

Nan Pao Resins Chemical Co., Ltd.
and Subsidiaries

Consolidated Financial Statements and Independent Auditors'
Report
For the Years Ended December 31, 2018 and 2017

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Declaration on Consolidated Financial Statements of Affiliated Companies

For Fiscal Year 2018 (January 1 - December 31 2018), the affiliated companies of this Company that shall be included in the consolidated financial statements of affiliated companies are the same as those included in the consolidated financial statements of parent company and subsidiaries prescribed by the International Financial Reporting Standards No. 10 in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises. In addition, relevant information has already been disclosed in previous consolidated financial statements of parent company and subsidiaries. Hence, the consolidated financial statements of affiliated companies are not prepared separately.

As hereby declared:

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

Chairman: Wu Cheng-Hsien

March 21, 2019

Independent Auditors' Report

To Nan Pao Resins Chemical Co., Ltd.:

Audit Opinion

We have audited the consolidated balance sheet of Nan Pao Resins Chemical Co., Ltd. and its subsidiaries (Nan Pao Resins Group) as of December 31, 2017 and 2018, the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the Notes to consolidated financial statements (including a summary on significant accounting policies).

In our opinion and based on our and other independent auditors reports (see Other), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Nan Pao Resins Group as of December 31, 2017 and 2018, and the consolidated financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China with the effective dates.

Basis for Opinion

We conducted our audits in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant Code of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. With the results of our auditing and other independent auditors reports, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinions.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the consolidated financial statements of Nan Pao Resins Group for the year ended December 31, 2018 are stated as follows:

Key Audit Matters: Authenticity of Revenue Recognition

The main sources of revenue for Nan Pao Resins Group come from the sale of adhesives, paint, and building material. As market demand rises, the revenue of 2018 increased compared to the same period last year. Given the effects on materiality of consolidated financial statements and significant risks of predetermined revenue recognition in auditing standards, we included the authenticity of revenue recognition as a key audit matter.

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

- I. Understand and sample test the effectiveness of internal control designs related to revenue recognition
- II. Obtain basic information on the Group's major customers, cross reference with publicly available information, analyze loan conditions and company scale, and check for errors on the number of days for receivables turnover.
- III. Select appropriate samples from sales revenue receipts, inspect sales invoices, commercial invoices, export declarations signed off by external personnel using revenue recognition criteria, and confirm the names for receipt and for trade items.

For accounting policies and income segmentation on income recognition, please refer to Note 4 (15) and 27.

Other Matters

In the 2018 consolidated financial statements, certain subsidiaries were not audited by us but by other CPAs. Accordingly, for our findings on the aforementioned consolidated financial statements, the dollar amount and information related to the subsidiaries in the statements were based on audit reports from other CPAs. As of December 31, 2018, the total assets of the subsidiaries were NT\$ 1,677,057,000 and accounted for 10% of the consolidated total assets. The net revenue of 2018 was NT\$2,191,566,000, accounting for 14% of the consolidated net revenue.

Nan Pao Resins Chemical Co., Ltd. has already prepared individual financial statements for the year 2017 and 2018 on which we have issued an unqualified opinion with other matter paragraph and unqualified opinion as references.

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

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

In preparing consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management intends to liquidate the Company or terminate the business, or no practicable measure other than liquidation or termination of the business can be taken.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards (GAAS) will always detect a material misstatement when it exists. Misstatements can arise from fraud

or error. If it can be reasonably expected that misstatements in individual amounts or aggregates could influence the economic decisions of users taken on the basis of these consolidated financial statements, then the misstatements are deemed to as material.

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

- I. Identify and assess the risks of material misstatements of the consolidated financial statements, whether due to fraud or error, design and implement appropriate countermeasures to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Since irregularities can involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control, the risks of failing to detect material misstatements resulting from fraud is higher than for one resulting from errors.
- II. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's internal control.
- III. Evaluate the appropriateness of accounting policies adopted by management as well as reasonableness of its accounting estimates and related disclosures.
- IV. Conclude on the appropriateness of the management's use of the going concern basis of accounting, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our audit report. However, future events or circumstances may cause the Company to lose its capacity to function as a going concern.
- V. Evaluate the overall presentation, structure, and contents of consolidated financial statements (including the disclosures), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- VI. Obtain sufficient and appropriate audit evidence regarding the financial information of entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and implementation of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, and significant audit findings (including significant internal control deficiencies identified during our audit).

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

From the matters communicated with the governing body, we determined the key audit matters that were of most significance within the audit of the Company's Consolidated Financial Statements for the year ended in December 31, 2017. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touché
CPA Liao, Hung-Ju

CPA Kung, Chun-Chi

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

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

March 21, 2019

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries
Consolidated Financial Statements
December 31, 2017 and 2018

Unit: NT\$1,000

Code	Asset	December 31, 2018		December 31, 2017		Code	Liabilities and Shareholders' Equity	December 31, 2018		December 31, 2017	
		Amount	%	Amount	%			Amount	%	Amount	%
	Current Assets						Current Liabilities				
1100	Cash and Cash Equivalents (Note 4 and 6)	\$ 3,679,348	21	\$ 3,866,587	25	2100	Short-Term Loans (Note 22 and 38)	\$ 1,308,539	8	\$ 1,306,649	9
1136	Financial Assets at Amortized Cost - Current					2110	Short-Term Notes Payable (Note 22)	-	-	119,923	1
	(Note 4, 8, 9 and 38)	196,068	1	-	-	2130	Contract Liabilities - Current (Note 4 and 27)	41,499	-	-	-
1150	Notes Receivable (Note 4 and 12)	293,405	2	298,490	2	2150	Notes Payable (Note 23)	35,908	-	52,334	-
1170	Accounts Receivable (Note 4, 12 and 27)	3,112,385	18	2,653,921	18	2170	Accounts Payable (Note 23 and 37)	1,923,206	11	1,948,306	13
1180	Accounts Receivable - Affiliate (Note 4, 12, 27 and 37)	357,724	2	331,830	2	2200	Other Payables (Note 37)	788,396	5	789,681	5
1200	Other Receivables (Note 4 and 12)	201,967	1	37,861	-	2230	Current Income Tax Liabilities (Note 29)	169,036	1	224,170	2
1220	Current Income Tax Assets (Note 29)	13,197	-	19,763	-	2320	Long-Term Liability - Current portion (Note 22 and 38)	252,428	1	33,553	-
130X	Inventory (Note 4 and 13)	2,347,224	13	2,251,781	15	2399	Other Current Liabilities (Note 24, 27 and 37)	185,889	1	32,302	-
1412	Prepaid Rent (Note 20)	15,335	-	14,044	-	21XX	Total Current Liabilities	<u>4,704,901</u>	<u>27</u>	<u>4,506,918</u>	<u>30</u>
1476	Other Financial Assets - Current (Note 4, 11 and 38)	-	-	263,565	2		Non-Current Liabilities				
1479	Other Current Assets (Note 4 and 21)	453,097	3	399,662	3	2540	Long-Term Debt (Note 22 and 38)	1,392,070	8	1,604,339	11
11XX	Total Current Assets	<u>10,669,750</u>	<u>61</u>	<u>10,137,504</u>	<u>67</u>	2570	Deferred Income Tax Liabilities (Note 4, 5 and 29)	705,380	4	751,050	5
	Non-Current Assets					2640	Net Defined Benefit Liabilities - Non-Current (Note 4 and 25)	149,410	1	179,041	1
1517	Financial Assets Measured at FVTOCI					2670	Other Non-Current Liabilities (Note 24)	56,622	-	41,999	-
	Financial Assets - Non-Current (Note 4 and 7)	1,210,580	7	-	-	25XX	Total Non-Current Liabilities	<u>2,303,482</u>	<u>13</u>	<u>2,576,429</u>	<u>17</u>
1543	Financial Assets Carried at Cost - Non-current					2XXXX	Total Liabilities	<u>7,008,383</u>	<u>40</u>	<u>7,083,347</u>	<u>47</u>
1535	(Note 4 and 10)	-	-	183,580	1		Equity Attributable to Company Shareholders (Note 26)				
1550	Financial Assets at Amortized Cost - Non-current						Equity				
	Current (Note 4, 8, 9 and 38)	53,194	-	-	-	3110	Ordinary Shares	1,205,707	7	1,086,207	7
1600	Investments Accounted for Using Equity Method (Note 4 and 15)	292,180	2	278,451	2	3200	Capital Reserve	2,108,235	12	1,290,212	9
1760	Property, Plant & Equipment (Note 4, 16 and 38)	3,959,992	23	3,346,729	22	3310	Retained Earnings				
1805	Investment Property (Note 4 and 17)	17,760	-	17,760	-	3320	Statutory Surplus Reserve	988,725	6	900,538	6
1821	Goodwill (Note 4, 18 and 31)	86,766	1	91,978	1	3350	Special Surplus Reserve	313,321	2	313,321	2
1840	Other Intangible Assets (Note 4 and 19)	43,874	-	49,301	-		Retained Earnings	4,207,525	24	4,158,679	27
1840	Deferred Income Tax Assets (Note 4 and 29)	251,359	1	247,094	2	3300	Total Reserved Earnings	5,509,571	32	5,372,538	35
1980	Other Financial Assets - Non-Current (Note 4, 11 and 38)	-	-	10,221	-	3400	Other Equity	804,110	5	(291,717)	(2)
1985	Prepaid Rent - Non-Current (Note 20)	662,223	4	598,033	4	31XX	Total Owner's Equity	<u>9,627,623</u>	<u>56</u>	<u>7,457,240</u>	<u>49</u>
1990	Other Non-Current Assets (Note 4 and 21)	115,775	1	238,491	1	36XX	Non-Controlling Interests	727,447	4	658,555	4
15XX	Total Non-Current Assets	<u>6,693,703</u>	<u>39</u>	<u>5,061,638</u>	<u>33</u>	3XXX	Total Equity	<u>10,355,070</u>	<u>60</u>	<u>8,115,795</u>	<u>53</u>
1XXX	Total Assets	<u>\$ 17,363,453</u>	<u>100</u>	<u>\$ 15,199,142</u>	<u>100</u>		Total Liabilities and Equity	<u>\$ 17,363,453</u>	<u>100</u>	<u>\$ 15,199,142</u>	<u>100</u>

The attached Notes are part of the consolidated financial statements.

