financial assets in the event of an impairment loss not reported as of the reversal date.

When the fair value of the available-for-sale equity investment is lower than its cost and if there is a substantial or persistent decline, it is evidence of objective impairment.

Other objective evidence of impairment of financial assets includes significant financial difficulties of the issuer or the debtor, breach of contract (e.g. delay or non-payment of interest or principal), the increased likelihood of a debtor going bankrupt or seeking financial reorganization, or the disappearance of the financial asset from the market due to financial difficulties.

The amount of accumulated loss originally recognized as other comprehensive profit and loss will be reclassified as profit or loss when the available-for-sale financial assets are impaired.

Impairment loss of an investment in an equity instrument recognized in profit or loss account cannot be reversed through profit or loss. Any increase in the fair value after recognition of impairment loss has to be recognized in other comprehensive profits and losses.

For financial assets assessed at cost, the amount of impairment loss is measured as the difference between the asset’s carrying amount and the discounted present value of the estimated future cash flows at the similar market rate of return of financial assets. Such impairment loss will not be reversed in subsequent periods.

All impairment loss of financial assets is directly deducted from the carrying amount of financial assets.

However, the carrying amount of accounts receivable is reduced through the use of an allowance account. When it is determined a receivable is not collectible, it is written off via the allowance account. Receivables that have been written off and subsequently collected would be recorded as credits to the allowance account. Except for written-off because the receivable is not collectible, changes in the carrying amount of the allowance account shall be recognized in profit or loss.

C. 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.

When derecognizing an entire financial asset, the difference in the accumulated interest or loss between the nominal value and the additional consideration collected that has been recognized in other comprehensive profits and losses has to be recognized in the profit or loss account. Since 2018, after amortization, when the financial assets are measured by the total cost, the difference between the carrying amount and the consideration received is recognized in profit or loss. When the Company's equity instruments are measured at fair value through other comprehensive gain and loss, the accumulated profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

(2) Financial liabilities

A. Subsequent assessment

Financial liabilities are measured at amortized cost by the effective interest method.

B. Derecognition of financial liabilities

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

2. Revenue recognition

2018

After the Company has identifies the performance obligation, the Company distributes the transaction price to each performance obligation and recognizes the income when the performance obligations are met.

Product sales revenue

Product sales revenue comes from sales of adhesives and coatings. For the adhesives and coatings, at the time when terms of trade are fulfilled or the trading counterparty has inspected and accepted the goods, the client has already obtained the rights to establish the price and usage of the goods and is primarily liable for the resell of the goods and will undertake the related product obsolescence risk; 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.

2017

Revenue is assessed at the fair value of the received or receivable consideration and deducted by the estimated return or discounts for customers and other similar discounts. The recognition of the return on sales is based on past experience and other factors that could reasonably provide an estimation of the future return.

(1) Sale of goods

Revenue from sale of goods is recognized when the following conditions are satisfied:

A. The Company has transferred significant risks and returns of ownership to the buyer;

B. The Company has not controlled any activities and also has not maintained effective control over the goods sold;

C. The amount of revenue can be reliably assessed;

D. Economic benefits related to the transactions will likely flow to the Company; and

E. Costs related to transactions, whether incurred or anticipated can be reliably assessed.

When supplying material for processing, the significant risk and rewards of ownership of the processed goods are not transferred, in which case sales processing is not undertaken at the time.

(2) Dividend and interest income

Dividend income from investments is recognized when the shareholders' rights to collect payments are established.

Interest income is recognized on an accrual basis based on the outstanding principal and the applicable effective interest rate.

3. Pension Benefit in Defined Benefit Plan

The pension cost for the interim period is calculated based on the actuarial cost ratio determined by the actuarial calculation at the end of the previous year. Calculation term is from the beginning of the period to the end of the period, and adjustments, a settlement will be made for major market fluctuations in the current period, major plans, or other significant one-time matters.

4. Income tax

Income tax expenses are the sum of the current income tax and deferred income tax. Income tax in the interim is evaluated on an annual basis by taking into calculation the applicable tax rates to the expected annual earnings and income before tax in the interim. The accounting treatment is the same for transactions that generate taxation and effects of tax rate changes due to the amendment to taxation laws in the interim, both of which are recognized in profit or loss and other comprehensive profit or loss account when occurred.

V. Significant accounting assumptions and judgments, and major sources of estimation uncertainty

When the Company follows accounting policies, the management must judge, estimate, and assume based on past experience and other critical factors not readily accessible from other sources. The actual results may differ from original estimates.

The management has 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.

(1) Estimated impairment on financial assets (applicable for 2018)

Impairment of accounts receivable is estimated based on the Company's assumption about the default rate and the expected loss rate. The Company takes into account the historical experience, current market conditions, and forward-looking information in order to make an assumption and elect the input value for impairment estimates. If the actual cash flow in the future is less than the expected amount, it may result in significant impairment losses.

(2) Estimated impairment on accounts receivable (applicable for 2017)

When there is objective evidence that shows signs of impairment, the Company shall consider estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If the actual cash flow in the future is less than the expected amount, it may result in significant impairment losses.

(3) Inventory impairment

The net realized value of the inventories is the estimated selling price from normal day-to-day operations, it is the balance of the estimated cost after deducting the estimated cost of completion and the estimated cost of completing the transaction. These estimates are based on current market conditions and historical sales experience of similar products, and changes in market conditions may significantly affect these estimates.

(4) Income tax

To continue to expand the scale of operations of the Company and to support the working capital needs of overseas investment companies, the management level of the Company decided that the retained earnings as of the end of 2017 from certain Chinese 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 significant deferred income tax liabilities, which will be recognized in profit or loss at the time of occurrence.

VI. Cash and cash equivalents

	2018 June 30	2017 December 31	2017 June 30
Cash in hand and petty cash	$ 6,367	$ 5,091	$ 5,800
Bank checks and demand deposit	3,262,467	3,377,495	4,462,918
Cash equivalents (investments with original maturity date of less than three months)			
Bank acceptance bill	3,728	18,562	10,418
Bank fixed deposit	576,089	465,439	147,050
	$ 3,848,651	$ 3,866,587	$ 4,626,186

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

	2018 June 30	2017 December 31	2017 June 30
Bank fixed deposit	1.4% - 5.3%	0.14% - 5%	1% - 4.5%

VII. The financial asset in other comprehensive income measured at fair value through profit and loss - non-current

	2018 June 30
Domestic investment	
Unlisted equity	$ 1,559,529

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 management of the Company believes that it is not consistent with the aforementioned long-term investment planning if the short-term fair value changes of such investment The financial in profit or loss. Therefore, the Company elects to designate such investment as to be measured at FVTOCI. These investments were originally classified as available-for-sale financial assets under the IAS 39 series. Please refer to Notes 3 and 9 for reclassification and 2017 information.

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

8. Financial assets measured at amortized cost

	2018 June 30
Current	
Bank time deposit with original maturity date over 3 months (1)	$ 313,449
Refundable deposit	3,004
	$ 316,453
Non-current	
Bank time deposit with original maturity date over 3 months (1)	$ 9,597
Restricted bank demand deposit (2)	727
Refundable deposit	45,267
	$ 55,591

(1) As of June 30, 2018, the interest rate range of fixed deposit with an original maturity date of more than 3 months is an annual interest rate of 0.66% to 6.5%. These deposits were classified as other financial assets under IAS 39. Please see Note 3 and 10 for their reclassification and 2017 information.

(2) Restricted bank demand deposits were classified as other financial assets under IAS 39. Please see Note 3 and 10 for their reclassification and 2017 information.

(3) Please refer to Note 35 for information on the pledge of financial assets measured at amortized cost.

9. Available-for-sale financial assets - non-current

	2017 December 31	2017 June 30
Domestic unlisted equity	$ 183,580	$ 183,580

10. Other financial assets

	2017 December 31	2017 June 30
Current		
Bank time deposit with original maturity date over 3 months	$ 263,565	$ 126,744
Non-current		
Bank time deposit with original maturity date over 3 months	$ 9,472	$ 2,884
Restricted bank demand deposit	749	735

	$ 10,221	$ 3,619

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

	2017 December 31	2017 June 30
Bank fixed deposit	0.94% - 2.75%	0.94% - 2.6%

11. Notes receivable, accounts receivable (including related parties), and other receivables

	2018 June 30	2017 December 31	2017 June 30
Notes receivable			
Measured at amortized cost (check)			
Total carrying amount	$ 296,888	$ 298,496	$ 237,490
Less: allowance for impairment/allowance for bad debt	-	6	2,359
	$ 296,888	$ 298,490	$ 235,131
Arising from operations	$ 296,888	$ 298,490	$ 235,131
Accounts receivable (including related parties)			
Measured at amortized cost (check)			
Total carrying amount	$ 3,494,548	$ 3,018,225	$ 2,962,003
Less: allowance for impairment/allowance for bad debt	50,589	32,474	47,169
	$ 3,443,959	$ 2,985,751	$ 2,914,834
Other receivables from subsidiaries			
Gross carrying amount	$ 36,764	$ 37,861	$ 50,142
Less: allowance for impairment/allowance for bad debt	-	-	5,170
	$ 36,764	$ 37,861	$ 44,972

January 1, 2018 to June 30, 2018

Average credit period for sales of goods from the Company ranges from 30 days to 180 days. Interest is not calculated for accounts receivable. To lower the credit risk, the management of the Company has delegated a dedicated team to handle decisions on credit limits, credit approval, and other monitoring procedures to ensure that appropriate actions are taken to recover overdue receivables. In addition, the Company would review the recoverable amount of each receivable on the balance sheet dates to ensure that impairment loss is recognized for unrecoverable receivables. As a result, the Company’s management concludes that the credit risk of the Company is significantly reduced.

The Company adopts the simplified approach as stipulated in IFRS 9 and recognizes loss allowance for accounts receivables based on the full lifetime expected credit loss. The full lifetime expected credit loss takes into account past client default conditions and current financial position and industry economic factors, and at the same time also takes into account industry outlook as the basis for evaluation. 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 the Company cannot reasonably anticipate recoverable amounts, for instance, if the counterparty is undergoing liquidation, the Company will directly hedge against the relevant accounts receivable. Nevertheless, collection activities will continue, as recovered amounts that have been collected will be recognized in the profit or loss accounts.

The Company's allowance for accounts receivable are as follows:

	Not overdue	Past due 1 to 90 days	Past due 91 to 180 days	Past due 181 to 270 days	Past due 271 to 360 days	Past due Over 360 days	Total
Gross carrying amount	$2,957,568	$ 445,342	$ 33,454	$ 13,703	$ 6,556	$ 37,925	$3,494,548
Loss allowance (full lifetime expected credit losses)	(26)	(429)	(2,023)	(5,389)	(4,832)	(37,890)	(50,589)
Amortized cost	$2,957,542	$ 444,913	$ 31,431	$ 8,314	$ 1,724	$ 35	$3,443,959

The information on the changes in the allowance for receivables is as follows:

	January 1, 2018 to June 30, 2018
Beginning balance	$ 32,480
Add: Current period	22,220
Less: charge off	(4,868)
Translation differences of foreign currency	757
December 31	$ 50,589

January 1, 2017 to June 30, 2017

The credit policy of the Company in 2017 is the same as the aforementioned 2018 credit policy. The allowance for bad debts for accounts receivable is estimated by assessing the past payment records and the Company’s current financial status.

For accounts receivable that are due on the Balance Sheet date but not been assessed by the Company as bad debt, will be considered as recoverable if their credit quality has not undergone significant changes. The Company has no collateral or other credit protection in such cases.

Aging analysis of accounts receivable is as follows:

	2017 December 31	2017 June 30
Not overdue	$ 2,406,104	$ 2,499,609
Below 60 days	493,992	315,133
61 to 180 days	72,956	73,706
181 to 365 days	9,728	9,809
More than 365 days	2,971	16,577
	$ 2,985,751	$ 2,914,834

The above is the aging analysis based on the balance of the overdue days after deducting the balance of the allowance for bad debts.

The information on the allowance for bad debts of notes receivable, accounts receivable and other receivables is as follows:

	Impairment loss by individual assessment	Impairment loss by group assessment	Total
Balance as of January 1, 2017	$ 16,888	$ 27,978	$ 44,866
Add: Current period	2,067	3,381	5,448
Less: charge off	-	(2,352)	(2,352)
Add: Consolidated acquisition	-	7,501	7,501
Translation differences of foreign currency	(4)	(761)	(765)
Balance as of June 30, 2017	$ 18,951	$ 35,747	$ 54,698

12. Inventory

	2018 June 30	2017 December 31	2017 June 30
Product	$ 188,879	$ 159,442	$ 84,724
Finished goods and work-in-process	787,460	783,051	776,206
Work-in-process	88,011	77,371	54,501
Raw material	1,153,744	1,036,380	926,215
Raw materials and supplies in transit	257,499	195,537	169,875
	$ 2,475,593	$ 2,251,781	$ 2,011,521

Cost of goods sold relevant to inventory from April 1 to June 30, 2018, and 2017, and from January 1 to June 30, 2018, and 2017 were NT$3,146,033 thousand, NT$ 2,676,578 thousand, NT$ 5,869,710 thousand, and NT$ 4,973,028 thousand respectively. The inventory depreciation and obsolescence loss in the cost of goods sold from April 1 to June 30, 2018, and 2017, and from January 1 to June 30, 2018, and 2017 were NT$5,223 thousand, NT$ 37,945 thousand, NT$ 22,159 thousand and NT$ 43,474 thousand respectively.