(Please refer to Audit Report of Deloitte & Touche on March 21, 2019)

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
For the Years Ended December 31, 2018 and 2017

Unit: NT\$1,000

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

Code		2018		2017	
		Amount	%	Amount	%
4000	Operating Revenue (Note 4, 27, and 37)	\$ 16,022,220	100	\$ 14,615,008	100
5000	Operating Cost (Note 13, 25, 28 and 37)	<u>12,214,806</u>	<u>76</u>	<u>10,692,017</u>	<u>73</u>
5900	Gross Profit	<u>3,807,414</u>	<u>24</u>	<u>3,922,991</u>	<u>27</u>
	Operating Expenses (Note 25 and 28)				
6100	Selling Expenses	1,677,805	10	1,496,022	10
6200	General and Administrative Expenses	780,891	5	847,335	6
6300	Research and Development Expenses	419,850	3	386,662	3
6450	Estimated Credit Impairment Loss or Gain	<u>27,858</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000	Total Operating Expenses	<u>2,906,404</u>	<u>18</u>	<u>2,730,019</u>	<u>19</u>
6900	Net Operating Profit	<u>901,010</u>	<u>6</u>	<u>1,192,972</u>	<u>8</u>
	Non-Operating Income and Expenses (Note 4, 15 and 28)				
7010	Other Income	156,813	1	85,967	1
7020	Other Gains and Losses	18,454	-	(92,272)	(1)
7050	Financing Cost	(61,694)	-	(49,312)	-
7060	Share of Profit or Loss of Associates Accounted for Using Equity Method	<u>21,229</u>	<u>-</u>	<u>23,398</u>	<u>-</u>
7000	Total Non-Operating Income and Expenses	<u>134,802</u>	<u>1</u>	<u>(32,219)</u>	<u>-</u>
7900	Pre-Tax Profit	1,035,812	7	1,160,753	8
7950	Income Tax Expenses (Note 4 and 29)	<u>319,182</u>	<u>2</u>	<u>243,750</u>	<u>2</u>
8200	Net Profit of the Year	<u>716,630</u>	<u>5</u>	<u>917,003</u>	<u>6</u>

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Code		2018		2017	
		Amount	%	Amount	%
	Other Comprehensive Gain or Loss (Note 25, 26 and 29)				
8310	Items that will not be reclassified to profit or loss:				
8311	Remeasurement of Defined Benefit Plans	\$ 11,598	-	\$ 49,092	-
8316	Unrealized Valuation Loss (gain) on Investments in an Equity Instrument Measured at FVTOCI	(349,496)	(2)	-	-
8349	Income Tax Related to Items that will not be Reclassified	(4,204) (342,102)	- (2)	(8,452) 40,640	- -
8360	Items that may be Reclassified to Profit or Loss:				
8361	Exchange differences on translation of foreign financial statements	78,242	-	(359,901)	(2)
8399	Income Tax Related to Items that may be Reclassified	(4,026) 74,216	- -	58,679 (301,222)	- (2)
8300	Total Other Comprehensive Income for the Year (net of tax)	(267,886)	(2)	(260,582)	(2)
8500	Total comprehensive income for the year	\$ 448,744	3	\$ 656,421	4
	Profit Attributable to:				
8610	Owners	\$ 672,775	4	\$ 881,874	6
8620	Non-Controlling Interests	43,855	-	35,129	-
8600		\$ 716,630	4	\$ 917,003	6
	Total Comprehensive Income Attributable to:				
8710	Owners	\$ 400,327	3	\$ 635,626	4
8720	Non-Controlling Interests	48,417	-	20,795	-
8700		\$ 448,744	3	\$ 656,421	4
	Earnings per Share (Note 30)				
9710	Base	\$ 6.15		\$ 8.22	
9810	Diluted	6.12		8.16	

The attached Notes are part of the consolidated financial statements.

(Please refer to Audit Report of Deloitte & Touche on March 21, 2019)

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries
Consolidated Statement of Changes in Equity
For the Years Ended December 31, 2018 and 2017

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

Code		Equity Attributable to Owners					Exchange Difference on Conversion of Foreign Operations	Other Equity		Subtotal	Total	Non-Controlling Interests	Total Equity
		Capital	Capital Reserve	Statutory Surplus Reserve	Special Surplus Reserve	Undistributed Earnings		Financial Assets Measured at FVTOCI Unrealized Gain or Loss					
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	
B1	2016 Earnings Distribution (Note 26)												
B5	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 in Stock Dividend - NT\$0.2 per share (Note 26)	21,298	(21,298)	-	-	-	-	-	-	-	-	-	
D1	Net Profit for 2017	-	-	-	-	881,874	-	-	-	881,874	35,129	917,003	
D3	Other Comprehensive Income after Tax for 2017	-	-	-	-	40,240	(286,488)	-	(286,488)	(246,248)	(14,334)	(260,582)	
D5	Total Comprehensive Income for 2017	-	-	-	-	922,114	(286,488)	-	(286,488)	635,626	20,795	656,421	
E1	Capital Increase on June 16, Issued at NT\$180 per Share (Note 26)	30,000	510,000	-	-	-	-	-	-	540,000	-	540,000	
M3	Disposition of Subsidiaries (Note 32)	-	-	-	-	-	-	-	-	-	(7,097)	(7,097)	
M5	Book Value Differences in Acquisition or Disposal of Shares from Subsidiaries (Note 33)	-	22,926	-	-	(1,361)	-	-	-	21,565	(27,556)	(5,991)	
M7	Changes in Subsidiary Shares (Note 33)	-	(393)	-	-	-	-	-	-	(393)	393	-	
O1	Increase in Non-Controlling Interests	-	-	-	-	-	-	-	-	-	334,801	334,801	
Z1	Balance as of December 31, 2017	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	
B1	Appropriation of Net Income in 2017 (Note 26)												
B5	Statutory Surplus Reserve	-	-	88,187	-	(88,187)	-	-	-	-	-	-	
B5	Cash Dividend - NT\$5 per share	-	-	-	-	(543,104)	-	-	-	(543,104)	-	(543,104)	
C17	Cost of Share-based Payment	-	358	-	-	-	-	-	-	358	-	358	
D1	Net Profit for 2018	-	-	-	-	672,775	-	-	-	672,775	43,855	716,630	
D3	Other Comprehensive Income after Tax in 2018	-	-	-	-	8,221	68,827	(349,496)	(280,669)	(272,448)	4,562	(267,886)	
D5	Total Comprehensive Income in 2018	-	-	-	-	680,996	68,827	(349,496)	(280,669)	400,327	48,417	448,744	
E1	Capital Increase - November 26, Issued at NT\$76.8 to 79.56 per Share (Note 26)	119,500	817,663	-	-	-	-	-	-	937,163	-	937,163	
M5	Book Value Differences in Acquisition or Disposal of Shares from Subsidiaries (Note 33)	-	2	-	-	(859)	-	-	-	(857)	(811)	(1,668)	
O1	Increase in Non-Controlling Interests	-	-	-	-	-	-	-	-	-	21,286	21,286	
Z1	Balance as of December 31, 2018	\$ 1,205,707	\$ 2,108,235	\$ 988,725	\$ 313,321	\$ 4,207,525	(\$ 222,890)	\$ 1,027,000	\$ 804,110	\$ 9,627,623	\$ 727,447	\$ 10,355,070	

The attached Notes are part of the consolidated financial statements.
(Please refer to Audit Report of Deloitte & Touche on March 21, 2019)

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
For the Years Ended December 31, 2018 and 2017

Unit: NT\$1,000

C o d e		2018	2017
	Cash flow from operating activities		
A10000	Net Profit before Tax for the Year	\$ 1,035,812	\$ 1,160,753
A20010	Gains and Losses:		
A20100	Depreciation	279,946	238,965
A20200	Amortization	28,432	25,011
A20300	Bad Debt Expenses	-	7,682
A20400	Estimated Credit Impairment Loss	27,858	-
A20900	Financing Costs	61,694	49,312
A21200	Interest Income	(35,318)	(24,430)
A21300	Dividend Income	(98,176)	(46,338)
A21900	Employee Stock Option Costs	358	-
A22300	Associates' Share of Profit (Loss) Accounted for Using Equity Method	(21,229)	(23,398)
A22500	Loss on Disposal of Properties, Plants, and Equipment	4,650	25,909
A23200	Loss of Investments on Disposal of Assets Using Equity Method	-	17,131
A23700	Allowance for Inventory Valuation and Obsolescence Loss	14,677	68,531
A23800	Compensation Paid	-	34,715
A23900	Goodwill Impairment Loss	3,048	-
A29900	Loss on Disposal of Subsidiaries	-	8,180
A30000	Net Variable in Operational Assets/Liabilities		
A31130	Notes Receivable	5,091	(39,851)
A31150	Accounts Receivable	(462,436)	(102,184)
A31160	Accounts Receivable - Stakeholders	11,346	89,996
A31180	Other Receivables	(162,489)	442
A31200	Inventory	(112,351)	(530,138)
A31240	Other Current Assets	(58,056)	(26,970)
A31990	Other Non-Current Assets	(2,509)	4,370
A32125	Contract Liabilities	18,716	-
A32130	Notes Payable	(16,819)	(19,663)
A32150	Accounts Payable	(15,220)	207,967
A32180	Other Payables	7,669	(20,738)
A32230	Other Current Liabilities	98,705	(14,453)
A32240	Net Defined Benefit Liabilities	(18,034)	(7,104)
A32990	Other Non-Current Liabilities	13,714	(7,682)
A33000	Cash Flow from Operating Activities	609,079	1,076,015
A33100	Interest Income Received	33,390	23,289
A33300	Interest Paid	(60,634)	(51,156)
A33500	Income Tax Paid	(425,915)	(280,496)
AAAA	Net Cash Inflow from Operating Activities	<u>155,920</u>	<u>767,652</u>
	Cash Flow from Investment Activities		
B00040	Acquisition of Financial Assets Measured at Amortized Cost	(255,737)	-
B00050	Disposal of Financial Assets Measured at Amortized Cost	330,305	-

(continued on next page)