13. Subsidiaries

The entities of the Consolidated Financial Report are as follows:

			Shareholding ratio (%)			
Investor Company	Name of subsidiaries	Business activities	2018 June 30	2017 December 31	2017 June 30	Details
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Chemical Company Ltd.	Trading of chemical substances	100	100	100	Note 14
	Nan Pao Application Material Co., Ltd.	Trading of chemical substances	100	100	100	Note 14
	Nan Pao Electronic Material Company	Production and trading of electronic materials	100	100	100	Note 14
	ITLS International Development Co., Ltd.	Trading of construction materials and chemical substances	100	100	100	
	Prince Pharmaceutical Co., Ltd.	Manufacturing, packaging, and processing of raw materials for various pharmaceutical and health food	49.9	49.9	49.9	Note 1 and Note 14
	PHYMED BIO-TEC CO., LTD.	R&D and trading of health food	100	100	100	Note 14
	Biorich Biotechnology Co., Ltd.	R&D, production, and trading of new high protein business and health food	57.06	57.06	57.06	Note 14
	Nan Pao Advanced Materials Co.,LTD.	Trading of adhesives and chemicals	70	70	70	Note 14
	Fuqing Nan Pao Investments Ltd.	General investment	100	100	100	
	Thai Nan Pao Investments Ltd.	General investment	100	100	100	
	Nan Pao Resins India Pvt Ltd.	Trading of adhesives	100	100	100	Note 14
	Nan Pao Materials Vietnam Co., Ltd.	Production and trading of adhesives and chemicals	100	100	100	
	Nan Pao Advanced Materials Vietnam Co., Ltd.	Production and trading of adhesives and chemicals	100	100	100	Note 14
	Nan Pao Overseas Holdings Ltd.	General investment	100	100	100	
	Profit Land Ltd.	General investment	73.75	73.75	73.75	Note 3
	All Saints Enterprises Ltd.	General investment	54.53	54.53	54.53	Note 3
	Ongoing Profits Ltd.	General investment	32.18	32.18	32.18	Note 3
	PT. Indo Nan Pao Resins Chemical	Production and trading of adhesives	49	49	49	Note 2 and Note 14
ITLS International Development Co., Ltd.	ITLS Holding Pte. Ltd.	General investment	100	100	100	
	Aftek Materials Vietnam Co., Ltd.	Production and trading of construction materials	70	-	-	Note 4 and Note 14
ITLS Holding Pte. Ltd.	ITLS（Malaysia）SDN BHD	Production and trading of construction materials	100	100	100	Note 14
	PT. ITLS Indonesia	Production and trading of	100	100	100	Note 14

		construction materials				
	ITLS Vietnam Co., Ltd.	Production and trading of construction materials	100	100	100	Note 14
	ITLS-Rich（S）Pte. Ltd.	Trading of hardware and construction materials	100	80	80	Note 5 and Note 14
	ITLS-SB SDN BHD	Production and trading of hardware and construction materials	100	100	100	Note 14 and Note 15
Fuqing Nan Pao Investments Ltd.	Wealth Castle Development Ltd.	General investment	100	100	100	
Wealth Castle Development Ltd.	Fuqing Nan Pao Resins Co., Limited	Production and trading of adhesives	100	100	100	

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			Shareholding ratio (%)			
Investor Company	Name of subsidiaries	Business activities	2018 June 30	2017 December 31	2017 June 30	Details
Thai Nan Pao Investments Ltd.	Thai Nanpao Resins Chemical Co., Ltd.	Production and trading of adhesives	100	100	100	Note 14
Nan Pao Overseas Holdings Ltd.	Nan Pao Group Holdings Ltd.	General investment	100	100	100	
Nan Pao Group Holdings Ltd.	Greatwill Materials (HK) Ltd.	General investment	67.68	67.68	67.68	
	Profit Land Ltd.	General investment	26.25	26.25	26.25	Note 3
	Nan Pao Resins (Holdings) Ltd.	General investment	100	100	100	
	All Saints Enterprises Ltd.	General investment	45.47	45.47	45.47	Note 3
	Qang Yi Electronic Factory Company Ltd.	General investment	-	-	99.87	Note 6
	Mega Victory Ltd.	General investment	100	100	100	
	ITLS－TWA Australia Pty Ltd.	Production and trading of hardware, construction materials, and chemical substances	100	100	100	Note 14
	NP Australia Pty Ltd.	General investment	100	100	100	
	Ongoing Profits Ltd.	General investment	67.82	67.82	67.82	Note 3
	Treasure Wealth (HK) Ltd.	General investment	100	100	100	
	Goldford Investments Ltd.	General investment	100	100	100	
	Nan Pao Resins Chemical Philippines, Inc.	Trading of adhesives	100	100	100	Note 14
	Nan Pao Resins International Ltd.	Trading of chemical substances and related products	100	100	100	
	Nanpao Advanced Investment Co., Ltd.	General investment	100	100	-	Note 7
Greatwill Materials (HK) Ltd.	Foshan Nan Pao Advanced Materials Co., Ltd.	Production and trading of adhesives	99	99	99	Note 3
Profit Land Ltd.	Giant Profit Development Ltd.	General investment	100	100	100	
Giant Profit Development Ltd.	Nan Pao Resins (Fo Shan) Co., Ltd.	Production and trading of adhesives	100	100	100	

Nan Pao Resins (Fo Shan) Co., Ltd.	Dongguan Bao Jing Chemical Engineering Co., Ltd.	Trading of chemical substances	-	-	70	Note 8
	Foshan Nan Pao Cheng Hung Advanced Materials Technology Co., Ltd.	Trading of footwear materials	51	51	51	
	Foshan Nan Pao Advanced Materials Co., Ltd.	Production and trading of adhesives	1	1	1	Note 3
	Foshan Nan Pao Hung Xing Advanced Materials Co., Ltd.	Trading of chemical substances	80	-	-	Note 9
Nan Pao Resins (Holdings) Ltd.	Eastlion Enterprises Ltd.	General investment	100	100	100	
	Eastlion Industrial Ltd.	General investment	100	100	100	
	Nan Pao Resins Development Ltd.	General investment	100	100	100	
Eastlion Enterprises Ltd.	Nan Pao Resins (Dong-Guan) Co., Ltd.	Processing of adhesive products	100	100	100	
Nan Pao Resins Development Ltd.	Dongguan Jia Chin Electronics Co., Ltd.	Production and trading of coatings and advanced resin	100	100	100	
All Saints Enterprises Ltd.	Great Mount Enterprises Ltd.	General investment	100	100	100	

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			Shareholding ratio (%)			
Investor Company	Name of subsidiaries	Business activities	2018 June 30	2017 December 31	2017 June 30	Details
Great Mount Enterprises Ltd.	Nan Pao Resins (China) Co., Ltd.	Production and trading of adhesives and coatings	100	100	100	
Qang Yi Electronic Factory Company Ltd.	Gangyi Electronic (Dongguan) Co.,Ltd.	Production and trading of magnetic covers, magnetic rings, iron cores and electronic components	-	-	100	Note 10
Mega Victory Ltd.	Progroups Technology co. Ltd.	Trading of water-based polyurethane resin	91.99	91.99	91.99	
NP Australia Pty Ltd.	RLA Polymers Pty Ltd.	Production and trading of construction materials and chemical substances	100	100	100	
RLA Polymers Pty Ltd.	RLA Polymers (M) SDN BHD	Production and trading of construction materials and chemical substances	100	100	100	
Ongoing Profits Ltd.	Rising Sun Associates Ltd.	General investment	100	100	100	
Rising Sun Associates Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Production and trading of adhesives and coatings	100	100	100	
Goldford Investments Ltd.	PT. Indo Nan Pao Resins Chemical	Production and trading of adhesives	18.5	18.5	18.5	Note 2 and Note 14

Treasure Wealth (HK) Ltd.	Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Production and trading of coatings	50	50	50	Note 11 and Note 14
Nanpao Advanced Investment Co., Ltd.	Nan Pao (Kunshan) E-commerce Ltd.	Agency of online business and general merchandise	100	100	-	Note 12
	Nantong Nanpao Resins Materials Co., Ltd.	Production and trading business of adhesives	100	100	-	Note 13

Note 1: In February 2017, the Company's subscription for the NT$100,000 thousand new issuances from Prince Pharmaceutical Co., Ltd. was not undertaken according to the shareholding ratio. In April 2017, Prince Pharmaceutical Co., Ltd. issued an executive stock option, and some employees executed the subscription right, causing the shareholding ratio to decrease to 49.9%.

Note 2: Total direct and indirect shareholding account for 67.50%.

Note 3: Total direct and indirect shareholding account for 100%.

Note 4: ITLS International Development Co., Ltd. has invested in and established Aftek Materials Vietnam Co., Ltd. in February 2018, with the shareholding ratio of 70%.

Note 5: The Company has acquired the remaining shares of ITLS-Rich (S) Pte. Ltd. in March 2018, leading the shareholding ratio to increase to 100% from 80%.

Note 6: Qang Yi Electronic Factory Company Ltd. completed liquidation and cancellation in December 2017.

Note 7: Nan Pao Group Holdings Ltd. invested in and established Nanpao Advanced Investment Co., Ltd., in July 2017, with a 100% shareholding ratio.

Note 8: Nan Pao Resins (Fo Shan) Co., Ltd. disposed of all shares of Dongguan Bao Jing Chemical Engineering Co., Ltd. for CNY 1,820 thousand in December 2017; therefore, it is no longer included in the consolidated individual.

Note 9: Nan Pao Resins (Fo Shan) Co., Ltd. established Foshan Nan Pao Hung Xing Advanced Materials Co., Ltd. in May 2018 with an 80% shareholding ratio.

Note 10: Gangyi Electronic (Dongguan) Co., Ltd. completed liquidation and cancellation in October 2017.

Note 11: Treasure Wealth (HK) Ltd. purchased 1% of share from non-related party Naroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd. for US$180 thousand in April 2017, leading shareholding ratio to increase to 50% from 49%, and the primary management is designated by the Company, posing effective, substantial control over Naroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd. Therefore, it has been included in the compilation body of the Consolidated Report since April 2017.

Note 12: Nanpao Advanced Investment Co., Ltd. established Nan Pao (Kunshan) E-commerce Co., Ltd. in August 2017, with the shareholding ratio of 100%.

Note 13: Nanpao Advanced Investment Co., Ltd. established Nantong Nanpao Resins Materials Co., Ltd. in July 2017, with the shareholding ratio of 100%.

Note 14: Such companies are immaterial subsidiaries, and their financial statements have not been reviewed by CPA.

Note 15: The Company has acquired the remaining shares of ITLS-SB SDN BHD in April 2017, leading the shareholding ratio to increase to 100% from 80%.

14. Investment using equity method

	2018 June 30	2017 December 31	2017 June 30
Investment in affiliates			
Individual associates without significance	$ 283,660	$ 278,451	$ 263,388

For compilation of information on individual associates without significance, please see the following:

	2018 April 1 to June 30, 2018	2017 April 1 to June 30, 2018	2018 January 1 to June 30, 2018	2017 January 1 to June 30, 2018
Shares from the Company				
Net income (loss) and total	$ 5,203	($ 1,759)	$ 12,709	$ 8,362

comprehensive income for the period

The Company's investments accounted for using the equity method and its share of profit or loss and other comprehensive income within investees are computed based on financial statements that have not been audited by CPAs.

15. Properties, plants, and equipment

	Land	Land reform	Building	Machinery equipment	Transportation Equipment	Other Equipment	Unfinished constructions and equipment to be tested	Total
Cost								
Balance as of January 1, 2018	$ 1,179,025	$ 5,625	$ 1,621,156	$ 2,334,664	$ 204,299	$ 694,247	$ 170,477	$ 6,209,493
Additions	-	839	4,507	44,615	8,345	18,352	180,249	256,907
Disposals	-	-	(3,188)	(46,130)	(6,061)	(7,819)	-	(63,198)
Reclassification	-	-	7,432	120,256	(300)	18,385	(19,122)	126,651
Net exchange differences	71	(30)	27,577	7,924	421	2,847	14,625	53,435
Balance as of June 30, 2018	$ 1,179,096	$ 6,434	$ 1,657,484	$ 2,461,329	$ 206,704	$ 726,012	$ 346,229	$ 6,583,288
Accumulated depreciation and impairment								
Balance as of January 1, 2018	$ -	$ 5,625	$ 626,257	$ 1,568,788	$ 146,487	$ 515,607	$ -	$ 2,862,764
Depreciation	-	42	26,854	71,135	8,101	26,306	-	132,438
Disposals	-	-	(2,260)	(35,957)	(4,368)	(7,668)	-	(50,253)
Reclassification	-	-	(491)	(160)	(129)	1,152	-	372
Net exchange differences	-	(22)	6,051	835	161	1,371	-	8,396
Balance as of June 30, 2018	$ -	$ 5,645	$ 656,411	$ 1,604,641	$ 150,252	$ 536,768	$ -	$ 2,953,717
Net amount on December 31, 2017 and January 1, 2018	$ 1,179,025	$ -	$ 994,899	$ 765,876	$ 57,812	$ 178,640	$ 170,477	$ 3,346,729
Balance as of June 30, 2018	$ 1,179,096	$ 789	$ 1,001,073	$ 856,688	$ 56,452	$ 189,244	$ 346,229	$ 3,629,571
Cost								
Balance as of January 1, 2017	$ 995,878	$ 5,665	$ 1,052,950	$ 2,231,119	$ 214,514	$ 668,440	$ 317,887	$ 5,486,453
Additions	-	-	14,930	37,044	2,357	20,130	287,365	361,826
Disposals	-	-	(6,695)	(71,777)	(7,864)	(32,015)	-	(118,351)
Acquired from merger	-	-	34,180	30,321	5,989	9,263	5,835	85,588
Reclassification	(17,760)	-	81,003	28,081	1,750	24,793	(79,384)	38,483
Net exchange differences	(43)	(19)	(24,953)	(27,389)	(3,005)	(4,673)	(14,223)	(74,305)
Balance as of June 30, 2017	$ 978,075	$ 5,646	$ 1,151,415	$ 2,227,399	$ 213,741	$ 685,938	$ 517,480	$ 5,779,694
Accumulated depreciation and impairment								
Balance as of January 1, 2017	$ -	$ 5,665	$ 594,097	$ 1,561,423	$ 146,049	$ 517,344	$ -	$ 2,824,578
Depreciation	-	-	17,332	61,354	8,190	24,524	-	111,400
Disposals	-	-	(4,101)	(66,665)	(4,495)	(29,479)	-	(104,740)
Acquired from merger	-	-	7,208	12,826	3,478	5,727	-	29,239
Reclassification	-	-	-	-	-	3,325	-	3,325
Net exchange differences	-	(19)	(12,888)	(15,628)	(2,225)	(5,617)	-	(36,377)
Balance as of June 30, 2017	$ -	$ 5,646	$ 601,648	$ 1,553,310	$ 150,997	$ 515,824	$ -	$ 2,827,425
Balance as of June 30, 2017	$ 978,075	$ -	$ 549,767	$ 674,089	$ 62,744	$ 170,114	$ 517,480	$ 2,952,269

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

Land reform	4 to 20 years
Building	3 to 60 years
Machinery equipment	2 to 30 years
Transportation Equipment	2 to 20 years
Other Equipment	2 to 20 years

Please refer to Note 35 for the PP&E amount considered as collateral.

16. Investment Property

	Land
Balance as of January 1, 2017	$ -
Outflow from property, plant and equipment	17,760
Balance as of June 30, 2017	$ 17,760
Balance on January 1, 2018 and June 30, 2018	$ 17,760

The fair value of investment property was NT$63,863 thousand on both June 30, 2018, December 31, 2017, and June 30, 2017, respectively. It has not been evaluated by independent evaluators, and only through the management level of the Company by referencing the actual transaction price of nearby regions in the most recent year.

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

17. Goodwill

	January 1, 2018 to June 30, 2018	January 1, 2017 to June 30, 2018
Beginning balance	$ 91,978	$ 89,291
Acquired in this period (Note 30)	-	3,075
Net exchange differences	(2,365)	274
December 31	$ 89,613	$ 92,640

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

No impairment loss on goodwill has been recognized by the Company from January 1 to June 30, 2018, and 2017.

The Company has obtained the Acquisition Pricing Allocation Report in March 2018. Based on the report, inventory, PP&E, and prepaid rent based on the fair value on the date of acquisition were NT$80,000, NT$56,349 thousand, and NT$47,069 thousand respectively for the subsidiary Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd. The Company has adjusted the initial accounting treatment and provisional amounts since the acquisition date and restated the comparison information.

The increase (decrease) in the adjustment of related items on the Balance Sheet is as follows:

	June 30, 2017		
	Before restatement	Adjustment	After restatement
Goodwill	$ 92,657	($ 17)	$ 92,640
Property, plant, and equipment	$ 2,951,741	$ 528	$ 2,952,269
Prepaid rent - non-current	$ 447,977	$ 28,931	$ 476,908
Deferred income tax assets	$ 193,636	($ 3,073)	$ 190,563
Other non-current assets	$ 339,422	($ 12,538)	$ 326,884
Deferred income tax liabilities	$ 813,300	($ 1,648)	$ 811,652
Retained earnings	$ 4,886,246	($ 8,046)	$ 4,878,200
Other equity	($ 245,320)	$ 15,002	($ 230,318)
Non-controlling Interests	$ 655,718	$ 8,398	$ 664,116

The increase (decrease) in the adjustment of related items in the Comprehensive Income Statement is as follows:

	April 1, 2017 to June 30, 2018	January 1, 2017 to June 30, 2018
Cost of goods sold	($ 14,696)	($ 14,696)
Operating expenses - depreciation expense	($ 688)	($ 688)
Operating expenses - amortization expense	$ 237	$ 237
Other profit and loss - disposal of investment loss	($ 17,268)	($ 17,268)
Income tax expense	($ 1,649)	($ 1,649)

18. Other intangible assets

	2018 June 30	2017 December 31	2017 June 30
Customer relations	$ 28,337	$ 32,231	$ 35,497
Computer software	14,237	16,296	14,809
Others	9,155	774	977
	$ 51,729	$ 49,301	$ 51,283

Except for the recognition of amortization expenses, the Company did not have any significant additions, dispositions, and impairments to other intangible assets from January 1 to June 30, 2018, and 2017. The amortization cost is calculated based on the straight-line basis for the following useful life:

Customer relations	9 to 11 years
Computer software	3 to 10 years
Others	2 to 10 years

19. Prepaid rent

	2018 June 30	2017 December 31	2017 June 30
Current	$ 14,787	$ 14,044	$ 8,927
Non-current	619,552	598,033	476,908
	$ 634,339	$ 612,077	$ 485,835

As of June 30, 2018, and December 31, 2017, and June 30, 2017, the prepaid rent positions are located in the following areas:

	2018 June 30	2017 December 31	2017 June 30
Vietnam	$ 420,819	$ 398,438	$ 364,013
China	206,396	206,471	114,823
Malaysia	4,964	4,872	4,564
Indonesia	2,160	2,296	2,435
	$ 634,339	$ 612,077	$ 485,835

The above-mentioned land use rights are set for a period of 30 to 60 years, and all of their terms will expire before the year 2068.

20. Other assets

	2018 June 30	2017 December 31	2017 June 30
Current			
Input tax amount	$ 283,900	$ 218,186	$ 152,376
Prepaid cost of goods	106,284	90,522	66,345
Prepaid expense	52,015	37,396	65,000
Tax overpaid retained	18,560	20,622	2,714
Inventory of Supplies	424	2,003	3,051
Refundable deposit	-	4,621	1,069
Others	15,500	26,312	25,166
	$ 476,683	$ 399,662	$ 315,721
Non-current			
Prepaid Equipment	$ 119,445	$ 188,376	$ 266,097
Refundable deposit	-	44,664	45,637
Others	5,387	5,451	15,150
	$ 124,832	$ 238,491	$ 326,884

21. Loans

(1) Short-term borrowings

	2018 June 30	2017 December 31	2017 June 30
Secured loans from banks	$ 60,000	$ 60,000	$ 60,000
Bank credit loans	1,654,192	1,246,649	1,512,239
	$ 1,714,192	$ 1,306,649	$ 1,572,239

The annual rate for short-term loans is as follows:

	2018 June 30	2017 December 31	2017 June 30
Secured loans from banks	1.52%	1.52%	1.52%
Bank credit loans	0.9% - 5.6%	0.9% - 5.11%	1% - 5.07%

(2) Shor-term bills payable

June 30, 2018

Guarantee or Accepting Institution	Face value	Discount amount	At book value	Interest rate range (%)	Name of collateral
Commercial paper payable					
International Bills Finance Corp.	$ 60,000	$ 37	$ 59,963	1.038	None
China Bills Finance Corporation	40,000	25	39,975	1.038	None
	$ 100,000	$ 62	$ 99,938		

December 31, 2017

Guarantee or Accepting Institution	Face value	Discount amount	At book value	Interest rate range (%)	Name of collateral
Commercial paper payable					
International Bills Finance Corp.	$ 60,000	$ 6	$ 59,994	1.058	None
China Bills Finance Corporation	10,000	14	9,986	1.038	None
Dah Chung Bills Finance Corp	50,000	57	49,943	1.038	None
	$ 120,000	$ 77	$ 119,923		

June 30, 2017

Guarantee or Accepting Institution	Face value	Discount amount	At book value	Interest rate range (%)	Name of collateral
Commercial paper payable					
International Bills Finance Corp.	$ 60,000	$ 92	$ 59,908	1.138	None
China Bills Finance Corporation	40,000	35	39,965	1.138	None
Dah Chung Bills Finance Corp	50,000	66	49,934	1.150	None
	$ 150,000	$ 193	$ 149,807		

(3) Long-term debt

	2018 June 30	2017 December 31	2017 June 30
Unsecured loans			
1. Mizuho Bank	$ 500,000	$ 500,000	$ 500,000
2. O-Bank	150,000	150,000	150,000
3. O-Bank	30,000	30,000	-
4. Yuanta Commercial Bank	140,000	140,000	140,000
5. Chinatrust Commercial Bank	210,000	210,000	210,000
6. E.Sun Bank	$ -	$ 130,000	$ 130,000
7. KGI Bank	300,000	300,000	-
8. Taipei Fubon Commercial Bank	130,000	-	-
9. Taiwan Cooperative Bank	32,000	-	-
10. Mega International Commercial Bank	176,237	175,269	27,056
11. Mega International Commercial Bank	1,470	2,623	4,034
	1,669,707	1,637,892	1,161,090
Less: portion recognized as maturing within one year	45,529	33,553	4,281
	$ 1,624,178	$ 1,604,339	$ 1,156,809

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1. The Company signed a two-year loan agreement with Mizuho Bank in December 2016 with a credit line of NT$500,000 thousand. In December 2017, the Company applied for a one-year extension to December 2019, the credit will be used cyclically within the credit line, and the loan principal repayment will be paid at once. Annual rates on June 30, 2018, December 31, 2017, and June 30, 2017 were 1.1%, 1.1%, and 1.15% respectively.
1. The Company signed a three-year loan agreement with O-Bank in June 2016 with a credit line of NT$150,000 thousand. The loan principal repayment will be paid at once. Annual rates on June 30, 2018, December 31, 2017, and June 30, 2017 were 1.1998%, 1.1998%, and 1.2209% respectively.

3. The Company signed a five-year loan agreement with O-Bank in June 2017 with the credit line of NT$300,000 thousand. The credit term is every three months starting from September 2020, and loan principal repayment will be made in equal portions. Annual rates on June 30, 2018 and December 31, 2017 were both 1.1839%.
4. The Company signed a three-year loan agreement with Yuanta Commercial Bank in June 2015 with a credit line of NT$300,000 thousand. In August 2017, the Company applied for an extension to August 2020; the credit will be used cyclically within the credit line, and the loan principal repayment will be paid at once. Annual rates on June 30, 2018, December 31, 2017, and June 30, 2017, were 1.15%, 1.18%, and 1.26% respectively.
5. The Company signed a two-year loan agreement with Chinatrust Commercial Bank in September 2016 with a credit line of NT$260,000 thousand. In September 2017, the Company applied for an extension until August 2019; the credit will be used cyclically within the credit line, and the loan principal repayment will be paid at once. Annual rates on June 30, 2018, December 31, 2017, and June 30, 2017, were 1.1861% - 1.1877%, 1.1863% - 1.2464%, and 1.246% - 1.2472% respectively.
6. The Company signed a two-year loan agreement with E.Sun Bank in April 2016 with a credit line of NT$200,000 thousand. In July 2017, the Company applied for an extension until April 2019. In May 2018, the Company applied for another extension to May 2020, and the credit line was raised to NT$300,000 thousand. The credit will be used cyclically within the credit line, and the loan principal repayment will be paid at once. The loan principal has already been fully repaid in April 2018. Annual rates on December 31, 2017, and June 30, 2017, were both 1.15%.

7. The Company signed a two-year loan agreement with KGI Bank in August 2017 with a credit line of NT$400,000 thousand. The credit will be used cyclically within the credit line, and the loan principal repayment will be paid at once. Annual rates on June 30, 2018, and December 31, 2017, were both 1.036%.
8. The Company signed a two-year loan agreement with Taipei Fubon Commercial Bank in December 2017 with a credit line of NT$300,000 thousand. The credit will be used cyclically within the credit line, and the loan principal repayment will be paid at once. The annual rate on June 30, 2018 was 1.0424%.
9. The Company signed a two-year loan agreement with Taiwan Cooperative Bank in August 2017 with a credit line of NT$320,000 thousand. The loan shall be allocated in accordance with 80% coverage according to the progress of the construction project through verifying invoices or relevant transaction payment certificates. The loan principal repayment will be paid at once or the loan shall be changed to a long-term debt with collateral at credit line of NT$320,000. The annual rate on June 30, 2018 was 1.6%.
10. The Company signed a five-year loan agreement with Mega International Commercial Bank in June 2017 with a credit line of US$ 15,000 thousand. The credit will be repaid in 17 installments starting from June 2018, where each installment is for every 3 months. Annual rates on June 30, 2018, December 31, 2017, and June 30, 2017 were 2.695% - 3.084%, 2.695% - 3.084%, and 2.695% - 2.697% respectively.
11. The Company signed a four-year loan agreement with Mega International Commercial Bank in December 2014 with a credit line of US$ 1,000 thousand. The credit will be repaid in installments starting from December 2015, where each installment is for every 6 months. The loan principal will be

repaid in equal portions. Annual rates on June 30, 2018, December 31, 2017 and June 30, 2017 were all 7%.

22. Accounts payable and bills payable

	2018 June 30	2017 December 31	2017 June 30
Notes payable			
Arising from operations	$ 22,593	$ 28,025	$ 25,712
Non-operating	31,285	24,309	26,623
	$ 53,878	$ 52,334	$ 52,335
Accounts payable			
Arising from operations	$ 1,963,922	$ 1,948,306	$ 1,656,987

The Company has established a set of financial risk management policy to ensure that all payables are repaid within the pre-agreed term of the credit.

23. Other liabilities

	2018 June 30	2017 December 31	2017 June 30
Current			
Other liabilities			
Refund liability (Note 26 and 34)	$ 153,763	$ -	$ -
Unearned receipts	-	22,783	28,017
Others	20,876	9,519	32,929
	$ 174,639	$ 32,302	$ 60,946
Non-current			
Other liabilities			
Guarantee deposits	$ 1,867	$ 1,141	$ 2,137
Others	40,782	40,858	38,445
	$ 42,649	$ 41,999	$ 40,582

24. Post-retirement benefit program

Pension expenses such as the defined benefit plan recognized from April 1 to June 30, 2018, and 2017, and January 1 to June 30, 2018, and 2017, were calculated based on the pension cost rate from actuarial decision as of December 31, 2017, and 2016, and the costs were NT$1,975 thousand, NT$2,972 thousand, NT$3,873 thousand, and NT$5,456 thousand respectively.

25. Equity

(1) Capital

Ordinary Shares

	2018 June 30	2017 December 31	2017 June 30
Shares (thousand shares)	200,000	200,000	200,000
Nominal capital	$ 2,000,000	$ 2,000,000	$ 2,000,000
Number of issued and paid-for shares (thousand shares)	108,621	108,621	106,491
Current issued capital	$ 1,086,207	$ 1,086,207	$ 1,064,909
Stock dividends to be distributed	-	-	21,298
	$ 1,086,207	$ 1,086,207	$ 1,086,207

Common stocks are issued with the par value of NT$10 per share, and each common stock represents a right to vote and receive dividends.

On March 3, 2017, the Company's Board of Directors has adopted the resolution to issue 3,000 new shares at the premium of NT$180 per share, for a total of NT$540,000 thousand. June 16, 2017, was designated to be the base date of the capital increase.

On May 16, 2017, the Company's Shareholders' Meeting has adopted the resolution to issue NT$21,298 thousand of ordinary shares through capital surplus transfer. A total of 21,30 thousand shares were issued at par value of NT$10 per share. August 2, 2017, was designated as the base date of the capital increase.

(2) Capital surplus

	2018 June 30	2017 December 31	2017 June 30
May be used to make up for loss, cash distribution, or for capital replenishment (1)			
Stock issuance premium	$ 1,266,401	$ 1,266,401	$ 1,266,401
May be used to make up for loss (2)			
Recognized value of changes in equity of ownership of subsidiaries	23,811	23,811	23,811
	$ 1,290,212	$ 1,290,212	$ 1,290,212

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.

(3) 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. The remaining surplus will be accumulated toward the undistributed surplus over the years, and the Board of Directors will draft a motion for appropriation, and ask the Shareholders' Meeting for appropriation. 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 27-6.

As the Company is in a period of robust growth, in order to cope with the future operational expansion plan, dividend distribution shall not be less than 10% of the remaining profit of the year. Shareholder dividend shall be paid in a corresponding mix of cash and stock dividend, in which cash dividend will account for 20% to 100%, and the stock dividend of 0% to 80%.