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<u>C o d e</u>		<u>2018</u>	<u>2017</u>
B00300	Acquisition of Financial Assets Measured at Cost	\$ -	(\$ 20,000)
B02200	Acquisition of Net Cash Inflow from Subsidiaries	-	66,258
B02300	Net Cash Outflow from Disposal of Subsidiaries	-	(12,822)
B02700	Purchase of Properties, Plants, and Equipment	(812,970)	(912,024)
B02800	Disposition of PPE	15,904	8,749
B03700	Increase in Refundable Deposits	-	(24,577)
B03800	Decrease in Refundable Deposits	-	19,103
B04500	Purchased Intangible Assets	(12,266)	(5,775)
B06500	Increase in Other Financial Assets	-	(301,638)
B06600	Decrease in Other Financial Assets	-	181,206
B07300	Increase in Prepaid Rent	(59,186)	(184,102)
B07600	Dividends Received	<u>105,676</u>	<u>53,838</u>
BBBB	Net Cash Flow from Investing Activities (out)	(<u>688,274</u>)	(<u>1,131,784</u>)
	Cash Flow from Financing Activities		
C00100	Increase in Short-Term Loans	4,660,487	4,883,551
C00200	Decrease in Short-Term Loans	(4,652,123)	(5,279,246)
C00500	Increase in Short-Term Notes and Bills Payable	259,509	469,049
C00600	Decrease in Short-Term Notes and Bills Payable	(379,432)	(499,012)
C01600	Long-Term Loans Borrowed	3,226,780	2,689,227
C01700	Long-Term Loans Repaid	(3,222,707)	(2,199,202)
C03000	Increase in Guarantee Deposits	1,928	531
C03100	Decreases in Guarantee Deposits	(996)	(1,864)
C04500	Cash Dividends	(543,104)	(532,455)
C04600	Capital Cash Increase	937,163	540,000
C05400	Acquisition of Subsidiary Shares	(1,668)	(5,991)
C05800	Changes in Non-Controlling Equity	<u>21,286</u>	<u>215,127</u>
CCCC	Net Cash Inflow from Financing Activities	<u>307,123</u>	<u>279,715</u>
DDDD	Impacts of Exchange Rate Fluctuation on Cash and Cash Equivalents	<u>37,992</u>	(<u>326,076</u>)
EEEE	Net Decrease in Cash and Cash Equivalents	(187,239)	(410,493)
E00100	Cash and Cash Equivalents at Beginning of Year	<u>3,866,587</u>	<u>4,277,080</u>
E00200	Cash and Cash Equivalents at End of Year	<u>\$ 3,679,348</u>	<u>\$ 3,866,587</u>

The attached Notes are part of the consolidated financial statements.
(Please refer to Audit Report of Deloitte & Touche on March 21, 2019)

Chairman: Wu, Cheng-Hsien

Manager: Hsu, Ming-Hsien

Accounting Manager: Lin, Kun-Chin

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries
Notes on Consolidated Financial Statements
For the Years Ended December 31, 2018 and 2017
(In NT\$ '000, unless otherwise specified)

I. Company History

Nan Pao Resins Chemical Co., Ltd. (hereinafter referred to as "the Company") was founded in October 1963. Our main business operations are in 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 was traded and sold as an emerging stock at the Taipei Exchange (GreTai Securities Market). The Company went public at the Taiwan Stock Exchange in November 2018.

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

II. Date and Procedure of Financial Statement Ratification

The consolidated financial statements were released on March 21, 2019, after receiving approval from the board of directors.

III. Applicability of New Announcements, Amendment Standards and Interpretations

(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), International Financial Reporting Interpretations Committee (IFRIC), and Standard Interpretations Committee (SIC) (hereinafter referred to as "IFRSs") endorsed by Financial Supervisory Commission (hereinafter referred to as "FSC").

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

1. IFRS 9 "Financial Instruments" and Related Amendments

IFRS 9 - "Financial Instruments" supersedes IAS 39 "Financial Instruments: Recognition and Measurement", and amended other standards such as IFRS 7 "Financial Instruments: Disclosures". New requirements of IFRS 9 cover the classification, measurement, impairment of financial assets, and general hedge accounting. For related accounting policies, please refer to Note 4.

Measurement Types, Valuation, and Impairment of Financial Assets

Based on existing facts and conditions of financial assets carried at cost on January 1, 2018, the Company made assessments on the measurement types of existing financial assets and made adjustments accordingly and chose not to restate the comparison periods. The summarized measurement types, carrying amount and changes determined by IAS 39 and IFRS 9 as of January 1, 2017 are as follows:

Category of Financial Assets	Types of measurement			Book Value		Details
	IAS 39	IFRS 9		IAS 39	IFRS 9	
Cash and Cash Equivalents	Loans and Receivables	Measured at Amortized Cost		\$ 3,866,587	\$ 3,866,587	(2)
Stock Investments	Financial Assets Measured at Cost	Investments in Equity Instruments Measured at FVTOCI		183,580	1,560,076	(1)
Fixed Deposit with Original Maturity Date over 3 Months	Loans and Receivables	Measured at Amortized Cost		273,037	273,037	(2)
Restricted Bank Deposits	Loans and Receivables	Measured at Amortized Cost		749	749	(2)
Notes Receivable, Accounts Receivable (including related parties), and Other Receivables	Loans and Receivables	Measured at Amortized Cost		3,322,102	3,322,102	(2)
Refundable Deposits	Loans and Receivables	Measured at Amortized Cost		49,285	49,285	(2)
	2018 January 1 Carrying amount (IAS 39)	Reclassification	Remeasurement	2018 January 1 Book Value (IFRS 9)	2018 January 1 Other Equity Effects	Details
<u>Financial Assets Measured at FVTOCI - Equity Instrument</u>						
Add: Reclassification of Financial Assets Measured at Cost (IAS 39)	\$ -	\$ 183,580	\$1,376,496			(1)
	-	183,580	1,376,496	\$ 1,560,076	\$ 1,376,496	
<u>Financial Assets Measured at Amortized Cost</u>						
Add: Reclassification of Loans and Receivables (IAS 39)	-	7,511,760	-			(2)
	-	7,511,760	-	7,511,760	-	
	<u>\$ -</u>	<u>\$ 7,695,340</u>	<u>\$ 1,376,496</u>	<u>\$ 9,071,836</u>	<u>\$ 1,376,496</u>	

(1) 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, financial assets and other equity measured at FVTOCI, have increased by NT\$1,376,496,000 through the adjustment of unrealized gains and losses from financial assets measured at FVTOCI on January 1, 2018.

(2) Cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, other financial assets (current and non-current), and refundable deposits (other recognized current and non-current assets) were classified as loans and receivables by IAS 39. Under IFRS 9, they are classified as financial assets measured at FVTOCI and assessed for expected credit loss.

2. IFRS 15 "Revenue from Contracts with Customers" and Related Amendments

IFRS 15 stipulates the principles for recognizing revenue from customer contracts. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts", and relevant interpretations. For relevant accounting policies, please refer to Note 4.

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

collected in advance.

Sales allowances that may occur are recognized as a refund liability when income is recognized (other current liabilities accounted for). Prior to the application of IFRS 15, this was recognized as a deduction from accounts receivable.

The Company has chosen to only apply IFRS 15 retrospectively to contracts not completed before January 1, 2018.

The following is a summary of adjusted item in assets, liabilities and equity after the first-time application of IFRS 15 on January 1, 2018:

	2018 January 1 Amount Before Restatement	Adjustment for First-time Application	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	<u>\$ 2,985,751</u>	<u>\$ 77,523</u>	<u>\$ 3,063,274</u>
Other Current Liabilities	\$ 32,302	\$ 54,740	\$ 87,042
Contract Liability - Current	-	22,783	22,783
Effects on Liabilities	<u>\$ 32,302</u>	<u>\$ 77,523</u>	<u>\$ 109,825</u>

The effects of applying IAS 18 as opposed to adjusting to IFRS 15 on relevant single items and balances in 2018 are as follows:

	<u>December 31, 2018</u>
Accounts Receivable - Increase in Affiliates	\$ 78,443
Accounts Receivable - Increase in Non-Affiliates	23,478
Increase in Assets	<u>\$ 101,921</u>
Increase in Other Current Liabilities	\$ 60,422
Contract Liabilities - Increase in liquidity	41,499
Increase in Liabilities	<u>\$ 101,921</u>

(II) Regulations Governing the Preparation of Financial Reports by Securities Issuers for 2019 and IFRSs endorsed by FSC

<u>New announcements/revisions/standards and interpretations of amendments</u>	<u>Effective Date of Publication by IASB (Note 1)</u>
"Annual Improvements cycle 2015-2017"	43466
Amendments to IFRS 9, "Prepayment Features for Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19, "Plan Amendment, Curtailment, or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28, "Long-Term Equity from Associates and Joint Ventures"	January 1, 2019
IFRIC 23, "Uncertainty over Income Tax Treatments"	January 1, 2019

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

Note 2: FSC allows the Company to elect an early application of such amendments beginning on 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 regulates the recognition of lease agreements, as well as lessor and lessee accounting. The standard supersedes IAS 17 "Leases" and IFRIC 4 "Determining Whether an Arrangement Contains a Lease".

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 as 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 interest rate method. In the Consolidated Statements of Cash Flows, cash payments for the principle of lease liabilities will be is 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, expense for contracts classified as operating lease were recognized on a straight-line basis, and prepaid leases for obtaining the right-of-use for land were recognized as lease prepaid rent. Cash flow from operating leases is shown under operating activities in the Consolidated

Statement of Cash Flow. Contracts classified as financial leases are recognized as lease assets and lease payables in the consolidated balance sheet.

The Company is expected to adjust the cumulative impact of the retrospective application of IFRS 16 to the retained earnings on January 1, 2019 without recompiling comparative information.

Based on current operating lease agreements under IAS 17, remaining lease payments will be discounted at the lessee's incremental borrowing rate 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 expedient (2), recognized right-of-use assets will be subject to IAS 36 to assess for impairment.

The Company is expected to apply 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) Lease contract liabilities recognized at the end of 2018 will be adjusted for right-of-use assets as of January 1, 2019, and will not be assessed for impairment according to IAS 36.
- (3) Lease terms that end before December 31, 2019, will be treated as short-term leases.
- (4) Original direct cost is not included in right-of-use asset measurement on January 1, 2019.
- (5) When measuring lease liabilities, lease terms are decided at a later date.

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

The Company as the Lessor

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

Expected Effects on Assets, Liabilities and Equity - January 1, 2019

	2018 December 31 Carrying amount	Adjustments for First-time Application	January 1, 2019 After Adjustment Carrying amount
Prepaid rent - Current	\$ 15,335	(\$ 15,335)	\$ -
Prepaid rent - Non-Current	662,223	(662,223)	-
Right-of-Use Assets	-	1,146,065	1,146,065
Other Current Assets	266	(266)	-
Effects on Assets	<u>\$ 677,824</u>	<u>\$ 468,241</u>	<u>\$ 1,146,065</u>
Lease Liability - Current	\$ -	\$ 52,899	\$ 52,899
Lease Liability - Non-Current	-	467,361	467,361
Effects on Liabilities	<u>\$ -</u>	<u>\$ 520,260</u>	<u>\$ 520,260</u>
Retained Earnings	\$ -	(\$ 52,019)	(\$ 52,019)
Effects on Equity	<u>\$ -</u>	<u>(\$ 52,019)</u>	<u>(\$ 52,019)</u>

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

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

Besides the aforementioned impacts, as of the date of authorization of the Consolidated Financial Statements, the Company's revised assessment of other standards and interpretations shall not cause material effects on financial status and performance.