The legal reserve may be used to cover losses. When the Company has no loss, the portion of the legal reserve that exceeds 25% of the 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 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, 2018, and May 16, 2017, during which the 2017 and 2016 appropriation of earnings passed, respectively, were as follows:

	Earnings appropriation proposal		Dividends per share (NT$)	
	2017	2016	2017	2016
Statutory Surplus Reserve	$ 88,187	$ 132,522		
Cash Dividend	543,104	532,455	$ 5	$ 5

(4) Special capital reserve

During the first-time adoption of IFRSs, the Company's books had unrealized write-ups, accumulated revaluation adjustment, and appropriated retained earnings from the surplus of NT$313,213 thousand in total. Special capital reserve of the same amount has been appropriated.

(5) Other equity items

Foreign currency translation difference

	Amount before-tax	Relevant income tax	Income after tax
Balance as of January 1, 2018	($ 351,467)	$ 59,750	($ 291,717)
Changes in tax rates	-	10,544	10,544
Arising during the period			
Currency translation differences from overseas operations	142,953	(28,591)	114,362
Balance as of June 30, 2018	($ 208,514)	$ 41,703	($ 166,811)
Balance as of January 1, 2017	($ 6,300)	$ 1,071	($ 5,229)
Arising during the period			
Currency translation differences from overseas operations	(271,192)	46,103	(225,089)
Balance as of June 30, 2017	($ 277,492)	$ 47,174	($ 230,318)

(6) Non-controlling interests

	January 1, 2018 to June 30, 2018	January 1, 2017 to June 30, 2018
Beginning balance	$ 658,555	$ 337,219
Net profit of this period	13,727	18,464

Other comprehensive income of the year		
Exchange differences on translation of foreign financial statements	10,994	(7,915)
Increases in non-controlling interest by acquisition of subsidiaries	30,477	119,674
Acquisition of non-controlling interest in subsidiaries (Note 31)	(806)	(4,630)
Difference between prices of shares acquired from subsidiaries and book value	-	(22,533)
Dividend payout from subsidiary	(404)	-
Capital increase by share subscription at subsidiaries	-	200,000
Others	-	23,837
December 31	$ 712,543	$ 664,116

26. Revenue

(1) Diaggregation of revenue from customer contracts

	2018 April 1 to June 30, 2018	2017 April 1 to June 30, 2018	2018 January 1 to June 30, 2018	2017 January 1 to June 30, 2018
Adhesives	$2,876,478	$2,585,214	$5,275,913	$4,945,573
Coatings	455,578	398,816	849,654	661,940
Construction materials	537,997	517,220	1,052,432	997,403
Others	202,986	151,717	401,887	281,319
	$4,073,039	$3,652,967	$7,579,886	$6,886,235

(2) Balance on contracts

	June 30, 2018
Accounts receivable (Note 11)	$ 3,494,548
Provision - Current	
Product sales	$ 36,109
Refund liability - current (listed in other currrent liabilities)	
Product sales	$ 153,763

Changes in contract liabilities are caused mainly by the difference of timing between when performance obligations are fulfilled and when customers make payments.

27. Net income

(1) other revenues

	2018 April 1 to June 30, 2018	2017 April 1 to June 30, 2018	2018 January 1 to June 30, 2018	2017 January 1 to June 30, 2018
Dividend income	$ 98,176	$ 45,864	$ 98,176	$ 45,864
Revenue from subsidies	13,475	3,894	13,865	4,108
Interest income	9,223	4,657	17,226	9,260
Rental income	43	171	82	427
	$ 120,917	$ 54,586	$ 129,349	$ 59,659

(2) Other gain and loss

	2018 April 1 to June 30, 2018	2017 April 1 to June 30, 2018	2018 January 1 to June 30, 2018	2017 January 1 to June 30, 2018
Foreign exchange gain or loss, net	$ 50,565	$ 8,071	$ 22,551	($ 24,567)
Compensation paid	-	(34,715)	-	(34,715)
Disposal of loss on investments	-	(17,268)	-	(17,268)
Others	7,684	4,466	9,633	(134)
	$ 58,249	($ 39,446)	$ 32,184	($ 76,684)

(3) Financial costs

	2018 April 1 to June 30, 2018	2017 April 1 to June 30, 2018	2018 January 1 to June 30, 2018	2017 January 1 to June 30, 2018
Interest of bank loans	$ 15,150	$ 12,399	$ 28,766	$ 23,284
Loan interest paybale	309	129	559	158
Less: amounts included in the cost of the required assets	(78)	-	(78)	-
	$ 15,381	$ 12,528	$ 29,247	$ 23,442

Information on the capitalization of interest is as follows:

	2018 April 1 to June 30, 2018	2017 April 1 to June 30, 2018	2018 January 1 to June 30, 2018	2017 January 1 to June 30, 2018
Amount of capitalization of interest	$ 78	$ -	$ 78	$ -
Interest rate of capitalization of interest	1.6%	-	1.6%	-

(4) Depreciation and amortization

	2018 April 1 to June 30, 2018	2017 April 1 to June 30, 2018	2018 January 1 to June 30, 2018	2017 January 1 to June 30, 2018
Properties, plants, and equipment	$ 67,349	$ 57,502	$ 132,438	$ 111,400
Intangible assets and prepaid rent	7,012	6,367	14,000	10,378
	$ 74,361	$ 63,869	$ 146,438	$ 121,778
Depreciation summarized by functions				
Operating costs	$ 50,761	$ 43,698	$ 99,914	$ 83,936
Operating expenses	16,588	13,804	32,524	27,464
	$ 67,349	$ 57,502	$ 132,438	$ 111,400
Amortization summarized by				

functions				
Operating costs	$ 506	$ 462	$ 1,008	$ 971
Operating expenses	6,506	5,905	12,992	9,407
	$ 7,012	$ 6,367	$ 14,000	$ 10,378

(5) Employee benefit expenses

	2018 April 1 to June 30, 2018	2017 April 1 to June 30, 2018	2018 January 1 to June 30, 2018	2017 January 1 to June 30, 2018
Short-term employee benefits				
Salaries	$ 460,657	$ 404,160	$ 878,977	$ 802,738
Labor and health insurance	25,334	21,505	52,131	45,483
Others	28,452	32,065	55,680	71,322
	514,443	457,730	986,788	919,543
Benefits after retirement				
Defined contribution plans	20,003	24,784	40,680	37,041
Defined benefit plan (Note 24)	1,975	2,972	3,873	5,456
	21,978	27,756	44,553	42,497
	$ 536,421	$ 485,486	$1,031,341	$ 962,040
Summarized by functions				
Operating costs	$ 182,322	$ 160,847	$ 353,772	$ 328,367
Operating expenses	354,099	324,639	677,569	633,673
	$ 536,421	$ 485,486	$1,031,341	$ 962,040

(6) Employee remuneration and directoral compensations

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 April 1 to June 30, 2018, and 2017, and January 1 to June 30, 2018, and 2017, the estimated ratio of employee and directorial remuneration is as follows:

Estimated ratio

	January 1, 2018 to June 30, 2018	January 1, 2017 to June 30, 2018
Employee remuneration	3.5%	4.4%
Director’s compensations	1.5%	1.6%

Amount

	2018 April 1 to June 30, 2018	2017 April 1 to June 30, 2018	2018 January 1 to June 30, 2018	2017 January 1 to June 30, 2018
Employee remuneration	$ 12,000	$ 14,108	$ 15,000	$ 24,015
Remuneration to directors and supervisors	4,832	5,291	6,332	9,006

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.

Employee compensation and remuneration to directors in 2017 and 2016 resolved in Board of Directors' meetings on April 12, 2018, and April 5, 2017, respectively, were as follows:

	2017	2016
	Cash	Cash
Employee remuneration	$ 35,000	$ 58,702
Remuneration to directors and supervisors	18,000	25,158

The actual employee compensation and remuneration to directors in 2017 and 2016 were consistent with the amounts recognized in the Consolidated Financial Statements for the years ended December 31, 2017, and 2016.

Please refer to the "Market Observation Post System" of Taiwan Stock Exchange for information on the Company's employee dividend and remuneration for directors.

(7) Gain or loss from exchange

	2018 April 1 to June 30, 2018	2017 April 1 to June 30, 2018	2018 January 1 to June 30, 2018	2017 January 1 to June 30, 2018
Total currency exchange gain	$ 71,512	$ 10,143	$ 107,048	$ 74,633
Total currency exchange loss	(20,947)	(2,072)	(84,497)	(99,200)
Net gain (loss)	$ 50,565	$ 8,071	$ 22,551	($ 24,567)

28. Income tax

(1) Income tax reconigzed in profit or loss

Major items comprising of the income tax expense are as follows:

	2018 April 1 to June 30, 2018	2017 April 1 to June 30, 2018	2018 January 1 to June 30, 2018	2017 January 1 to June 30, 2018
Current income tax				
Generated in the current year	$ 108,267	$ 53,925	$ 132,718	$ 110,172
Surtax on unappropriated retained earnings	29,110	68,553	29,110	68,553
Adjustments from previous years	(2,373)	(61,474)	1,836	(59,501)
	135,004	61,004	163,664	119,224
Deferred income tax				
Generated in the current year	(37,322)	22,458	(152,716)	21,610
Changes in tax rates	(2,748)	-	76,544	-
	(40,070)	22,458	(76,172)	21,610
	$ 94,934	$ 83,462	$ 87,492	$ 140,834

The amendment to the Income Tax Act in 2018 adjusted business income tax from 17% to 20%. Deferred income tax losses that are recognized in profit or loss have been fully recognized in the period of the tax rate adjustment. The applicable tax rate for undistributed earnings in 2018 is reduced from 10% to 5%.

(2) Income tax expenses recognized in other comprehensive income

	2018 April 1 to June 30, 2018	2017 April 1 to June 30, 2018	2018 January 1 to June 30, 2018	2017 January 1 to June 30, 2018
Deferred income tax				
Changes in tax rates	$ -	$ -	$ 8,817	$ -
Arising during the period				
Translations from overseas operations	(28,406)	(12,074)	(28,591)	46,103
	($ 28,406)	($ 12,074)	($ 19,774)	$ 46,103

(3) Income tax approval status

The Company and domestic subsidiaries have declared business income tax for 2015 and 2016 respectively, and have been approved by the taxing authority.

29. Basic earnings per share

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

Net profit of this period

	2018 April 1 to June 30, 2018	2017 April 1 to June 30, 2018	2018 January 1 to June 30, 2018	2017 January 1 to June 30, 2018
Equity attributable to owners of the Company	$ 251,676	$ 196,377	$ 353,990	$ 427,776

Shares

Unit: 1,000 shares

	2018 April 1 to June 30, 2018	2017 April 1 to June 30, 2018	2018 January 1 to June 30, 2018	2017 January 1 to June 30, 2018
Weighted average	108,621	106,037	108,621	105,799

number of common stocks used for the calculation of basic EPS				
Effect of dilutive potential common stocks:				
Employee remuneration	237	411	423	922
Weighted average number of common stocks used for the calculation of diluted EPS	108,858	106,448	109,044	106,721

If the Company chooses to offer employees remuneration or share profits by way of shares or cash, then while calculating the diluted earnings per share, and assuming that the remuneration is paid in the form of stocks, the dilutive potential ordinary shares will be included in the weighted average number of outstanding shares to calculate the diluted earnings per share. While determining the diluted earnings per share before distributing shares to employees as remuneration in the following year, the dilutive effects of such potential ordinary shares shall continue to be considered.

30. Business Consolidation

(1) Acquisition of subsidiaries

	Primary operating activities	Acquisition date	All ownership interest with voting rights Acquisition ratio (%)	Transfer price
Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Production and trading of coatings	April 1, 2017	50/1	$ 5,459

The Company’s acquisition of Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd. in April 2017 was to achieve the business expansion effect of the Company. The acquisition ratio was 1%, in which the shareholding ratio had increased to 50% from 49%. Since the primary management level was designated by the Company, hence the Company poses substantial control over Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd. Please see Note 13 for relevant explanations.

(2) Assets acquired and liabilities assumed upon acquisition date

Current assets		
Cash and cash equivalents	$	71,717
Receivables and other receivables		96,860
Inventory		80,000
Other current assets		17,716
Non-current assets		
Property, plant and equipment		56,349
Prepaid rent		47,069
Other non-current assets		1,545
Current liability		
Short-term loans	(	34,541)
Accounts payable and other payables	(	97,316)
Other current liabilities	(	50)
	$	239,349

(3) Goodwill arising from the acquisition

Transfer price	$	5,459
Add: Fair value of equity held in the acquiree before the acquisition		117,281
Add: non-controlling ownership (50% of all ownership from Noroo-Nao Pao Paints & Coatings (Vietnam) Co., Ltd.)		119,674
Minus: Fair value of obtained identifiable assets	(	239,349)
Net exchange differences		10
Goodwill arising out of acquisition	$	3,075

(4) Net cash inflow from acquisition of subsidiary

Consideration paid in cash	$	5,459
Minus: Balance of cash and cash equivalents acquired	(	71,717)

($ 66,258)

(5) Effects of business consolidation on the management performance

If the acquisition date of the above-said business consolidation was at the beginning of the fiscal year, the Company’s pro forma business revenues from April 1 to June 30, 2017, and January 1 to June 30, 2017, would have been NT$3,652,976 thousand and NT$6,995,445 thousand, and pro forma net profit would have been NT$206,263 thousand, and NT$452,906 thousand respectively. When such amounts cannot reflect whether the business consolidation had been completed at the beginning of the fiscal year in the year of acquisition, the actual revenue and business performance that could arise for the Company cannot be used toward predicting future operating performance.

When hypothesizing that the acquisition of Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd. had been completed at the beginning of the fiscal year and estimating revenue and net profit pro forma, the management level would have taken the following into consideration:

1. Depreciation is calculated based on the carrying amounts of the pre-acquisition financial statements and the fair value of the plant and property at the time of the original accounting treatment; and
2. The borrowing cost will be estimated based on the capital status, credit rating, and the debt-to-equity ratio of the Company after the business consolidation.

31. Equity transaction with non-controlling interests

The Company acquired the remaining 20% of shares from ITLS-SB SDN BHD in April 2017, and the shareholding ratio had thus increased from 80% to 100%.

The Company had further acquired the remaining 20% of shares from ITLS-Rich (S) Pte. Ltd. in February 2018, and the shareholding ratio had thus increased from 80% to 100%.

In addition, in February 2017, the Company's subscription for the NT$100,000 thousand new issuances from by Prince Pharmaceutical Co., Ltd. was not undertaken according to the shareholding ratio. In April of the same year, Prince Pharmaceutical Co., Ltd. issued executive stock option and some employees executed the subscription right, causing the shareholding ratio to decrease to 49.9%.

As the above-mentioned transactions did not change the control over such subsidiaries, the Company treated the transactions as equity transactions.

	ITLS-Rich (S) Pte. Ltd.	ITLS-SB SDN BHD	Prince Pharmaceutical Co., Ltd.
Cash consideration paid	$ 1,665	$ 5,991	$ 100,000
The amount that shall be transferred out of non-controlling interest based on the calculation of relative changes in equity in the carrying amount of net asset from subsidiaries	(806)	(4,630)	(122,533)
Difference in equity transactions	$ 859	$ 1,361	($ 22,533)
Equity transaction balance adjustment			
Capital surplus - The difference between the share price received from the acquisition of a subsidiary and its book value	$ -	$ -	$ 22,926
Capital surplus – changes in ownership of subsidiaries	-	-	(393)
Retained earnings	(859)	(1,361)	-
	($ 859)	($ 1,361)	$ 22,533

22. Operating lease agreements

The Company's operating leases are for rental of factories, machinery, equipment, and office.

The total minimum future payable amount for operating leases that cannot be annulled is as follows:

	2018 June 30	2017 December 31	2017 June 30
Less than 1 year	$ 60,713	$ 48,496	$ 58,236
1 to 5 years	141,928	118,428	97,204
More than 5 years	370,984	359,431	351,964
	$ 573,625	$ 526,355	$ 507,404

33. Financial instruments

(1) 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.

(2) Fair value information - financial instruments measured at fair value on a repetitive basis

1. Fair value measurement hierarchy

June 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets measured at FVTOCI				
Domestic unlisted stocks:	$ -	$ -	$1,559,529	$1,559,529

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available- for-sale financial assets				
Domestic unlisted stocks:	$ -	$ -	$ 183,580	$ 183,580

June 30, 2017

	Level 1	Level 2	Level 3	Total
Available- for-sale financial assets				
Domestic unlisted stocks:	$ -	$ -	$ 183,580	$ 183,580

2. Reconciliation of financial instruments using Level 3 fair value

January 1, 2018 to June 30, 2018

	Other comprehensive income of the year Financial instruments measured at fair value
Beginning balance	$ 183,580
Recognized in other comprehensive income (unrealized gain or loss from financial asset measured at fair value through other comprehensive income)	1,375,949
December 31	$ 1,559,529

January 1, 2017 to June 30, 2017

	Available-for-sale financial assets
Beginning balance	$ 163,580
Add	20,000
December 31	$ 183,580

3. Valuation technique and input measured at Level 3 fair value

(1) Certain domestic unlisted (or OTC) stocks use the market method to estimate the fair value. The judgment is based on the industry type, valuation from a similar type of business and the Company’s operating status, or in reference to the Company’s net value.

(2) Certain domestic unlisted (or OTC) equity use the income approach, in which estimated present value (PV) that could be obtained through holding the investment is calculated based on the discounted value of cash flow.

Major unobservable inputs are as follows. When the rate of revenue growth and operating profit increase or the weighted average cost of capital (WACC) decrease, the fair value of such investment will increase.

	June 30, 2018	December 31, 2017
Achievement rate of revenue growth rate and operating profit rate	50%	50%
Weighted average cost of capital (WACC)	18.47%	18.47%

If the following input values are changed to reflect a reasonably possible alternative hypothesis, with all other inputs remaining unchanged, the amount of fair value increase (decrease) in the equity investment would be as follows:

	June 30, 2018	December 31, 2017
Achievement rate of revenue growth rate and operating profit rate		
Increase by 10%	$ 2,490	$ 2,490
Decrease by 10%	($ 2,589)	($ 2,589)
Weighted average cost of capital (WACC)		
Increase by 1%	($ 697)	($ 697)
Decrease by 1%	$ 698	$ 698

(3) Classification of financial instruments

	2018 June 30	2017 December 31	2017 June 30
Financial assets			
Loans and receivables (Note 1)	$ -	$ 7,511,760	$ 7,998,192
Available-for-sale financial assets	-	183,580	183,580
Financial assets measured at amortized cost (Note 2)	7,998,306	-	-
Financial assets measured at FVTOCI	1,559,529	-	-

<u>Financial liabilities</u>			
Valuation of cost after amortization	6,864,384	5,855,926	5,902,175

Note 1: Balance refers to the loan and receivables measured at amortized cost, including cash and cash equivalents, accounts receivable (including related parties) other receivables, other financial assets, and refundable deposits.

Note 2: Balance refers to the financial assets measured at amortized cost, including cash and cash equivalents, accounts receivable (including related parties) other receivables, other financial assets, and refundable deposits.

Note 3: Balance refers to the financial liabilities measured at amortized cost, including short-term loans, short-term notes payable, accounts payable, other payables, long-term debt (including maturity within 1 year), and guarantee deposits.

(4) Objectives and policy of financial risk management

The primary financial instruments of the Company include equity and debt instrument investments, accounts receivable, accounts payable, and short-term notes payable and loans. The financial management department provides services for each business unit, coordinates and operates them to enter domestic and international financial markets, and analyzes internal risk report based on the level and scale of risk to monitor and manage the financial risk relevant to operations of the Company. Such risks include market risk (including exchange rate risk, interest rate risk, and other pricing risks), credit risk, and liquidity risk.

Material financial activities from the Company are reviewed by the Board of Directors based on 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. The internal auditors will also continue to review compliance to policy and level of 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 of the financial risks undertaken by the Company are foreign exchange risk (see the following summary (1)), interest rate risks (see summary (2)), and risks of other pricing.

The management and measurement of market risks of financial instruments and risk exposure of the merging company remain unchanged.

(1) Foreign exchange risk

The Company undertakes product sales and purchases in foreign currencies, leading to the exposure of foreign exchange risk.

Please see Note 37 for details on the carrying amount of monetary assets and monetary liabilities denominated by the Company in non-functional currency at the balance sheet date (including monetary items denominated in non-functional currencies that have been charged-off in the Consolidated Financial Statements).

<u>Sensitivity Analysis</u>

The Company is mostly affected by the exchange rate fluctuation of the USD and the Vietnamese Dong (VND). The following table was a sensitivity analysis of the Company regarding the impact of 1% change in the functional currency against the 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 the amount of increase in profit before tax when the functional currency depreciates by 1% against each relevant foreign currency. When the functional currency appreciates by 1% against each relevant foreign currency, the impact on the net profit will be the negative sum of the same amount.

	Influence from the USD		
	January 1, 2018 to June 30, 2018	January 1, 2017 to June 30, 2018	
Profit or loss	$ 12,771	$ 14,653	A

	Influence from VND		
	January 1, 2018 to June 30, 2018	January 1, 2017 to June 30, 2018	
Profit or loss	$ 6,364	$ 4,148	B

A. Mainly derived from cash and cash equivalents, receivables, payables and borrowings 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 and borrowings denominated in Vietnamese Dong that is still outstanding on the Balance Sheet date and has not been hedged by cash flows.

(2) Interest rate risk

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

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

	2018 June 30	2017 December 31	2017 June 30
Interest rate risks with cash flow			
Financial assets	$ 3,134,069	$ 3,268,202	$ 4,364,837
Financial liabilities	3,383,899	2,944,541	2,733,329

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 on float rate, the analysis assumes them to be in external circulation on the reporting date (to be in external circulation throughout the reporting period).

When interest rate increases (or decreases) by 1%, when all other variables are unchanged, the Company's profit before tax from January 1 to June 30, 2018, and 2017 will increase/decrease by NT$16,919 thousand and NT$13,667 thousand respectively. This is mostly due to changes in the Company's interest rate from loans.

(3) 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.

The amount of accounts receivable with a significant concentration of credit risk is as follows:

	June 30, 2018		December 31, 2017		June 30, 2017	
	Sum	%	Sum	%	Sum	%
Group A	$ 341,130	10	$ 279,978	9	$ 338,763	12

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 to mitigate the 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.

(1) Liquidity of non-derivative financial liabilities and table of interest rate risk

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

The undiscounted payment relating to borrowings with floating interest rates is extrapolated based on the estimated interest rate yield curve on the balance sheet date.

June 30, 2018

	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
Non-derivative financial liabilities				
Non-interest-bearing liabilities	$ 3,378,687	$ 1,867	$ -	$ -
Fixed interest rate instruments	100,000	-	-	-
Floating interest rate instruments	1,779,856	1,343,750	322,399	-
	$ 5,258,543	$ 1,345,617	$ 322,399	$ -

December 31, 2017

	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
Non-derivative financial liabilities				
Non-interest-bearing liabilities	$ 2,790,321	$ 1,141	$ -	$ -
Fixed interest rate instruments	120,000	-	-	-
Floating interest rate instruments	1,355,424	1,311,736	334,369	-
	$ 4,265,745	$ 1,312,877	$ 334,369	$ -

June 30, 2017

	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
Non-derivative financial liabilities				
Non-interest-bearing liabilities	$ 3,016,902	$ 2,137	$ -	$ -
Fixed interest rate instruments	150,000	-	-	-
Floating interest rate instruments	1,588,486	1,180,287	-	-
	$ 4,755,388	$ 1,182,424	$ -	$ -

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 the balance sheet date.

(2) Financing credit

	2018 June 30	2017 December 31	2017 June 30
Unsecured bank borrowing credit (to be reviewed in each year)			
Amount used	$ 3,519,747	$ 3,096,995	$ 3,005,343
Amount available	4,455,772	4,254,100	3,224,145
	$ 7,975,519	$ 7,351,095	$ 6,229,488
Secured bank borrowing			
Amount used	$ 60,000	$ 60,000	$ 60,000
Amount available	40,000	40,000	40,000
	$ 100,000	$ 100,000	$ 100,000

34. Related party transactions

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

(I) The names and relations of related parties

Name of related party	Relations with the company
Hsin-Tsung Industrial Co., Ltd.	Affiliate enterprises
Fu Fu Lu Industrial Co., Ltd.	Other affiliates (the Chairman of the company is an executive of the Company)
Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Affiliate enterprises (subsidiaries of the Company as of April 2017)
Pou Chen Group 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.)

(2) Operating revenue

Category of related parties / Name	2018 April 1 to June 30, 2018	2017 April 1 to June 30, 2018	2018 January 1 to June 30, 2018	2017 January 1 to June 30, 2018
Investors with significant influence				
Pou Chen Group and subsidiaries	$ 338,032	$ 347,039	$ 621,883	$ 692,882
Affiliate enterprises	-	-	-	23,986

Other related parties	13,369	14,891	19,624	24,004
	$ 351,401	$ 361,930	$ 641,507	$ 740,872

There is no significant difference between the Company's selling price to related parties and from average customers. Payment term is 30 to 125 days, which shows no significant difference between non-related parties.

(3) Inventory

Category of related parties	2018 April 1 to June 30, 2018	2017 April 1 to June 30, 2018	2018 January 1 to June 30, 2018	2017 January 1 to June 30, 2018
Affiliate enterprises	$ 4,553	$ 11,587	$ 7,132	$ 14,748

There is no significant difference between the Company's purchase price from related parties and from non-affiliates. Payment term is 30 days to 45 days, which shows no significant difference between non-related parties.

(4) Receivables from related parties

Accounting item	Category of related parties	2018 June 30	2017 December 31	2017 June 30
Accounts receivable	Investors with significant influence			
	Pou Chen Group and subsidiaries	$ 341,130	$ 279,978	$ 338,763
	Other related parties	-	51,852	29,041
		$ 341,130	$ 331,830	$ 367,804

No guarantee is received for outstanding receivables from related parties.

(5) Payable to related parties

Accounting item	Category of related parties	2018 June 30	2017 December 31	2017 June 30
Accounts payable	Affiliate enterprises	$ 4,560	$ 5,714	$ 2,317
Other payables	Investors with significant influence	$ 136	$ 135	$ 25,562

No guarantee is given for outstanding payables to related parties.

(6) Others

Return liability - June 30, 2018

Category of related parties/Name	
Investors with significant influence	
Pou Chen Group and subsidiaries	$ 89,121

(7) Managerial remuneration

	2018 April 1 to June 30, 2018	2017 April 1 to June 30, 2018	2018 January 1 to June 30, 2018	2017 January 1 to June 30, 2018
Short-term employee benefits	$ 17,699	$ 15,638	$ 29,952	$ 31,519
Benefits after retirement	767	496	1,024	860
	$ 18,466	$ 16,134	$ 30,976	$ 32,379

Remuneration to directors and other executives are determined by the Remuneration Committee in reference to compensations from the 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 and long-term and short-term financing and borrowings:

	2018 June 30	2017 December 31	2017 June 30
Property, plant and equipment	$ 111,723	$ 112,406	$ 113,089
Time deposits	15,057	18,037	5,632
Bank demand deposit	727	749	735
	$ 127,507	$ 131,192	$ 119,456

36. Significant contingent liability and unrecognized contract commitments

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

(1) As of June 30, 2018, December 31, 2017, and June 30, 2017, the number of unused credits issued by the Company for procurement of raw material and machinery and equipment are NT$86,709 thousand, NT$83,526 thousand, and NT$82,165 thousand respectively.

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

	2018 June 30	2017 December 31	2017 June 30
Purchase of property, plant, and equipment	$ 98,290	$ 60,053	$ 60,007
Procurement of raw material	55,343	-	-
	$ 153,633	$ 60,053	$ 60,007

(3) Material lawsuits

The Company had won the bid for land, plant, and machinery equipment owned by He Kui Chemical Company from Taiwan Changhua District Court in 2007 and sold the above assets to 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. Subsidiary 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 had broken 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 litigation was changed to confirming whether the machinery had 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. In June 2017, the Supreme Court of Taiwan ruled in the civil lawsuit that the machinery and equipment did not belong to subsidiary Nan Pao Chemical Co., Ltd.

Based on the ruling of Taiwan Changhua District Court, He Kui Chemical Company argued for ownership of the machinery and equipment in the plant. Based on the above-mentioned, He Kui Chemical Company filed for indemnity lawsuit against Nan Pao Chemical Co., Ltd. for damage caused by the use of machinery and equipment, and sought for indemnity of NT$53,102 thousand. Nevertheless, the amount that He Kui Chemical Company claimed for was based on the purchase price of the machinery and equipment, and did not factor in depreciation based on the useful life of property, plant, and equipment. The batch of machinery was purchased in the ‘90s to early 2000’s, with the surplus value under

NT$53,102 thousand. The Consolidated Company has appropriated NT$38,445 thousand liability reserve based on the remaining value. As of the publication date of the Consolidated Financial Statements, the indemnity lawsuit with He Kui Chemical Company was still being ruled at Taiwan Changhua District Court.

37. Information regarding the significant assets and liabilities denominated in foreign currencies

The following information was summarized by foreign currencies of entities within the Group. The exchange rates were ones used to translate the foreign currencies into the functional currency. Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

Unit: Each foreign currency and NTD are both denominated in 1000's.