(III) IFRSs announced by IASB but not yet approved by the FSC nor in effect

New announcements/revisions/standards and interpretations of amendments	Effective Date of Publication by IASB (Note 1)
Amendments to IFRS 3, "Business Combinations"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associates or Joint Venture"	To be Determined
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8, "Definition of Materiality"	January 1, 2020 (Note 3)

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

Note 2: this amendment applies to business combinations, as well as other subsequent asset acquisitions, with acquisition dates after January 1, 2020 or the start of the annual reporting period.

Note 3: application of this amendment is postponed to the fiscal year after January 1, 2020.

Until the passage of the Consolidated Financial Statements, the Company will continue to assess the impact of the amendment of other standards and interpretations on the financial condition and performance. The related impact will be disclosed after the assessment.

IV. Description of Material Accounting Policies

(I) Statement of Compliance

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

(II) Basis of Preparation

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

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

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

(III) Classification of Current and Non-Current Assets and Liabilities

Current Assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within 12 months of the balance sheet date; and
3. Cash and Cash Equivalent (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

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

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

(IV) Basis of the Merger

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

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

adjusted non-controlling interest amount and its paid or received fair value consideration will be considered as equity belonging to the owners of the Company.

When the Company loses control of a subsidiary, gain and loss distribution is the difference between the following: (1) fair value of consideration received and (2) total carrying amount of subsidiary assets, liabilities, and non-controlling interests from loss of control date. For the amount belonging to the subsidiary of the Company recognized in other comprehensive income, the accounting practices shall follow the same basis as that followed by the Company for direct disposal of related assets or liabilities.

For details on subsidiaries, shareholding ratio, and business items, please refer to Note 14 and table 7 and 8.

(V) Business Combination

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

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

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

(VI) Foreign Currency

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

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

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

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

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

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

(VII) Inventories

Inventories include raw materials, merchandise, work in progress, finished goods and semi-finished products and inventory in transit. Inventories are measured by taking the lower value between cost and net realizable value. When comparing the two, individual items are used as the basis except for same-category inventory. The NRV is the estimated selling price under normal circumstances less estimated costs for completion and estimated costs necessary to make the sale. Cost of inventory is calculated using the weighted-average method.

(VIII) Investment in the Associates

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

The Company follows the equity method for investment in associates.

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

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

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

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

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

(IX) Property, Plant, and Equipment

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

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

Each material section of property, plant and equipment is depreciated using the straight-line method over its useful life. The Company reviews estimated useful life,

residual value, and depreciation methods at least at the end of each year, and extend the effects of changes from accounting estimates.

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

(X) Investment Property

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

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

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

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

(XI) Goodwill

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

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

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

(XII) Intangible assets

1. Separate Acquisition

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

2. Acquired in a Business Combination

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

3. Derecognition

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

(XIII) Impairment of Tangible and Intangible Assets (other than goodwill)

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

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

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

(XIV) Financial Instruments

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

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

1. Financial Assets

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

(1) Measurement Types

2018

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

A. Financial assets measured at amortized cost

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

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

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

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

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

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

B. Investments in equity instruments measured at FVTOCI

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

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

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

2017

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

A. Available-for-Sale Financial Assets

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

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

Dividends from available-for-sale equity investments are recognized when receivable rights of the Company are established.

If available-for-sale financial assets are equity instrument investments

that are not quoted in an active market, and whose fair value cannot be reliably measured, they are evaluated at cost less impairment loss and listed as "financial assets carried at cost". When these assets can be reliably evaluated at fair value, they will be reevaluated. The differences between carrying amount and fair value are recognized under other comprehensive income. In case of impairment, they are recognized under profit or loss account.

B. Loans and Receivables

Loans and receivables (including cash and cash equivalents, accounts receivable, other receivables, other financial assets and refundable deposits) are measured at amortized cost after deducting impairment loss using effective interest methods, except when the interest on short-term account receivables are not material.

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

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

2018

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

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

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

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 of impairment for other financial assets. If single or multiple events occur after recognition of financial assets and leads to the loss of estimated future cash flow, the financial assets are deemed to be impaired.

Financial assets measured at amortized cost, such as accounts receivable, are collectively assessed for impairment if no objective impairment evidence exists after individual assessment. Objective impairment

evidence for collective existence of receivables can include the Company's past experience with receivables, observable changes in national or regional economic situations associated with the arrears of receivables.

Impairment loss of financial assets measured at amortized cost is the difference between asset carrying amount and the discounted present value of estimated future cash flow based on original effective interest rate of 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.

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

Impairment loss of financial assets measured at cost is the difference between asset's carrying amount and the discounted present value of estimated future cash flow based on present market rate of return of similar financial assets. Such impairment loss cannot 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 adjusted 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 when receivables are not collectible and written off to the allowance account, changes in the carrying amount of the allowance account shall be recognized in profit or loss.

(3) Derecognition of Financial Assets

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

Until 2017, when derecognizing an entire financial asset, any difference in accumulated interest or loss between carrying amount and additional consideration collected that has been recognized under other comprehensive income has to be recognized in the profit or loss account. Since 2018, for derecognition of entire financial assets amortized at cost, the difference between carrying amount and the consideration received is recognized under profit or loss. For derecognition of entire equity instrument investments measured at FVTOCI, accumulated loss and profit is transferred directly to retained earnings and not reclassified to profit or loss.

2. Financial Liabilities

(1) Subsequent Measurement

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

(2) Derecognition of Financial Liabilities

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

(XV) Revenue Recognition

2018

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

1. Sales Revenue from Commodities

Sales revenue from commodities comes from total sales of adhesives, coatings, and building materials. For adhesives, coatings, and building materials, the customer has the right to set the price and usage of the commodity after the terms of trade are fulfilled or the counterparty has inspected and accepted the commodities. The customer is liable for the reselling of the goods and assumes risk of product obsolescence. The Company will recognize revenue and accounts receivable at that time. Advance payments are recognized as contract liabilities before the terms of trade of the products are fulfilled.

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

2. Service revenue

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

2017

Revenue is measured at fair value of the received or receivable consideration, then deducted from estimated return or discounts for customers, and other similar forms of allowance. 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. Sales of Merchandise

Sales of merchandise are recognized as revenue when the following conditions are satisfied:

- (1) The Company has transferred material risks and returns of commodity ownership to the customer
- (2) The Company does not maintain management nor effective control over commodities sold
- (3) Revenue amount can be reliably measured.
- (4) Economic benefits related to the transactions will likely flowing to the Company and
- (5) Costs related to transactions, whether incurred or anticipated, can be reliably measured.

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 Revenue

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

Interest revenue is recognized on an accrual basis based on outstanding principal and applicable effective interest rates.

(XVI) Leases

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

1. Company as the Lessor

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

2. The Company as the Lessee

Finance leases are listed as cost using the lower value between total present value of leases or fair value of lease assets on date of inception. They are also recognized as liabilities under financial leases.

Operating lease payments are recognized as expense on a straight-line basis over lease term.

3. Land and Building Leases

When leases include land and building elements, the Company classifies them as finance or operating leases based on whether most risks and rewards from ownership of the elements have been transferred to the lessee.

If lease payments can be allocated reliably between these two elements, then each element is classified under relevant lease. If lease payments cannot be allocated reliably between the two elements, the entire lease is classified under finance lease. If both elements clearly meet the standards of operating leases, the entire lease is classified under operating lease.

(XVII) Borrowing Costs

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

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

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

(XVIII) Employee Benefits

1. Short-Term Employee Benefits

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

2. Post-Employment Benefits

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

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

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

(XIX) Share-Based Payment Arrangement

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

(XX) Income Tax

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

1. Current Income Tax

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

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

2. Deferred Tax

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

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

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

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

Deferred tax assets and liabilities are measured at tax rates expected for liability settlement or asset realization of the same period. Tax rates are based on tax laws enacted or substantively enacted on the balance sheet date. Measurement of deferred tax liabilities and assets reflects tax results on the balance sheet date

when the Company is expected to recover or settle the carrying amount of its assets and liabilities.

3. Current and Deferred Income Tax

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

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

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

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

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

Income Tax

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

VI. Cash and Cash Equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash on Hand and Petty Cash	\$ 8,843	\$ 5,091
Bank Check and Demand Deposit	3,308,965	3,377,495
Cash Equivalents (investments with original maturity date of less than three months)		
Bank's Acceptance Bill	10,189	18,562
Bank Fixed Deposit	<u>351,351</u>	<u>465,439</u>
	<u>\$ 3,679,348</u>	<u>\$ 3,866,587</u>

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Bank Fixed Deposit	0.66% - 5.5%	0.14% - 5%

VII. Financial Assets Measured at FVTOCI - Non-Current

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

The Company invests in the aforementioned equity instruments based on medium and long-

term strategic purposes and expects to make a profit through long-term investments. The Company's management believes that it is not consistent with the aforementioned long-term investment planning if short-term fair value changes of such investments are listed in profit and loss. Therefore, the Company elects to designate such investment as to be measured at FVTOCI. These investments were originally classified as financial assets under IAS 39. Please refer to Note 3 and 10 for reclassification and 2017 information.

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

VIII. Financial Assets Measured at Amortized Cost

	<u>December 31, 2018</u>
<u>Current</u>	
Fixed Deposit with Original Maturity Date over 3 months (I)	\$ 193,177
Refundable Deposit	<u>2,891</u>
	<u>\$ 196,068</u>
 <u>Non-Current</u>	
Fixed Deposit with Original Maturity Date over 3 Months (I)	\$ 7,134
Refundable Deposit	<u>46,060</u>
	<u>\$ 53,194</u>

- (I) As of December 31, 2018, the annual interest rate interval of fixed deposits with original maturity date of over 3 months is from 0.66% to 6.75%. These deposits were classified as other financial assets using IAS 39. Please see Note 3 and 11 for their reclassification and 2017 information.
- (II) For information on credit risk management regarding financial assets measured at amortized cost, as well as impairment assessment, please refer to Note 9.
- (III) For information on pledge of financial assets measured at amortized cost, please refer to Note 38.

IX. Credit Risk Management for Debt Instruments

	<u>December 31, 2018</u>
Measured at Amortized Cost - Current	\$ 196,068
Measured at Amortized Cost - Non- Current	<u>53,194</u>
	<u>\$ 249,262</u>

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

X. Financial Assets Measured at Cost - Non-Current

	<u>December 31, 2017</u>
Domestic Unlisted Stocks	<u>\$ 183,580</u>

The Company's unlisted stock investments mentioned above are measured at cost less impairment loss on the balance sheet date. Management believes fair value cannot be reliably measured due to material probability of not able to reasonably estimate fair value interval.

The Company's financial assets measured at cost have not been pledged.

XI. Other Financial Assets

	<u>December 31, 2017</u>
<u>Current</u>	
Fixed Deposit with Original Maturity Date over 3 Months	<u>\$ 263,565</u>
<u>Non-Current</u>	
Fixed Deposit with Original Maturity Date over 3 Months	\$ 9,472
Fixed Deposit from Restricted Banks	<u>749</u>
	<u>\$ 10,221</u>

Interval of interest rates for bank fixed deposits on balance sheet date is as follows:

	<u>December 31, 2017</u>
Bank Fixed Deposit	0.94% - 2.75%

For information on the pledge of other financial assets, please refer to Note 38.

XII. Notes Receivable, Accounts Receivable (including affiliates), and Other Receivables

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Notes Receivable</u>		
Measured at Amortized Cost		
Total carrying amount	\$ 293,405	\$ 298,496
Less: Allowance for Bad Debts	<u>-</u>	<u>6</u>
	<u>\$ 293,405</u>	<u>\$ 298,490</u>
Arising from Operations	<u>\$ 293,405</u>	<u>\$ 298,490</u>
<u>Accounts Receivable (including affiliates)</u>		
Measured at Amortized Cost		
Total carrying amount	\$ 3,516,825	\$ 3,018,225
Less: Allowance for Impairment/Bad Debts	<u>46,716</u>	<u>32,474</u>
	<u>\$ 3,470,109</u>	<u>\$ 2,985,751</u>
<u>Other Receivables</u>		
Gross carrying amount	<u>\$ 201,967</u>	<u>\$ 37,861</u>

2018

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

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

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

Notes Receivable

As of December 31, 2018, the Company has no overdue notes receivable and no loss from notes receivable has not been listed.

Accounts Receivable (including affiliates)

As of December 31, 2018, allowance loss for the Company's accounts receivable is as follows:

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

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

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

For reasons of the customer's own settlement or unrecoverability of enforcement, write-off of related accounts receivable and allowance amounted to NT\$ 13,877.

2017

Credit policy of the Company in 2017 is the same as 2018. Allowance for bad debts in accounts receivable, along with unrecoverable amount, are estimated using counterparty's past default records and current financial situation.

For accounts receivable overdue on balance sheet date but not recognized in bad debt allowance by the Company, no material credit changes have taken place and management still considers the amount recoverable. The Company does not hold any collaterals or other credit protection for these accounts.

Notes Receivable

As of December 31, 2017, the Company has no overdue notes receivable using the number of days overdue as a base and did not list any bad debt allowance for notes receivable.

Accounts Receivable (including affiliates)

Aging analysis of accounts receivable is as follows:

	<u>December 31, 2017</u>
Not Overdue	\$ 2,406,104
Less than 60 Days	493,992
61 to 180 Days	72,956
181 to 365 Days	9,728
More than 365 Days	<u>2,971</u>
	<u>\$ 2,985,751</u>

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

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

	Impairment Loss by Individual Assessment	Impairment Loss by Group Assessment	Total
Balance at Beginning of Year	\$ 16,888	\$ 27,978	\$ 44,866
Add: Acquisition from Business Combination	-	7,501	7,501
Add: Listing of the Year	3,130	4,552	7,682
Less: Write-Offs of the Year	(15,139)	(12,909)	(28,048)
Difference in Translation of foreign currency	(33)	512	479
Year-End Balance	<u>\$ 4,846</u>	<u>\$ 27,634</u>	<u>\$ 32,480</u>

XIII. Inventory

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Commodity	\$ 196,799	\$ 159,442
Finished goods and partly-finished goods	873,028	783,051
Work-in-process	78,174	77,371
Raw material	996,733	1,036,380
Inventories in Transit	<u>202,490</u>	<u>195,537</u>
	<u>\$ 2,347,224</u>	<u>\$ 2,251,781</u>

Cost of sales related to inventories in 2017 and 2018 are NT\$ 12,210,959,000 and NT\$10,666,108,000 respectively, of which, cost of sales in the two years including obsolescence and loss from bad debts are NT\$14,677,000 and \$68,531,000 respectively.

XIV. Subsidiaries

Entities in the consolidated financial statements are as follows:

Investor Company	Name of Subsidiaries	Business activities	Shareholding Ratio (%)		Details	
			2018	2017		
			December 31	December 31		
Nan Pao Resins Chemical Co.	Nan Pao Chemical Co. Ltd.	Trading of chemical substances	100	100		
	Nan Pao Application Material Co.	Trading of chemical substances	100	100		
	Nan Pao Electronic Material Co.	Production and Trading of Electronic Materials	100	100		
	ITLS International Development Co. Ltd.	Trading of construction materials and chemical substances	100	100		
	Prince Pharmaceutical Co.	Manufacturing, packaging, and processing of raw materials for various pharmaceutical and health food	49.9	49.9	Note 1	
	Phymed Bio-Tec Co.	R&D and Trading of Health Food	100	100		
	Biorich Biotechnology Co.	R&D, Production, Trading of New High Protein Business and Health Food	57.1	57.06	Note 2	
	Nan Pao Advanced Materials Co.	Trading of Adhesives and Chemicals	70	70		
	Fuqing Nan Pao Investments Ltd.	General Investment	100	100		
	Thai Nan Pao Investments Ltd.	General Investment	100	100		
	Nan Pao Resins India Pvt. Ltd.	Trading of Adhesives	100	100		
	Nan Pao Materials Vietnam Co., Ltd.	Production and Trading of Adhesives and Chemicals	100	100		
	Nan Pao Advanced Materials Vietnam Co., Ltd.	Production and Trading of Adhesives and Chemicals	100	100		
	Nan Pao Overseas Holdings Ltd.	General Investment	100	100		
	Profit Land Ltd.	General Investment	73.75	73.75	Note 3	
	All Saints Enterprises Ltd.	General Investment	54.53	54.53	Note 3	
	Ongoing Profits Ltd.	General Investment	32.18	32.18	Note 3	
	PT. Indo Nan Pao Resins Chemical	Production and Trading of Adhesives	49	49	Note 4	
	ITLS International Development Co. Ltd.	ITLS Holding Pte. Ltd.	General Investment	100	100	
		Aftek Materials Vietnam Co., Ltd.	Production and Trading of Construction Materials	70	-	Note 5
ITLS Holding Pte. Ltd.	ITLS (Malaysia) SDN BHD	Production and Trading of Construction Materials	100	100		
	PT. ITLS Indonesia	Production and Trading of Construction Materials	100	100		
	ITLS Vietnam Co., Ltd.	Production and Trading of Construction Materials	100	100		
	ITLS-Rich (S) Pte. Ltd.	Trading of Hardware and Construction Materials	100	80	Note 6	
	ITLS-SB SDN BHD	Production and Trading of Hardware and Construction Materials	100	100	Note 7	
Fuqing Nan Pao Investments Ltd.	Wealth Castle Development Ltd.	General Investment	100	100		
Wealth Castle Development Ltd.	Fuqing Nan Pao Resins Co., Ltd	Production and Trading of Adhesives	100	100		
Thai Nan Pao Investments Ltd.	Thai Nanpao Resins Chemical Co., Ltd.	Production and Trading of Adhesives	100	100		
Nan Pao Overseas Holdings Ltd.	Nan Pao Group Holdings Ltd.	General Investment	100	100		

Investor Company	Name of Subsidiaries	Business activities	Shareholding Ratio (%)		Details
			2018	2017	
			December 31	December 31	
Nan Pao Group Holdings Ltd.	Greatwill Materials (HK) Ltd.	General Investment	67.68	67.68	
	Profit Land Ltd.	General Investment	26.25	26.25	Note 3
	Nan Pao Resins (Holdings) Ltd.	General Investment	100	100	
	All Saints Enterprises Ltd.	General Investment	45.47	45.47	Note 3
	Qang Yi Electronic Factory Company Ltd.	General Investment	-	-	Note 8
	Mega Victory Ltd.	General Investment	100	100	
	ITLS – TWA Australia Pty. Ltd.	Production and Trading of Hardware, Construction Materials, and Chemicals	100	100	
	NP Australia Pty. Ltd.	General Investment	100	100	
	Ongoing Profits Ltd.	General Investment	67.82	67.82	Note 3
	Treasure Wealth (HK) Ltd.	General Investment	100	100	
	Goldford Investments Ltd.	General Investment	100	100	
	Nan Pao Resins Chemical Philippines, Inc.	Trading of Adhesives	100	100	
	Nan Pao Resins International Ltd.	Trading of chemicals substances and Related Products	100	100	
	Nanpao Advanced Investment Co., Ltd.	General Investment	100	100	Note 9
Greatwill Materials (HK) Ltd.	Foshan Nan Pao Advanced Materials Co., Ltd.	Production and Trading of Adhesives	99	99	Note 3
Profit Land Ltd.	Giant Profit Development Ltd.	General Investment	100	100	
Giant Profit Development Ltd.	Nan Pao Resins (Foshan) Co., Ltd	Production and Trading of Adhesives	100	100	
Nan Pao Resins (Foshan) Co., Ltd	Dongguan Bao Jing Chemical Engineering Co., Ltd.	Trading of Chemicals	-	-	Note 10
	Nanpao Chenghong New Material Technology Co., Ltd.	Trading of footwear materials	51	51	
	Foshan Nan Pao Advanced Materials Co., Ltd.	Production and Trading of Adhesives	1	1	Note 3
	Foshan Nan Pao Hung Hou New Materials Co., Ltd.	Trading of Chemicals	-	-	Note 11
Nan Pao Resins (Holdings) Ltd.	Eastlion Enterprises Ltd.	General Investment	100	100	
	Eastlion Industrial Ltd.	General Investment	100	100	
	Nan Pao Resins Development Ltd.	General Investment	100	100	
Eastlion Enterprises Ltd.	Nan Pao Resins (Dongguan) Co., Ltd	Processing of Adhesives	100	100	
Nan Pao Resins Development Ltd.	Dongguan Jia Chin Electronics Co., Ltd.	Production and Trading of Coatings and Advanced Resins	100	100	
All Saints Enterprises Ltd.	Great Mount Enterprises Ltd.	General Investment	100	100	
Great Mount Enterprises Ltd.	Nan Pao Resins (China) Co., Ltd	Production and Trading of Adhesives and Coatings	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	-	-	Note 12
Mega Victory Ltd.	Progroup Technology Co., Ltd.	Trading of Water-Based PU Resin	91.99	91.99	

Investor Company	Name of Subsidiaries	Business activities	Shareholding Ratio (%)		Details
			2018	2017	
			December 31	December 31	
NP Australia Pty. Ltd.	RLA Polymers Pty Ltd.	Production and Trading of Construction Materials and Chemicals	100	100	
RLA Polymers Pty. Ltd.	RLA Polymers (M) SDN BHD	Production and Trading of Construction Materials and Chemicals	100	100	
Ongoing Profits Ltd.	Rising Sun Associates Ltd.	General Investment	100	100	
Rising Sun Associates Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Production and Trading of Adhesives and Coatings	100	100	
Goldford Investments Ltd.	PT. Indo Nan Pao Resins Chemical	Production and Trading of Adhesives	18.5	18.5	Note 4
Treasure Wealth (HK) Ltd.	Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Production and Trading of Coatings	50	50	Note 13
Nanpao Advanced Investment Co., Ltd.	Nan Pao (Kunshan) Electronic Commerce Co., Ltd.	Online Business Agency and General Merchandise Trading	100	100	Note 14
	Nantong Nan Pao Resins Materials Co., Ltd.	Production and Trading of Adhesives	100	100	Note 15
	Nan Pao Resins (Yunan) Co., Ltd	Production and Trading of Adhesives	100	-	Note 16

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

Note 2: The Company acquired fractional shares of Biorich Biotechnology Co. in October 2018, increasing shareholding ratio from 57.06% to 57.1%.