June 30, 2018

Financial assets	Foreign currency	Exchange rate	At book value
Monetary items			
USD	$ 45,603	30.42 (USD:NTD)	$ 1,387,175
USD	9,672	6.6166 (USD:CNY)	294,609
USD	6,394	14,300 (USD:IDR)	194,756
USD	6,548	7.8482 (USD:HKD)	199,443
USD	2,978	22,844 (USD:VND)	90,717
Vietnamese Dong	592,552,801	0.000044 (VND:USD)	792,639
Malaysian ringgit	29,275	0.3352 (MYR:AUD)	220,744
Financial liabilities			
Monetary items			
USD	6,407	30.39 (USD:NTD)	194,682
USD	5,715	6.6165 (USD:CNY)	174,089
USD	4,407	7.8485 (USD:HKD)	134,232
USD	4,526	14,300 (USD:IDR)	137,861
USD	2,894	22,811 (USD:VND)	88,016
USD	5,277	1.3541 (USD:AUD)	160,725
Vietnamese Dong	117,007,977	0.000044 (VND:USD)	156,272

December 31, 2017

Financial assets	Foreign currency	Exchange rate	At book value
Monetary items			
USD	$ 46,268	29.76 (USD:NTD)	$ 1,376,957
USD	11,065	6.534 (USD:CNY)	329,280
USD	6,994	13,345 (USD:IDR)	208,133
USD	4,670	7.8113 (USD:HKD)	138,868
Hong Kong Dollar	25,686	0.1279 (HKD:USD)	97,787
Vietnamese Dong	480,353,227	0.000044 (VND:USD)	628,619
Financial liabilities			
Monetary items			
USD	5,151	29.79 (USD:NTD)	153,429
USD	4,623	6.5342 (USD:CNY)	137,577
USD	4,139	7.8172 (USD:HKD)	123,176
USD	6,102	13,345 (USD:IDR)	181,592
USD	4,445	22,745 (USD:VND)	120,303
Vietnamese Dong	108,485,564	0.000044 (VND:USD)	142,398

June 30, 2017

Financial assets	Foreign currency	Exchange rate	At book value
Monetary items			
USD	$ 48,768	30.5344 (USD:NTD)	$ 1,489,091
USD	2,003	6.7744 (USD:CNY)	60,933
USD	9,979	13,056 (USD:IDR)	303,576
USD	2,688	24,913 (USD:VND)	81,711
Hong Kong Dollar	18,194	0.1293 (HKD:USD)	71,535

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Financial assets	Foreign currency	Exchange rate	At book value

Australian Dollar	$ 6,027	0.7674 (AUD:USD)	$ 140,693
Vietnamese Dong	425,701,409	0.000044 (VND:USD)	569,647
Financial liabilities			
Monetary items			
USD	3,274	30.2253 (USD:NTD)	98,970
USD	10,323	6.7797 (USD:CNY)	314,273
USD	823	1.3031 (USD:AUD)	25,045
USD	1,044	13,056 (USD:IDR)	31,764
Vietnamese Dong	125,085,098	0.000041 (VND:USD)	154,828

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

	January 1, 2018 to June 30, 2018		January 1, 2017 to June 30, 2017	
Functional currency	Functional currency and presentation currency	Net exchange profit or loss	Functional currency and presentation currency	Net exchange profit or loss
USD	29.774 (USD:NTD)	($ 4,116)	30.256 (USD:NTD)	($ 703)
NTD	1 (NTD:NTD)	51,037	1 (NTD:NTD)	8,793
CNY	4.669 (CNY:NTD)	5,449	4.412 (CNY:NTD)	4,186
Singaporean dollar	22.33 (SGD:NTD)	205	21.73 (SGD:NTD)	222
Australian Dollar	22.54 (AUD:NTD)	(5,208)	22.71 (AUD:NTD)	(1,176)
Indonesian rupiah	0.00213 (IDR:NTD)	3,004	0.00230 (IDR:NTD)	(4,635)
Vietnamese Dong	0.00118 (VND:IDR)	(525)	0.00121 (VND:IDR)	(1,874)
Others		719		3,258
		$ 50,565		$ 8,071

	January 1, 2018, to June 30, 2018	January 1, 2017 to June 30, 2017

Functional currency	Functional currency and presentation currency	Net exchange profit or loss	Functional currency and presentation currency	Net exchange profit or loss
USD	29.537 (USD:NTD)	($ 4,214)	30.675 (USD:NTD)	$ 5,902
NTD	1 (NTD:NTD)	26,706	1 (NTD:NTD)	(48,153)
CNY	4.64 (CNY:NTD)	(2,812)	4.4645 (CNY:NTD)	4,637
Singaporean dollar	22.27 (SGD:NTD)	70	21.840 (SGD:NTD)	1,789
Australian Dollar	22.785 (AUD:NTD)	(3,379)	23.135 (AUD:NTD)	(521)
Indonesian rupiah	0.00215 (IDR:NTD)	4,769	0.00233 (IDR:NTD)	(1,018)
Vietnamese Dong	0.0013 (VND:IDR)	(95)	0.00122 (VND:IDR)	2,439
Others		1,506		10,358
		$ 22,551		($ 24,567)

38. Other disclosures

Information on (1) Significant Transactions and (2) 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 the paid-in capital (None)
5. Acquisition of real estate at price in excess of NT$300 million or 20% of the paid-in capital (None)
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 the paid-in capital (Table 4)
8. Amount of receivable from related parties in excess of NT$100 million or 20% of its paid-in capital (Table 5)
9. Derivative financial instrument transactions (None)
10. Others: intercompany relationships and significant

intercompany transactions (Table 9)

11. Information on investees (Table 6)

(3) Information on Investments in Mainland China:

1. China investees' names, business items, amounts of paid-in capital, investment methods, capital transaction conditions, shareholding ratios, investment gains and losses, the ending investment book value, investment income repatriation and limits of investment in China. (Table 7)

2. Significant transactions with China investee company through direct or indirect third region, and their prices, terms of payment, unrealized gains and losses: (Table 8)

(1) Purchase amount and percentage, and the ending balance and percentage of payables.

(2) Sales amount and percentage, and the ending balance and percentage of receivables.

(3) Property transaction amount and the resulting gain or loss.

(4) Ending balance of endorsement, guarantee or collateral provided and purposes.

(5) The maximum balance, ending balance, interest rate range and the total amount of current interest in financing.

(6) Other transactions having a significant impact on profit or loss or financial status of the period, such as providing or receiving services.

39. Segment Information

The information is provided to the main business decision-maker to allocate resources and assess the performance of each department and focus on the type of product or service delivered or provided. The Company shall report on the following information for segments:

Segment revenue and operations

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

	Taiwan	Mainland China	Vietnam	Australia	Other Regions	Adjustments and charge off	Total
January 1, 2018 to June 30, 2018							
Revenue							
Revenue from external customers	$ 1,735,081	$ 2,722,453	$ 1,526,292	$ 982,653	$ 613,407	$ -	$ 7,579,886
Revenue between segments	1,200,911	475,125	290,148	13,036	14,712	(1,993,932)	-
Total revenue	$ 2,935,992	$ 3,197,578	$ 1,816,440	$ 995,689	$ 628,119	($ 1,993,932)	$ 7,579,886
Segment profit (loss)	$ 143,389	$ 15,271	$ 67,318	$ 23,854	$ 34,018	$ 26,364	$ 310,214
Interest income							17,226
Other income							112,123
Other income							32,184
Interest expense							(29,247)
Share of profit (loss) of associates accounted for using the equity method							12,709
Pre-tax profit							$ 455,209
January 1, 2017, to June 30, 2017							
Revenue							
Revenue from external customers	$ 1,652,149	$ 2,106,459	$ 1,583,389	$ 902,455	$ 641,783	$ -	$ 6,886,235
Revenue between segments	1,366,871	425,752	81,639	12,360	27,578	(1,914,200)	-
Total revenue	$ 3,019,020	$ 2,532,211	$ 1,665,028	$ 914,815	$ 669,361	($ 1,914,200)	$ 6,886,235
Segment profit (loss)	$ 242,295	$ 33,421	$ 179,546	$ 44,406	$ 51,138	$ 68,373	$ 619,179
Interest income							9,260
Other income							50,399
Other income							(76,684)
Interest expense							(23,442)
Share of profit (loss) of associates accounted for using the equity method							8,362
Pre-tax profit							$ 587,074

Segment profit/loss refers to the profit made by each segment 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 segments and assess their performance.

The main business decision-maker of the Company will form decisions based on the operating performance of each type. Information on classified assets and liabilities from different business activities are not evaluated, and only the operating results of the reportable segments are shown.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

Lending to Others

January 1, 2018 to June 30, 2018

Table 1 Unit: NT$1,000

No	Lender	Lender	Item	Whether being Related parties	Maximum Balance	December 31	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		
1	Nan Pao Group Holdings Ltd.	RLA Polymers（M）Sdn Bhd	Other accounts receivable--related parties	Yes	$ 80,827	$ 4,874	$ 4,874	3.25	2	$ -	Operating turnover	$ -	—	$ -	$ 3,611,850	$ 3,611,850
		Profit Land Ltd.	Other accounts receivable--related parties	Yes	29,105	-	-	6	2	-	Operating turnover	-	—	-	3,611,850	3,611,850
		Nan Pao Materials Vietnam Co., Ltd.	Other accounts receivable--related parties	Yes	156,240	-	-	3	2	-	Operating turnover	-	—	-	3,611,850	3,611,850
2	Profit Land Ltd.	Nan Pao Resins (Fo Shan) Co., Ltd.	Other accounts receivable--related parties	Yes	120,440	60,920	60,920	6	2	-	Operating turnover	-	—	-	996,980	996,980
3	Progroups Technology co. Ltd.	Biorich Biotechnology Co., Ltd.	Other accounts receivable--related parties	Yes	8,100	2,700	2,700	2	2	-	Operating turnover	-	—	-	12,870	25,741
4	Eastlion Enterprises Ltd.	Nan Pao Resins International Ltd.	Other accounts receivable--related parties	Yes	11,398	7,006	7,006	3.5	2	-	Operating turnover	-	—	-	742,781	742,781
5	Nan Pao Resins (China) Co., Ltd.	Nan Pao (Kunshan) E-commerce Ltd.	Other accounts receivable--related parties	Yes	117,150	114,825	114,825	4.35	2	-	Operating turnover	-	—	-	420,150	420,150

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

1. Business transaction is 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 permitted to a single borrower:

(1) For the capital loan to transaction counterparties, the maximum amount permitted to a single borrower is that the loans shall not exceed the maximum of the total purchase or sales (whichever is higher) between the two parties in the most recent year. However, the maximum amount may not exceed the limit on the total amount of loan.

(2) For the capital loan to those with needs of short-term financing, the maximum amount permitted to a single borrower may not exceed 20% of the Company's net value.

Note 3: For foreign companies with 100% voting rights owned by the Company either directly or indirectly, the total amount of loans and loans to individual borrowers to such companies may not exceed the net worth of the borrower.

Note 4: Already charged-off during compilation of the Consolidated Financial Statements.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

Provisions of Endorsements/Guarantees

January 1, 2018, to June 30, 2018

Table 2

Unit: NT$1,000

No	Endorsement/Guarantee Provider	Guaranteed Party		Ceiling limit on endorsements and guarantees for a single enterprise (Note 2)	Highest endorsement or guarantee amount for current period	At end of the Period		Property-guaranteed	Aggregated endorsement or guarantee amount	Endorsement/Guarantee	Endorsement guarantee for the subsidiary by the parent company	Endorsement guarantee for the parent company by the subsidiary	for
	Company name	Company name	Relation (Note 1)	Endorsement or guarantee amount (Note 2)	Endorsement or guarantee amount	Endorsement or guarantee amount	Amount Actually Drawn	. Guarantee amount	Ratio of which on the financial statements Ratio on net value (%)	Maximum Amount (Note 2)	For subsidiaries Endorsement/Guarantee	For the parent company Endorsement/Guarantee	Mainland China Endorsement/Guarantee
0	Nan Pao Resins Chemical Co., Ltd.	NP Australia Pty Ltd.	2	$ 1,753,279	$ 117,775	$ -	$ -	$ -	-	$ 6,136,477	Y	N	N
		ITLS-SB SDN BHD	2	1,753,279	9,138	9,138	-	-	0.10	6,136,477	Y	N	N
		Phytomed Bio-tec	2	1,753,279	10,000	10,000	-	-	0.11	6,136,477	Y	N	N
		ITLS-Rich（S）Pte. Ltd.	2	1,753,279	15,230	15,230	-	-	0.17	6,136,477	Y	N	N
		Nan Pao Resins Chemical Philippines, Inc.	2	1,753,279	15,230	15,230	-	-	0.17	6,136,477	Y	N	N
		ITLS Holding Pte. Ltd.	2	1,753,279	45,690	45,690	-	-	0.52	6,136,477	Y	N	N
		ITLS International Development Co., Ltd.	2	1,753,279	50,000	50,000	974	-	0.57	6,136,477	Y	N	N
		Nan Pao Advanced Materials Vietnam Co., Ltd.	2	1,753,279	60,920	60,920	-	-	0.69	6,136,477	Y	N	N
		Nan Pao Materials Vietnam Co., Ltd.	2	1,753,279	91,380	91,380	36,271	-	1.04	6,136,477	Y	N	N
		RLA Polymers (M) SDN BHD	2	1,753,279	91,380	91,380	91,380	-	1.04	6,136,477	Y	N	N
		RLA Polymers Pty Ltd.	2	1,753,279	385,495	262,526	132,721	-	2.99	6,136,477	Y	N	N
		Nan Pao Resins International Ltd.	2	1,753,279	304,600	304,600	-	-	3.47	6,136,477	Y	N	N
		Nan Pao Group Holdings Ltd.	2	1,753,279	635,460	395,980	-	-	4.52	6,136,477	Y	N	N
		Nan Pao (Kunshan) E-commerce Ltd.	2	1,753,279	30,460	-	-	-	-	6,136,477	Y	N	Y
		Progroups Technology co. Ltd.	2	1,753,279	10,000	10,000	-	-	0.11	6,136,477	Y	N	N
		PT. Indo Nan Pao Resins Chemical	2	1,753,279	90,680	60,920	30,460	-	0.69	6,136,477	Y	N	N

Note 1: Relationship between the endorser/guarantor and the Company is classified into the following categories:

(1) Companies with business relationship

2. A company in which the Company, directly and indirectly, holds more than 50 percent of the voting rights

3. A company that directly and indirectly holds more than 50 percent of the voting rights in the Company

4. Between companies in which the Company, directly and indirectly, holds more than 90 percent of the voting rights

5. Companies with the same industry or mutual project undertakers that have mutual guarantee based on contract agreements due to contractual project needs

6. Joint venture endorsed/guaranteed by shareholders based on their holding ratio

7. The performance guarantee of the pre-sale house sales contract in the inter-bank business 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, and the maximum, directly and indirectly, or endorsement is no more than 70% of the Company’s ending net value.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

Details on marketable securities held at the end of the period

June 30, 2018

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	$ 1,529,325	2	$ 1,529,325	
	Hua Chi Venture Capital Co., Ltd. - privately-issued equity	.	.	157,895	3,878	1	3,878	
	Hsin Sheng Photovaltaic Co., Ltd. - privately-issued equity	.	.	1,600,000	7,171	10	7,171	
					$ 1,540,374		$ 1,540,374	
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	653,800	$ 19,155	10	$ 19,155	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates, and other related derivative securities within the scope of IAS 39: Financial instruments: recognition and measurement.