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

Note 4: Total direct and indirect shareholding account is 67.50%.

Note 5: ITLS International Development Co., Ltd. established and invested in Aftek Materials Vietnam Co., Ltd. in February 2018 with 70% shareholding ratio.

Note 6: The Company acquired remaining shares of ITLS-Rich (S) Pte. Ltd. in March 2018, increasing shareholding ratio from 80% to 100%.

Note 7: The Company acquired remaining shares of ITLS-SB SDN BHD in April 2017, increasing shareholding ratio from 80% to 100%.

Note 8: Qang Yi Electronic Factory Company Ltd. completed liquidation and cancellation in December 2017.

Note 9: Nan Pao Group Holdings Ltd. established and invested in Nanpao Advanced Investment Co., Ltd. in Mainland China in July 2017 with 100% shareholding ratio.

Note 10: Nan Pao Resins (Foshan) Co., Ltd. disposed of all shares of Dongguan Bao Jing Chemical Engineering Co., Ltd. for CNY 1,820,000 in December 2017. Therefore, it is no longer included in the consolidated entity.

Note 11: Nan Pao Resins (Foshan) Co., Ltd. established and invested in Foshan Nanpao Hung Hou Advanced Materials Co., Ltd. in Mainland China in May 2018 with 80% shareholding ratio, and was liquidated and cancelled in November 2018.

Note 12: Gangyi Electronic (Dongguan) Co., Ltd. completed liquidation and cancellation in October 2017.

Note 13: Treasure Wealth (HK) Ltd. purchased 1% share from non-related party Naroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd. for US\$180,000 in April 2017, increasing shareholding ratio from 49% to 50%. Primary management is designated by the Company and exercises effective control on Naroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd. Therefore, it has been included in the compilation of the consolidated report since April 2017.

Note 14: Nanpao Advanced Investment Co., Ltd. established and invested in Nan Pao (Kunshan) Electronic Commerce Co., Ltd. in Mainland China in August 2017 with 100% shareholding ratio.

Note 15: Nanpao Advanced Investment Co., Ltd. established and invested in Nantong Nanpao Resins Materials Co., Ltd. in Mainland China in July 2017 with 100% shareholding ratio.

Note 16: Nanpao Advanced Investment Co., Ltd. established and invested in Nanpao Resins Materials (Yunan) Co., Ltd. in Mainland China in August 2018 with 100% shareholding ratio.

XV. Investment Using Equity Methods

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Investment in Associates</u>		
Individual Non-Material Associates	<u>\$ 292,180</u>	<u>\$ 278,451</u>

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

	<u>2018</u>	<u>2017</u>
Shares from the Company		
Net Income and Total Comprehensive Income of the Year	<u>\$ 21,229</u>	<u>\$ 23,398</u>

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

XVI. Properties, Plants, and Equipment

	Land	Land Improvement	Building	Machinery Equipment	Transportation Equipment	Other Equipment	Unfinished Constructions and Equipment to be Tested	Total
<u>Cost</u>								
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	-	831	131,704	100,540	7,342	36,998	390,261	667,676
Disposals	-	-	(8,496)	(80,570)	(9,462)	(24,579)	-	(123,107)
Reclassification	-	-	146,471	182,154	32,235	39,740	(182,110)	218,490
Net Exchange Difference	416	(22)	19,207	(16,250)	(254)	(655)	11,733	14,175
Balance as of December 31, 2018	<u>\$ 1,179,441</u>	<u>\$ 6,434</u>	<u>\$ 1,910,042</u>	<u>\$ 2,520,538</u>	<u>\$ 234,160</u>	<u>\$ 745,751</u>	<u>\$ 390,361</u>	<u>\$ 6,986,727</u>
<u>Accumulated Depreciation and Impairment</u>								
Balance as of January 1, 2018	\$ -	\$ 5,625	\$ 626,257	\$ 1,568,788	\$ 146,487	\$ 515,607	\$ -	\$ 2,862,764
Depreciation Expense	-	42	56,089	152,566	17,879	53,370	-	279,946
Disposal	-	-	(4,649)	(67,579)	(6,945)	(23,380)	-	(102,553)
Reclassification	-	-	-	-	(129)	501	-	372
Net Exchange Difference	-	(22)	3,204	(15,568)	(593)	(815)	-	(13,794)
Balance as of December 31, 2018	<u>\$ -</u>	<u>\$ 5,645</u>	<u>\$ 680,901</u>	<u>\$ 1,638,207</u>	<u>\$ 156,699</u>	<u>\$ 545,283</u>	<u>\$ -</u>	<u>\$ 3,026,735</u>
Balance as of December 31, 2018	<u>\$ 1,179,441</u>	<u>\$ 789</u>	<u>\$ 1,229,141</u>	<u>\$ 882,331</u>	<u>\$ 77,461</u>	<u>\$ 200,468</u>	<u>\$ 390,361</u>	<u>\$ 3,959,992</u>

	Land	Land Improvement	Building	Machinery Equipment	Transportation Equipment	Other Equipment	Unfinished Constructions and Equipment to be Tested	Total
<u>Cost</u>								
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
Addition	200,747	-	73,755	181,544	7,450	51,312	345,537	860,345
Disposal	-	-	(16,232)	(137,937)	(21,561)	(60,483)	-	(236,213)
Acquired from Business Combination	-	-	34,180	30,321	5,989	9,263	5,835	85,588
Loss of control due to disposal of subsidiary	-	-	-	(273)	-	(140)	-	(413)
Reclassification	(17,760)	-	509,541	53,591	2,371	38,419	(483,366)	102,796
Net Exchange Difference	160	(40)	(33,038)	(23,701)	(4,464)	(12,564)	(15,416)	(89,063)
Balance as of December 31, 2017	<u>\$ 1,179,025</u>	<u>\$ 5,625</u>	<u>\$ 1,621,156</u>	<u>\$ 2,334,664</u>	<u>\$ 204,299</u>	<u>\$ 694,247</u>	<u>\$ 170,477</u>	<u>\$ 6,209,493</u>
<u>Accumulated Depreciation and Impairment</u>								
Balance as of January 1, 2017	\$ -	\$ 5,665	\$ 594,097	\$ 1,561,423	\$ 146,049	\$ 517,344	\$ -	\$ 2,824,578
Depreciation	-	-	41,074	128,872	17,230	51,789	-	238,965
Disposal	-	-	(9,181)	(119,993)	(17,295)	(55,086)	-	(201,555)
Acquired from Business Combination	-	-	7,208	12,826	3,478	5,727	-	29,239
Loss of control due to disposal of subsidiary	-	-	-	(7)	-	(43)	-	(50)
Reclassification	-	-	5,386	-	-	4,299	-	9,685
Net Exchange Difference	-	(40)	(12,327)	(14,333)	(2,975)	(8,423)	-	(38,098)
Balance as of December 31, 2017	<u>\$ -</u>	<u>\$ 5,625</u>	<u>\$ 626,257</u>	<u>\$ 1,568,788</u>	<u>\$ 146,487</u>	<u>\$ 515,607</u>	<u>\$ -</u>	<u>\$ 2,862,764</u>
Balance as of December 31, 2017	<u>\$ 1,179,025</u>	<u>\$ -</u>	<u>\$ 994,899</u>	<u>\$ 765,876</u>	<u>\$ 57,812</u>	<u>\$ 178,640</u>	<u>\$ 170,477</u>	<u>\$ 3,346,729</u>

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

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

The Company has shown no indication of impairment in 2017 and 2018, and was not assessed for impairment.

For PP&E amount considered as collateral, please refer to Note 38.

XVII. Investment Property

	<u>Land</u>
Balance as of January 1, 2017	\$ -
Outflow from property, plant and equipment	<u>17,760</u>
Balance as of December 31, 2017	<u>\$ 17,760</u>
Balance as of December 31, 2018	<u>\$ 17,760</u>

Fair values of investment property for December 31, 2017 and 2018 were NT\$ 159,657,000 and NT\$97,923,000 respectively. They were not assessed by any appraisers and only by management was using actual transaction prices in nearby areas for the past year as reference.

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

XVIII. Goodwill

	<u>2018</u>	<u>2017</u>
<u>Cost</u>		
Balance at Beginning of the Year	\$ 91,978	\$ 89,291
Acquisition of Business Combination in the year (Note 31)	-	3,075
Acquisition of the Year	2,997	-
Net Exchange Difference	(5,104)	(388)
Year-End Balance	<u>\$ 89,871</u>	<u>\$ 91,978</u>
<u>Accumulated Impairment Loss</u>		
Balance at Beginning of the Year	\$ -	\$ -
Recognized Impairment of the Year	3,048	-
Net Exchange Difference	<u>57</u>	<u>-</u>
Year-End Balance	<u>\$ 3,105</u>	<u>\$ 91,978</u>
Year-End Net Amount	<u>\$ 86,766</u>	<u>\$ 91,978</u>