Note 2: Please see Table 6 and Table 7 for information on investments in subsidiaries and affiliated companies.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

Amount of purchases from and sales to related parties up to NT$100 million or 20% of its paid-in capital

January 1, 2018, to June 30, 2018

Table 4

Unit: NT$1,000

Supplier (Buyer) company	Related Party	Relations	Transaction				Unusual trade conditions and its reasons		Notes and accounts receivable (payable)		Remarks
			Purchase/sale	Amount (NT$)	Ratio of total procurement (sales)	Credit Period	Unit Price	Credit Period	Balance (Note)	Ratio on total accounts receivable or payable (%)	
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Subsidiary	Sales	($ 471,448)	18	Telegraphic transfer within 90 days	Equivalent	Equivalent	$ 362,814	28	
	PT. Indo Nan Pao Resins Chemical	Subsidiary	Sales	(166,284)	6	Telegraphic transfer within 90 days	Equivalent	Equivalent	89,138	7	
	Eastlion Enterprises Ltd.	Subsidiary	Sales	(115,086)	4	Telegraphic transfer within 90 days	Equivalent	Equivalent	85,436	7	
Nan Pao Resins International Ltd.	Pou Chen Group and subsidiaries	Investors with significant influence	Sales	(207,349)	88	Payment within 60 days	Equivalent	Equivalent	91,797	97	
Nan Pao Resins (Vietnam) Enterprise Ltd.	Nan Pao Resins International Ltd.	Same parent company	Sales	(160,317)	12	Telegraphic transfer within 90 days	Equivalent	Equivalent	95,578	15	
PT. Tndo Nan Pao Resins Chemical	Pou Chen Group and subsidiaries	Investors with significant influence	Sales	(198,587)	45	Telegraphic transfer within 90 days	Equivalent	Equivalent	133,744	54	
Eastlion Enterprises Ltd.	Nan Pao Resins (Dong-Guan) Co., Ltd.	Subsidiary	Processing fee	128,934	100	Payment within 30 days	No comparable product sales for comparison	No third-party transaction for comparison	-	-	

Note: already charged-off during writing of the Consolidated Financial Statements.

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

June 30, 2018

Table 5

Unit: NT$1,000

Company with accounts receivable	Related Party	Relations	Related party of account receivable Account balance (Note 2)	Turnover ratio%	Overdue accounts receivable from related party		Accounts receivable from related party	Listed deductibles
					Sum	Handling Method	Amount recoverable after period	Bad debt
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Subsidiary	$ 362,814	2.67	$ -	Not applicable	$ 183,857	$ -
PT. Indo Nan Pao Resins Chemical	Pou Chen Group and subsidiaries	Investors with significant influence	133,744	2.82	-	Not applicable	34,546	24
Nan Pao Resins (China) Co., Ltd.	Nan Pao (Kunshan) E-commerce Ltd.	Same parent company	114,825	- (Note 1)	-	Not applicable	-	-

Note 1: balance of other receivables at the end of the period in which turnover ratio is not applicable

Note 2: already charged-off during writing of the Consolidated Financial Statements

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

Information on Investees, Locations, etc.

January 1, 2018 to June 30, 2018

Table 6

Unit: NT$1,000

(Only foreign currency is denoted in dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Initial investment: December 31, 2015	Initial investment: December 31, 2014	Possession by the end of the period: Number of shares	Possession by the end of the period: Ratio	Possession by the end of the period: At book value	Investee company Profit (loss) for the period	Share of Profits/Losses Investment Profit/Loss (Note 1)	Remarks
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Chemical Company Ltd.	No.12, Nanhaipu, Nanhai Vil., Xigang Dist., Tainan City	Trading of chemical substances	$ 300,000	$ 300,000	15,000,000	100	$ 149,852	$ 4,555	$ 4,555	
	Nan Pao Application Material Co., Ltd.	No.12, Nanhaipu, Nanhai Vil., Xigang Dist., Tainan City	Trading of chemical substances	60,000	60,000	200,000	100	9,786	(110)	(110)	
	Nan Pao Electronic Material Company	No.510, Zhongshan Rd., Xigang Dist, Tainan City	Production and trading of electronic materials	63,540	63,540	4,000,000	100	45,174	2,004	2,004	
	ITLS International Development Co., Ltd.	5F, No.356, Sec.1, NeiHu Rd., Taipei	Trading of construction materials and chemical substances	755,000	755,000	30,500,000	100	304,126	(6,815)	(3,677)	
	Prince Pharmaceutical Co., Ltd.	9F, No. 107, Sec.3, Chung-Shin Rd., Sanchung Dist., New Taipei City	Manufacturing, packaging, and processing of raw materials for various pharmaceutical and health food	268,000	268,000	14,500,000	49.90	307,904	3,162	1,578	
	PHYMED BIO-TEC CO., LTD.	No.12, Nanhaipu, Nanhai Vil., Xigang Dist., Tainan City	R&D and trading of health food	16,000	16,000	600,000	100	3,477	(2,064)	(2,064)	
	Biorich Biotechnology Co., Ltd.	5F, No.356, Sec.1, NeiHu Rd., Taipei	R&D, production, and trading of new high protein business and health food	64,121	64,121	6,412,054	57.06	5,029	2,070	1,181	
	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	4,670	1,522	1,065	
	Hsin-Tsung Industrial Co., Ltd.	12F., No. 117, Sec. 2, Chongqing N. Rd., Datong Dist., Taipei City	Production and trading of chemical materials including adhesives and resins	120,000	120,000	1,500,000	30	283,660	42,362	12,709	
	Fuqing Nan Pao Investments Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	166,699	166,699	4,990,000	100	198,947	5,890	5,890	
	Thai Nan Pao Investments Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	169,909	169,909	5,282,000	100	170,143	7,099	7,099	
	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	20,862	(331)	(331)	
	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	451,270	-	100	665,470	8,332	8,332	
	Nan Pao Advanced Materials Vietnam Co., Ltd.	C2 Zone, Industry Area, Ninh Phúc Village, Ninh Binh City, Ninh Binh Province, Vietnam	Production and trading of adhesives and chemicals	465,970	439,197	-	100	445,740	(1,363)	(1,363)	
	Nan Pao Overseas Holdings Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	1,963,219	1,839,886	63,784,333	100	3,571,436	66,294	70,265	
	Profit Land Ltd.	Equity Trrust Chambers, P.O. Box 3269, Apia, Samoa	General investment	186,588	186,588	983,333	73.75	726,625	13,762	9,643	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	All Saints Enterprises Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	143,375	143,375	5,452,549	54.53	229,173	(8,710)	(4,749)	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	Ongoing Profits Ltd.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Island	General investment	46,426	46,426	1,560,000	32.18	329,595	64,781	21,783	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	PT. Indo Nan Pao Resins Chemical	Jl. Pajajaran Raya No.44, Jatiuwung Tangerang 15137, Indonesia	Production and trading of adhesives	39,276	39,276	2,756,250	49	171,081	24,380	11,946	Nan Pao Resins Chemical Co., Ltd. and related companies hold 67.5% of voting shares
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	161,765	(7,780)		
	Aftek Materials Vietnam Co., Ltd.	No. 16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and trading of construction materials	49,172	-	-	70	47,962	(4,015)		
Fuqing Nan Pao Investmens Ltd.	Wealth Castle Development Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	138,898 (USD 4,560,000)	138,898 (USD 4,560,000)	10,000	100	198,461	5,890		
Thai Nan Pao Investments Ltd.	Thai Nanpao Resins Chemical Co., Ltd.	412 Kor Soi, 1cBangpoo Industrial Tumbon Preaksa Ampur Muang Samutprakarn 10280, Thailand	Production and trading of adhesives	169,931 (USD 5,578,821)	169,931 (USD 5,578,821)	21,197,000	100	106,117	7,044		
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	1,942,871 (USD 63,784,333)	1,814,939 (USD 59,584,333)	63,784,333	100	3,611,850	66,304		
ITLS Holding Pte. Ltd.	ITLS（Malaysia）SDN BHD	Lot 75289, Lebuhraya Pasir Gudang, Mukim Plentong （PermasJaya）, 81750 Masai, Johor, Malaysia	Production and trading of construction materials	31,285 （USD 1,027,092）	31,285 （USD 1,027,092）	3,250,000	100	18,834	(270)		
	PT. ITLS Indonesia	Jl. Pajajaran Raya No. 44, Kel. Gandasari, Kec. Jatiuwung, Tangerang-15137 Indonesia	Production and trading of construction materials	74,981 （USD 2,461,620）	74,981 （USD 2,461,620）	2,437,109	100	25,176	1,119		
	ITLS Vietnam Co., Ltd.	No.16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and trading of construction materials	132,607 （USD 4,353,487）	132,607 （USD4,353,487）	-	100	88,250	(6,022)		

	ITLS-Rich（S）Pte. Ltd.	Blk1049,Eunos Avenue 6,#01-132, Singapore 409628	Trading of hardware and construction materials	6,144 （SGD 275,000）	4,468 （SGD 200,000）	250,000	100	3,809	(1,097)		
	ITLS-SB SDN BHD	Lot 75289, Lebuhraya Pasir Gudang, Mukim Plentong （PermasJaya）, 81750 Masai, Johor, Malaysia	Production and trading of hardware and construction materials	20,746 （SGD 928,632）	20,746 （SGD 928,632）	2,000,000	100	19,371	(1,139)		
Nan Pao Group Holdings Ltd.	Greatwill Materials（HK）Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	38,380 （USD 1,260,000）	38,380 （USD 1,260,000）	7,172	67.68	251,247	20,368		
	Profit Land Ltd.	Equity Trrust Chambers, P.O. Box 3269, Apia, Samoa	General investment	57,497 （USD 1,887,627）	57,497 （USD 1,887,627）	350,000	26.25	261,707	13,762		Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares

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Investor Company	Investee Company	Location	Main Businesses and Products	Initial investment December 31, 2015	Initial investment December 31, 2014	Possession by the end of the period: Number of shares	Ratio	At book value	Investee company Profit (loss) for the period	Share of Profits/Losses Investment Profit/Loss (Note 1)	Remarks
	Nan Pao Resins (Holdings) Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	$ 793,607 (USD 26,054,073)	$ 793,607 (USD 26,054,073)	10,000	100	$ 857,680	$ 116		
	All Saints Enterprises Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	162,445 (USD 5,333,075)	162,445 (USD 5,333,075)	4,547,451	45.47	193,151	(8,710)		Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	Mega Victory Ltd.	Visits Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	General investment	72,104 (USD 2,367,154)	72,104 (USD 2,367,154)	2,367,154	100	59,231	490		
	ITLS –TWA Australia Pty. Ltd.	Level 4, 147 Collins Street Melbourne Vic 3000	Production and trading of hardware, construction materials, and chemicals	134,970 (AUD 6,000,000)	134,970 (AUD 6,000,000)	6,000,000	100	(53,254)	(11)		
	NP Australia Pty. Ltd.	Level 4, 147 Collins Street Melbourne Vic 3000	General investment	533,454 (AUD 23,714,354)	533,454 (AUD 23,714,354)	23,714,354	100	657,679	14,376		
	Ongoing Profits Ltd.	P.O. Box 957, Offshore Incoporations Centre, Road Town, Tortola, British Virgin Island	General investment	116,869 (USD 3,836,817)	116,869 (USD 3,836,817)	3,287,546	67.82	720,795	64,781		Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	Treasure Wealth (HK) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	140,421 (USD 4,610,000)	140,421 (USD 4,610,000)	4,610	100	144,295	(2,880)		
	Goldford Investments Ltd.	Creque Buildin, P.O. Box 116, Road Town, Tortola, British Virgin Islands	General investment	17,814 (USD 584,844)	17,814 (USD 584,844)	486,000	100	70,705	4,468		
	Nan Pao Resins Chemical Philippines, Inc.	Road 22 Phase 11, Cogeo Village, Antipolo City, Philippines	Trading of adhesives	6,397 (USD 210,000)	6,397 (USD 210,000)	9,000	100	34,359	437		
	Nan Pao Resins International Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Trading of chemical substances and related products	776 (HKD 200,000)	776 (HKD 200,000)	1,000	100	9,074	979		
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	243,680 (USD 8,000,000)	243,680 (USD 8,000,000)	10,000	100	897,263	11,973		
Nan Pao Resins（Holdings）Ltd.	Eastlion Enterprises Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	613,467 (USD 20,140,100)	613,467 (USD 20,140,100)	20,240	100	742,781	(552)		
	Eastlion Industrial Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	3 (USD 100)	3 (USD 100)	100	100	1,223	(240)		
	Nan Pao Resins Development Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	91,380 (USD 3,000,000)	91,380 (USD 3,000,000)	3,000	100	106,424	919		
All Saints Enterprises Ltd.	Great Mount Enterprises Ltd.	Unit 2102, 21/F The Broadway, No., 54-62 Lockhart, Road, Wanchai, Hong Kong	General investment	304,600 (USD 10,000,000)	304,600 (USD 10,000,000)	10,000	100	420,317	(8,713)		
Mega Victory Ltd.	Progroup Technology Co., Ltd.	No.12, Nanhaipu, Nanhai Vil., Xigang Dist., Tainan City	Trading of water-based polyurethane resin	75,000	75,000	459,950	91.99	59,197	534		
NP Australia Pty Ltd.	RLA Polymers Pty. Ltd.	Level 4, 147 Collins Street Melbourne Vic 3000	Production and trading of construction materials and chemical substances	333,699 (AUD 14,834,344)	333,699 (AUD 14,834,344)	10,052,080	100	508,850	16,566		
Ongoing Profits Ltd.	Rising Sun Associates Ltd.	P.O. Box 957, Offshore Incoporations Centre, Road Town, Tortola, British Virgin Island	General investment	147,656 (USD 4,847,546)	147,656 (USD 4,847,546)	3,000,000	100	1,060,907	64,780		
Treasure Wealth（HK）Ltd.	Noroo-Nan Pao Paints & Coatings（Vietnam）Co., Ltd.	741 No. 1 St. An Phu-An Khanh New Urban Area, An Phu Ward, Dist, 2, Ho Chi Minh City	Production and trading of coatings	139,811 (USD 4,590,000)	139,811 (USD 4,590,000)	-	50	143,856	(5,758)		
Goldford Investments Ltd.	PT. Indo Nan Pao Resins Chemical	Jl. Pajajaran Raya No. 44, Jatiuwung Tangerang 15137, Indonesia	Production and trading of adhesives	2,217 (IDR 1,040,625,000)	2,217 (IDR 1,040,625,000)	1,040,625	18.5	69,903	24,380		Nan Pao Resins Chemical Co., Ltd. and related companies hold 67.5% of voting shares
Rising Sun Associates Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Cong ThanIiIz, DiAn District, Binh Duong Province	Production and trading of adhesives and coatings	103,814 (USD 3,408,217)	103,814 (USD 3,408,217)	-	100	1,057,853	64,775		
RLA Polymers Pty Ltd.	RLA Polymers (M) SDN BHD	No.5, Lebuhraya Petai, Pandamaran, 42000 Port Klang, Selangor Darul Ehsan, Malaysia	Production and trading of construction materials and chemical substances	134,336 (AUD 5,971,801)	134,336 (AUD 5,971,801)	18,415,500	100	196,381	2,181		

Note: The Company is only required to list the amount of profit and loss of each of the subsidiaries and each investee accounted for using the equity method. The rest of the information can be exempted.