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

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

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

XIX. Other Intangible Assets

	<u>Customer Relations</u>	<u>Computer Software</u>	<u>Others</u>	<u>Total</u>
<u>Cost</u>				
Balance as of January 1, 2017	\$ 58,912	\$ 32,941	\$ 7,289	\$ 99,142
Separate Acquisition	-	5,013	762	5,775
Disposal	-	(4,661)	-	(4,661)
Reclassification	-	2,055	(15)	2,040
Net Exchange Difference	(<u>254</u>)	(<u>283</u>)	(<u>317</u>)	(<u>854</u>)
Balance as of December 31, 2017	<u>\$ 58,658</u>	<u>\$ 35,065</u>	<u>\$ 7,719</u>	<u>\$ 101,442</u>
<u>Accumulated Amortization and Impairment</u>				
Balance as of January 1, 2017	\$ 20,468	\$ 17,189	\$ 6,019	\$ 43,676
Amortization Expense	6,084	4,811	1,244	12,139
Disposal	-	(4,661)	-	(4,661)
Reclassification	-	1,684	(2)	1,682
Net Exchange Difference	(<u>125</u>)	(<u>254</u>)	(<u>316</u>)	(<u>695</u>)
Balance as of December 31, 2017	<u>\$ 26,427</u>	<u>\$ 18,769</u>	<u>\$ 6,945</u>	<u>\$ 52,141</u>
Balance as of December 31, 2017	<u>\$ 32,231</u>	<u>\$ 16,296</u>	<u>\$ 774</u>	<u>\$ 49,301</u>
<u>Cost</u>				
Balance as of January 1, 2018	\$ 58,658	\$ 35,065	\$ 7,719	\$ 101,442
Separate Acquisition	5,859	3,175	235	9,269
Disposal	-	(335)	(2,795)	(3,130)
Reclassification	-	-	(1,061)	(1,061)
Net Exchange Difference	(<u>4,071</u>)	<u>16</u>	<u>108</u>	(<u>3,947</u>)
Balance as of December 31, 2018	<u>\$ 60,446</u>	<u>\$ 37,921</u>	<u>\$ 4,206</u>	<u>\$ 102,573</u>
<u>Accumulated Amortization and Impairment</u>				
Balance as of January 1, 2018	\$ 26,427	\$ 18,769	\$ 6,945	\$ 52,141
Amortization Expense	6,244	5,645	7	11,896
Disposal	-	(335)	(2,795)	(3,130)
Reclassification	-	-	(371)	(371)
Net Exchange Difference	(<u>1,972</u>)	<u>14</u>	<u>121</u>	(<u>1,837</u>)
Balance as of December 31, 2018	<u>\$ 30,699</u>	<u>\$ 24,093</u>	<u>\$ 3,907</u>	<u>\$ 58,699</u>
Balance as of December 31, 2018	<u>\$ 29,747</u>	<u>\$ 13,828</u>	<u>\$ 299</u>	<u>\$ 43,874</u>

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 15 years

XX. Prepaid Lease

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current	\$ 15,335	\$ 14,044
Non-Current	<u>662,223</u>	<u>598,033</u>
	<u>\$ 677,558</u>	<u>\$ 612,077</u>

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Vietnam	\$ 414,724	\$ 398,438
China	199,099	206,471
Malaysia	61,608	4,872
Indonesia	<u>2,127</u>	<u>2,296</u>
	<u>\$ 677,558</u>	<u>\$ 612,077</u>

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

XXI. Other Assets

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Current</u>		
Input tax amount	\$ 160,692	\$ 218,186
Prepaid cost of goods	208,413	90,522
Prepaid Expense	57,799	37,396
Tax Overpaid Retained for Offsetting the Future Tax Payable	15,515	20,622
Refundable Deposits	-	4,621
Other	<u>10,678</u>	<u>28,315</u>
	<u>\$ 453,097</u>	<u>\$ 399,662</u>
<u>Non-Current</u>		
Prepaid Equipment	\$ 107,815	\$ 188,376
Refundable Deposits	-	44,664
Other	<u>7,960</u>	<u>5,451</u>
	<u>\$ 115,775</u>	<u>\$ 238,491</u>

XXII. Loans

(I) Short-Term loans

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Secured loans from banks (Note 38)	\$ 88,963	\$ 60,000
Bank Credit Loans	<u>1,219,576</u>	<u>1,246,649</u>
	<u>\$ 1,308,539</u>	<u>\$ 1,306,649</u>

Annual rates for short-term loans are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Secured loans from banks	1.52%	1.52%
Bank Credit Loans	0.91% - 5.6%	0.9% - 5.11%

(II) Short-Term Notes Payable - December 31, 2017

Guarantee / Accepting Institution	Face Value	Discount	Carrying amount	Interest Rate Interval (%)	Name of Collateral
<u>Commercial paper payable</u>					
International Bills Finance Corp.	\$ 60,000	\$ 6	\$ 59,994	1.058	None
China Bills Finance	10,000	14	9,986	1.038	None
Dah Chung Bills Finance Corp.	<u>50,000</u>	<u>57</u>	<u>49,943</u>	1.038	None
	<u>\$ 120,000</u>	<u>\$ 77</u>	<u>\$ 119,923</u>		

(III) Long-Term Debts

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Unsecured Loans</u>		
1. Mizuho Bank	\$ 500,000	\$ 500,000
2. O-Bank	60,000	150,000
3. O-Bank	30,000	30,000
4. Yuanta Commercial Bank	140,000	140,000
5. CTBC Bank	181,000	210,000
6. E.Sun Commercial Bank	-	130,000
7. Taipei Fubon Commercial Bank	230,000	-
8. KGI Bank	140,000	300,000
9. Mega International Commercial Bank	155,498	175,269
10. Mega International Commercial Bank	-	2,623
11. Taiwan Cooperative Bank	<u>208,000</u>	<u>-</u>
	1,644,498	1,637,892
Less: portion recognized as maturing within one year	<u>252,428</u>	<u>33,553</u>
	<u>\$ 1,392,070</u>	<u>\$ 1,604,339</u>

- The Company entered into a 2-year loan contract with Mizuho Bank in December 2016 with a credit line of NT\$500,000,000. An extension was applied to the bank up to December 2020. The credit will be cyclically within the credit

line. Annual interest rates were 1% and 1.1%, respectively for December 31, 2017 and 2018.

2. The Company signed a three-year loan agreement with O-Bank in June 2016 with a credit line of NT\$150,000,000. The loan principal will be repaid at once. Changes in application conditions were applied to the Bank in September 2018, and expiration date was extended to September 2021. NT\$90,000,000 was repaid early. The principle will be amortized with every 3 months as 1 term, starting from September 2019. The next repayment in June 2020. Annual interest rates for December 31, 2017 and 2018 are both 1.1998%.
3. The Company signed a five-year loan agreement with O-Bank in June 2017 with a credit line of NT\$300,000,000. The principle is amortized with every 3 months as 1 term, starting from September 2020. Annual interest rates for December 31, 2017 and 2018 are 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\$300,000,000. In August 2017, the Company applied for an extension to August 2020. The credit will be used cyclically within the credit line. Annual interest rates were 1.15% and 1.18% respectively for December 2017 and 2018.
5. The Company signed a two-year loan agreement with CTBC Bank in September 2016 with a credit line of NT\$260,000,000. The Company applied for an extension until August 2019. The credit will be used cyclically within the credit line. Annual interest rates for December 2017 and 2018 were 1.0493% - 1.0494% and 1.1863% - 1.2464% respectively.
6. The Company entered into a 2-year loan contract with E.Sun Commercial Bank in April 2016 with a credit line of NT\$200,000,000. In May 2018, the Company applied for a credit line extension to May 2020. The credit line increased to NT\$300,000,000, and will be used cyclically. Annual interest rate was 1.15% as of December 31, 2017.
7. The Company entered into a 2-year loan contract with Taipei Fubon Commercial Bank in December 2017 with a credit line of NT\$300,000,000. However, the Company has applied for an extension until December of 2020. The credit will be used cyclically within the credit line. Annual interest rate was 1.0442% - 1.0571% for 2018.
8. The Company entered into a two-year loan contract with KGI Bank in August 2017 with a credit line of NT\$500,000,000. The Company has applied for an extension up to August 2020. The credit will be used cyclically within the credit line. Annual interest rates for 2018 and December 31, 2017 were 1.03778% - 1.03933% and 1.036% respectively.
9. The Company signed a five-year loan agreement with Mega International Commercial Bank in June 2017 with a credit line of US\$ 15,000,000. The credit will be repaid in 17 installments starting from June 2018, where each installment is for every 3 months. In July 2018, the Bank amended the contract with the bank and reduced credit line to US\$6,200,000. Annual interest rates were for 2018 and December 31, 2017 were 3.336% - 3.69% and 2.7% respectively.
10. The Company signed a four-year loan agreement with Mega International Commercial Bank in December 2014 with a credit line of US\$ 1,000,000. The credit will be repaid in installments starting from December 2015, where each installment is for every 6 months. The loan principal was settled in December

2018. Annual interest rate was 7% as of December 31, 2017.

11. The Company signed a two-year loan agreement with Taiwan Cooperative Bank in August 2017 with a credit line of NT\$320,000,000. 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. Loan principal repayment will be paid at once or the loan will be changed into a long-term guarantee loan of NT\$320,000,000. Annual interest rate was 1.6% as at 31 December 2018.

XXIII. Notes Payable and Accounts Payable

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Bill Payable</u>		
Arising from Operations	\$ <u>35,908</u>	\$ <u>52,334</u>
<u>Accounts Payable</u>		
Arising from Operations	\$ <u>1,923,206</u>	\$ <u>1,948,306</u>

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

XXIV. Other Liabilities

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Current</u>		
Other Liabilities		
Refund Liabilities	\$ 101,921	\$ -
Revenue Received in Advance	-	22,783
Others	<u>83,968</u>	<u>9,519</u>
	<u>\$ 185,889</u>	<u>\$ 32,302</u>
<u>Non-Current</u>		
Other Liabilities		
Guarantee Deposits	\$ 2,050	\$ 1,141
Others	<u>54,572</u>	<u>40,858</u>
	<u>\$ 56,622</u>	<u>\$ 41,999</u>

XXV. Post-Retirement Benefit Plan

(I) Defined Contribution Plans

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

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

(II) Defined Benefit Plans

The Company's pension system conducted in accordance with "Labor Standards Act" is a defined benefit pension plan managed by government. Employee pension payments are based on years of service and average salary for the first six months prior to retirement. The Company contributes 2% to 15% of total employee salary to the

pension fund at the end of each month. The pension fund committee makes deposits in its name to the designated account at Bank of Taiwan. Before year-end, for employees whose account balance is not sufficient for payments until reaching retirement within the following year, contribution for the difference will be allocated in the following March. The Bureau of Labor Funds, Ministry of Labor is assigned to administer the account. The Company retains no rights that may influence its investment and administration strategies.