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

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

Information on investment in Mainland China

January 1, 2018 ~ June 30, 2018

Attachment 7

Unit: NT$1,000

(Only foreign currency is denoted in dollars)

Investee Company Company name	Main Businesses and Products	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 during the period Outflow	Outflow or recovery during the period Recovery	Accumulated Outflow from Taiwan at the end of the period Amount invested (Note 4)	Investee company Profit (loss) for the period	Shareholding ratio of the Company's direct or indirect investments (%)	Profit or loss Investment Profit/Loss (Note 2)	Carrying amount of investment at the end of the period Book value	Remitted as of the end of the current period Investment income
Nan Pao Resins (China) Co., Ltd.	Production and trading of adhesives and coatings	$ 304,600 (USD 10,000,000)	(2) Great Mount Enterprises Ltd.	$ 328,661 (USD 10,789,932)	$ -	$ -	$ 328,661 (USD 10,789,932)	($ 8,713)	100	($ 8,713) (2)B.	$ 420,150	$ -
Fuqing Nan Pao Resins Co., Limited	Production and trading of adhesives	138,898 (USD 4,560,000)	(2)Wealth Castle Development Ltd.	151,995 (USD 4,990,000)	-	-	151,995 (USD 4,990,000)	5,960	100	5,960 (2)B.	197,194	112,121
Nan Pao Resins (Dong-Guan) Co., Ltd.	Processing of adhesive products	82,242 (USD 2,700,000)	(2)Eastlion Enterprises Ltd.	77,425 (USD 2,541,860)	-	-	77,425 (USD 2,541,860)	7,399	100	7,399 (2)B.	89,805	-
Dongguan Jia Chin Electronics Co., Ltd.	Production and trading of coatings and advanced resin	91,380 (USD 3,000,000)	(2)Nan Pao Resins Development Ltd.	93,350 (USD 3,064,683)	-	-	93,350 (USD 3,064,683)	919	100	919 (2)B.	106,406	-
Foshan Nan Pao Advanced Materials Co., Ltd.	Production and trading of adhesives	45,690 (USD 1,500,000)	(2) Greatwill Materials (HK) Ltd. and Nan Pao Resins (Fo Shan) Co., Ltd.	-	-	-	-	20,863	68	14,188 (2)B.	251,256	-
Nan Pao Resins (Fo Shan) Co., Ltd.	Production and trading of adhesives	243,680 (USD 8,000,000)	(2)Giant Profit Development Ltd.	237,211 (USD 7,787,627)	-	-	237,211 (USD 7,787,627)	11,986	100	11,986 (2)B.	896,228	128,367
Foshan Nan Pao Cheng Hung Advanced Materials Technology Co., Ltd.	Trading of footwear materials	22,965 (RMB 5,000,000)	(3) Nan Pao Resins (Fo Shan) Co., Ltd.	-	-	-	-	688	51	351 (2)B.	12,595	-
Foshan Nan Pao Hung Xing Advanced Materials Co., Ltd.	Trading of chemical substances	36,744 (RMB 8,000,000)	(3) Nan Pao Resins (Fo Shan) Co., Ltd.	-	-	-	-	(2)	80	(2) (2)B.	36,827	-
Gangyi Electronic (Dongguan) Co.,Ltd. (Note 5)	Production and trading of magnetic covers, magnetic rings, iron cores and electronic components	-	(2)Qang Yi Electronic Factory Company Ltd.	12,184 (USD 400,000)	-	-	12,184 (USD 400,000)	-	-	-	-	-
Nanpao Advanced Investment Co., Ltd.	General investment	462,992 (USD 15,200,000)	(2)Nan Pao Group Holdings Ltd.	335,060 (USD 11,000,000)	127,932 (USD 4,200,000)	-	462,992 (USD 15,200,000)	(3,187)	100	(3,187) (2)B.	448,277	-
Nan Pao (Kunshan) E-commerce Ltd.	Agency of online business and general merchandise	152,300 (USD 5,000,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	(4,564)	100	(4,564) (2)B.	138,901	-
Nantong Nanpao Resins Materials Co., Ltd.	Production and trading of adhesives	167,530 (USD 5,500,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	1,083	100	1,083 (2)B.	165,501	-

Aggregate investment amount remitted from Taiwan to Mainland China at the end of the 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)
$ 1,363,819 (USD 44,774,102)	$ 1,838,238 (USD 60,349,260)	$ 5,259,837

Note 1: Investment is divided into the following three categories (mark the category number):

(1) Direct investment in mainland China.

(2) Invest in Mainland China through companies in a third-party regional (please specify the investment company in the 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 have been certified by international accounting firms with relations with the CPA Republic of China

B. The financial statements have been certified by a CPA through the parent company in Taiwan.

C. Others.

Note 3: The investment limit of the Company in Mainland China is calculated as follows:

$8,766,395×60%＝$5,259,837

Note 4: relevant amounts were calculated based on the exchange rate of US$1 = NT$30.46 at the end of the period.

Relevant amounts were calculated based on the exchange rate of CNY 1 = NT$4.5930 at the end of the period.

Gangyi Electronic (Dongguan) Co., Ltd. has finished liquidation in October 2017 but the share amounts have not yet been remitted to Taiwan; hence, it has not been removed from the authorized investment amount from the MOEA.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

Significant direct or indirect transactions with the investee in Mainland China through a third region, and its prices and terms of payment, unrealized gain or loss, and other information:

January 1, 2018 ~ June 30, 2018

Table 8

Unit: expressed in NT$1,000 unless otherwise stated.

Supplier (Buyer) company	Counterparty	Relations	Transaction				Different amounts from normal transactions Reasons and conditions		Notes and accounts receivable (payable)		Unrealized profit (Note)
			Purchase/sale	Amount (NT$)	Ratio on total purchases Ratio (%)	Credit Period	Unit Price	Credit Period	Balance (Note)	Ratio on total accounts receivable Notes Payable, Ratio of account (%)	
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Fo Shan) Co., Ltd.	Subsidiary	Sales	($ 94,280)	(4)	Telegraphic transfer within 90 days	Equivalent	Equivalent	$ 43,112	3	$ 7,012
	Nan Pao Resins (China) Co., Ltd.	Subsidiary	Sales	(78,457)	(3)	Telegraphic transfer within 90 days	Equivalent	Equivalent	42,271	3	4,518
Foshan Nan Pao Advanced Materials Co., Ltd.	Nan Pao Resins Chemical Co., Ltd.	Ultimate parent company	Sales	(43,058)	(6)	Telegraphic transfer within 30 days	Equivalent	Equivalent	15,549	4	-
	Nan Pao Resins India Pvt Ltd.	Same parent company	Sales	(14,832)	(2)	Telegraphic transfer within 90 days	Equivalent	Equivalent	6,785	2	-
	Greatwill Materials (HK) Ltd.	Same parent company	Sales	(16,525)	(2)	Telegraphic transfer within 90 days	Equivalent	Equivalent	-	-	-
Nan Pao Resins (Dong-Guan) Co., Ltd.	Eastlion Enterprises Ltd.	Parent company	Net sale of processing	(128,934)	(100)	Payment within 30 days	No comparable product sales for comparison	No third-party transaction for comparison	-	-	-

Note: already charged-off during writing of the Consolidated Financial Statements.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

Business relationships, important transactions, and amounts between the parent company and subsidiaries

January 1, 2018 to June 30, 2018

Table 9

Unit: NT$1,000

No	Company Name	Counterparty	Relationship with Counterparty (Note 1)	Transaction Status			
				Item	Amount (Note 2)	Terms	Percentage of Consolidated Net Revenue or Total asset (%)
0	Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (China) Co., Ltd.	1	Accounts receivable - stakeholders	$ 42,271		-
				Sales revenue	78,457	Payment term is telegraphic transfer within 90 days based on average transaction price	1
		Nan Pao Resins (Vietnam) Enterprise Ltd.	1	Accounts receivable - stakeholders	362,814		2
				Sales revenue	471,448	Payment term is telegraphic transfer within 90 days based on average transaction price	6
		Nan Pao Resins (Fo Shan) Co., Ltd.	1	Accounts receivable - stakeholders	43,112		-
				Sales revenue	94,280	Payment term is telegraphic transfer within 90 days based on average transaction price	1
		PT. Indo Nan Pao Resins Chemical	1	Accounts receivable - stakeholders	89,138		1
				Sales revenue	166,284	Payment term is telegraphic transfer within 90 days based on average transaction price	2
		Nan Pao Resins Chemical Philippines, Inc.	1	Sales revenue	13,800	Payment term is telegraphic transfer within 90 days based on average transaction price	-
		Eastlion Enterprises Ltd.	1	Accounts receivable - stakeholders	85,436		-
				Sales revenue	115,086	Payment term is telegraphic transfer within 90 days based on average transaction price	2
				Purchase	18,219	No comparable product sales for comparison; telegraphic transfer of payment within 90 days	-
		Foshan Nan Pao Advanced Materials Co., Ltd.	1	Accounts payable - related parties	15,549		-
				Purchase	43,058	No comparable product sales for comparison; telegraphic transfer of payment within 30 days	1
		Nan Pao Materials Vietnam Co., Ltd.	1	Accounts receivable - stakeholders	59,141		-
				Sales revenue	67,216	Payment term is telegraphic transfer within 90 days based on average transaction price	1
		ITLS International Development Co., Ltd.	1	Sales revenue	12,984	Receipt through credit term of 90 days based on average transaction price	-
1	Nan Pao Resins (Vietnam) Enterprise Ltd.	PT. Indo Nan Pao Resins Chemical	3	Accounts receivable - stakeholders	30,172		-
				Sales revenue	45,572	Payment term is telegraphic transfer within 90 days based on average transaction price	1
		Nan Pao Resins International Ltd.	3	Accounts receivable - stakeholders	95,578		1
				Sales revenue	160,317	Payment term is telegraphic transfer within 90 days based on average transaction price	2
		Progroups Technology co. Ltd.	3	Accounts payable - related parties	16,459		-
				Purchase	23,941	No comparable product sales for comparison; telegraphic transfer of payment within 90 days	-
		Eastlion Enterprises Ltd.	3	Accounts payable - related parties	22,315		-
				Purchase	38,696	Receipt through telegraphic transfer of 90 days based on average transaction price	1
		Nan Pao Chemical Company Ltd.	3	Accounts payable - related parties	13,568		-
				Purchase	27,400	Receipt through telegraphic transfer of 90 days based on average transaction price	-
2	Profit Land Ltd.	Nan Pao Resins (Fo Shan) Co., Ltd.	3	Other accounts receivable--related	60,920		-

				parties			
3	Nan Pao Resins (Fo Shan) Co., Ltd.	Fuqing Nan Pao Resins Co., Limited	3	Accounts receivable - stakeholders	44,348		-
				Sales revenue	63,551	Receipt through credit term of 90 days based on average transaction price	1
4	Eastlion Enterprises Ltd.	Nan Pao Resins (Dong-Guan) Co., Ltd.	3	Processing fee	128,934	No comparable product price, credit term is payment in 30 days	2
		Nan Pao Resins Chemical Philippines, Inc.	3	Accounts receivable - stakeholders	22,488		-
				Sales revenue	27,267	Payment term is telegraphic transfer within 90 days based on average transaction price	-
		PT. Indo Nan Pao Resins Chemical	3	Sales revenue	15,800	Payment term is telegraphic transfer within 90 days based on average transaction price	-

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No	Company Name	Counterparty	Relationship with Counterparty (Note 1)	Transaction Status			
				Item	Amount (Note 2)	Terms	Percentage of Consolidated Net Revenue or Total asset (%)
5	Nan Pao Resins (China) Co., Ltd.	Nan Pao (Kunshan) E-commerce Ltd.	3	Other accounts receivable--related parties	$ 114,825		1
		Fuqing Nan Pao Resins Co., Limited	3	Accounts payable - related parties	15,464		-
				Purchase	20,520	No comparable product sales for comparison; telegraphic transfer of payment within 90 days	-
6	Foshan Nan Pao Advanced Materials Co., Ltd.	Nan Pao Resins India Pvt Ltd.	3	Sales revenue	14,832	Payment term is telegraphic transfer within 90 days based on average transaction price	-
		Greatwill Materials (HK) Ltd.	3	Sales revenue	16,525	Payment term is telegraphic transfer within 90 days based on average transaction price	-
		Nan Pao Resins (Fo Shan) Co., Ltd.	3	Accounts receivable - stakeholders	15,436		-
				Sales revenue	23,822	Payment term is telegraphic transfer within 90 days based on average transaction price	-
7	Nan Pao Materials Vietnam Co., Ltd.	Nan Pao Resins International Ltd.	3	Accounts receivable - stakeholders	28,927		-
				Sales revenue	44,892	Price based on average transaction price; payment received through telegraphic transfer within 60-90 days	1
		Nan Pao Chemical Company Ltd.	3	Accounts payable - related parties	19,556		-
				Purchase	25,030	Receipt through telegraphic transfer of 90 days based on average transaction price	-

Note 1: Relationship with the counterparty can be specified using the following three categories (mark the category number):

(1) Parent company to subsidiaries.

(2) Subsidiaries to the parent company.

(3) Between subsidiaries

Note 2: already charged-off during writing of the Consolidated Financial Statements