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

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Present Value of Defined Benefit Obligations	\$ 436,747	\$ 456,404
Fair Value of Plan Assets	(<u>287,337</u>)	(<u>277,363</u>)
Net Defined Benefit Liabilities	<u>\$ 149,410</u>	<u>\$ 179,041</u>

Changes in net defined benefit liabilities are as follows:

	Present Value of Defined Benefit Obligations	Fair Value of Plan Assets	Net Defined Benefit Liabilities
Balance as of January 1, 2017	<u>\$ 519,478</u>	(<u>\$ 284,241</u>)	<u>\$ 235,237</u>
Service Cost			
Current Service Cost	9,630	-	9,630
Interest Expense (income)	<u>7,443</u>	(<u>3,654</u>)	<u>3,789</u>
Recognized in Profit and Loss	<u>17,073</u>	(<u>3,654</u>)	<u>13,419</u>
Remeasurement			
Return on Plan Assets (excluding amounts with net interests)	-	1,328	1,328
Actuarial Gains – Changes in Demographic Assumptions	(1)	-	(1)
Actuarial Losses – Changes in Financial Assumptions	10,056	-	10,056
Actuarial Gains – Experience Adjustments	(59,139)	-	(59,139)
Actuarial Gains – Others	(<u>1,336</u>)	-	(<u>1,336</u>)
Recognized in Other Comprehensive Income	(<u>50,420</u>)	<u>1,328</u>	(<u>49,092</u>)
Contribution from Employer	-	(18,891)	(18,891)
Benefits Paid	(28,326)	28,095	(231)
Net Exchange Difference	(<u>1,401</u>)	-	(<u>1,401</u>)
Balance as of December 31, 2017	<u>456,404</u>	(<u>277,363</u>)	<u>179,041</u>
Service Cost			
Current Service Cost	7,868	-	7,868
Past Service Cost and Loss from Settlement	122	-	122

	Present Value of Defined Benefit Obligations	Fair Value of Plan Assets	Net Defined Benefit Liabilities
Interest Expense (income)	<u>5,486</u>	<u>(2,909)</u>	<u>2,577</u>
Recognized in Profit and Loss	<u>13,476</u>	<u>(2,909)</u>	<u>10,567</u>
Remeasurement			
Return on Plan Assets (excluding amounts with net interests)	-	(8,403)	(8,403)
Actuarial Losses – Changes in Financial Assumptions	\$ 3,515	\$ -	\$ 3,515
Actuarial Gains – Experience Adjustments	(4,095)	-	(4,095)
Actuarial Gains – Others	<u>(2,615)</u>	<u>-</u>	<u>(2,615)</u>
Recognized in Other Comprehensive Income	<u>(3,195)</u>	<u>(8,403)</u>	<u>(11,598)</u>
Employer Contribution	-	(23,747)	(23,747)
Benefits Paid	(29,183)	25,085	(4,098)
Net Exchange Difference	<u>(755)</u>	<u>-</u>	<u>(755)</u>
Balance as of December 31, 2018	<u>\$ 436,747</u>	<u>(\$ 287,337)</u>	<u>\$ 149,410</u>

The amount of defined benefit plans recognized in profit and loss according to function is summarized below:

	<u>2018</u>	<u>2017</u>
Operating Cost	\$ 5,527	\$ 6,121
Selling Expense	1,986	3,004
Administrative Expense	2,222	3,127
Research and Development Expense	<u>832</u>	<u>1,167</u>
	<u>\$ 10,567</u>	<u>\$ 13,419</u>

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

1. Investment Risk: Bureau of Labor Funds, by itself or through an intermediary, invests pension fund in foreign/domestic equity securities, debt securities, and bank deposits, provided the distributed amount of the Company's plan assets are higher than 2-year fixed deposit rates of local banks domestic.
2. Interest Rate Risk: decrease in government bond interest rate will increase present value of defined benefit obligation. However, return on debt investments of plan assets will also increase. Effects of the two on net defined benefit obligations will partially offset each other.
3. Salary Risk: present value of defined benefit obligations is calculated with reference to future salaries of plan members. Salary increase of plan members will increase present value of defined benefit obligations.

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Discount Rate	1% - 8.5%	1% - 7%
Expected Salary Growth Rate	2.5% - 10%	2% - 10%

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Discount Rate		
0.25% Increase	(\$ <u>10,085</u>)	(\$ <u>10,995</u>)
0.25% Decrease	\$ <u>10,489</u>	\$ <u>11,459</u>
Expected Salary Growth Rate		
0.25% Increase	\$ <u>10,005</u>	\$ <u>11,229</u>
0.25% Decrease	(\$ <u>9,941</u>)	(\$ <u>10,845</u>)

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Expected Contribution within 1 Year	\$ <u>22,925</u>	\$ <u>26,810</u>
Average Maturity Period of Defined Benefit Obligations	9 to 18.11 Years	9 to 17.89 Years

XXVI. Equity

(I) Capital

Ordinary Shares

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Authorized Shares (thousand shares)	<u>200,000</u>	<u>200,000</u>
Authorized Capital	\$ <u>2,000,000</u>	\$ <u>2,000,000</u>
Number of Issued and Paid-For Shares (thousand shares)	<u>120,570</u>	<u>108,621</u>
Issued Capital	\$ <u>1,205,707</u>	\$ <u>1,086,207</u>

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

The Company's board of directors passed a resolution to issue 3,000,000 shares on March 2, 2017 at a premium of NT\$180 per share for a total of NT\$540,000,000. The date of capital increase is June 16, 2017, and registration was completed on June 27,

2017.

The shareholders' meeting passed a resolution to issue NT\$21,298,000 in ordinary shares from capital surplus to capital increase on May 16, 2017, with a total of 2,130,000 new shares issued. The par value of each share is NT\$10 and is calculated from the capital increase date of August 2, 2017.

In anticipation of underwriting of pre-IPO listing, the board of directors passed a resolution on September 26, 2018 to issue 11,950,000 shares at NT\$10 per share at par value and issued at a premium of NT\$76,8 - NT\$79,56. Actual share capital is NT\$1,205,707,000 after capital increase. The above cash capital increase was approved by TWSE on October 9, 2018. The board of directors passed a resolution authorizing the chairman to set November 9, 2018 at capital increase date, and registration of the changes was completed on December 18, 2018.

(II) Capital Surplus

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>May be used to make up for loss, cash distribution, or for capital replenishment</u>		
(1)		
Stock Issuance Premium	\$ 2,040,204	\$ 1,222,541
Difference Between Share Price Acquired from Subsidiaries and Book Value	2	-
<u>Only to Offset Loss</u>		
Recognized value of changes in equity of ownership of subsidiaries (2)	23,811	23,811
Employee Stock Options Exercised	44,083	43,860
Expired Stock Options	135	-
	<u>\$ 2,108,235</u>	<u>\$ 1,290,212</u>

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

(III) Retained Earnings and Dividend Policy

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

Employee Remuneration and Directorial Compensations in Note 28.

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

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

The Company distributes and appropriates special capital reserve pursuant to Letter No. 1010012865 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
Legal Capital Reserve	\$ 88,187	\$ 132,522		
Cash Dividend	543,104	532,455	\$ 5	\$ 5

On May 16, 2017, the Company's shareholders' meeting resolved to increase capital from NT\$21,298,000 of surplus.

The Company's proposal for distribution of earnings for 2018 was proposed by the board of directors on March 21, 2019:

	Earnings appropriation proposal	Dividends per share (NT\$)
Legal Capital Reserve	\$ 67,277	
Cash Dividend	602,854	\$ 5

The distribution of earnings for 2018 is still pending resolution from annual shareholders' meeting on June 14, 2019.

(IV) Special Capital Reserve

For the first-time adoption of IFRSs, unrealized write-ups, accumulated revaluation adjustment, and retained earnings appropriated from surplus were listed at a total of NT\$313,213,000. Special capital reserve of the same amount has been appropriated.

(V) Other Equity Items

1. Exchange differences on translation of foreign financial statements

	<u>2018</u>	<u>2017</u>
Balance at Beginning of Year	(\$ 291,717)	(\$ 5,229)
Changes in Tax Rates From Current Year	10,544	-
Currency translation differences from overseas operations	72,853	(345,167)
Relevant Income Tax	(<u>14,570</u>)	<u>58,679</u>
Year-End Balance	(<u>\$ 222,890</u>)	(<u>\$ 291,717</u>)

2. Unrealized Financial Asset Gains and Losses Measured at FVTOCI

	<u>2018</u>
Balance at Beginning of the Year (IAS 39)	\$ -
Effects of Retrospective IFRS 9 Application	1,376,496
Balance at Beginning of the Year (IFRS 9)	<u>1,376,496</u>
From Current Year	
Unrealized Gains and Losses – Equity Instruments	(349,496)
Year-End Balance	<u>\$ 1,027,000</u>

(VI) Non-Controlling Interests

	<u>2018</u>	<u>2017</u>
Balance at Beginning of the Year	\$ 658,555	\$ 337,219
Net Profit of the Year	43,855	35,129
Other Comprehensive Income of the Year		
Exchange differences on translation of foreign financial statements	5,389	(14,734)
Remeasurement of Defined Benefit Plans	(\$ 964)	\$ 524
Related Income Tax	137	(124)
Increase in Non-Controlling Interests from Acquisition of Subsidiaries (Note 31)	-	119,674
Disposal of Subsidiary Equity (Note 32)	-	(7,097)
Acquisition of Non-	(811)	(4,630)

	<u>2018</u>	<u>2017</u>
Controlling Interest in Subsidiaries (Note 33)		
Difference in Book Value and Price of Equity Acquisition from Subsidiaries (Note 33)	-	(22,533)
Dividend Payout from Subsidiaries	(404)	(8,697)
Share Return from Subsidiary Liquidation	(8,787)	(13)
Cash Capital Increase in Subsidiaries	-	200,000
Others	<u>30,477</u>	<u>23,837</u>
Year-End Balance	<u>\$ 727,447</u>	<u>\$ 658,555</u>

XXVII. Revenue

(I) Please refer to Note 42 for details on customer contract revenue.

(II) Contract Balance

	<u>December 31, 2018</u>
Accounts Receivable (including affiliates, Note 12)	<u>\$ 3,516,825</u>
Contract Liability - Current Commodity Sales	<u>\$ 41,499</u>
Refund Liability - Current (listed in other current liabilities) Commodity Sales	<u>\$ 101,921</u>

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

XXVIII. Net Profit for the Year

(I) Other Revenues

	<u>2018</u>	<u>2017</u>
Dividend Income	\$ 98,176	\$ 46,338
Revenue from Subsidiaries	23,045	14,909
Interest Income	35,318	24,430
Rental Income	<u>274</u>	<u>290</u>
	<u>\$ 156,813</u>	<u>\$ 85,967</u>

(II) Other gain and loss

	<u>2018</u>	<u>2017</u>
Net Foreign Exchange Profit (loss)	\$ 19,090	(\$ 46,578)
Loss from Disposal of Properties, Plants, and Equipment	(803)	-
Compensation Paid	-	(34,715)
Disposal of loss on investments	-	(25,311)
Others	<u>167</u>	<u>14,332</u>
	<u>\$ 18,454</u>	<u>(\$ 92,272)</u>

(III) Financial Costs

	<u>2018</u>	<u>2017</u>
Interest of bank loans	\$ 61,707	\$ 48,949
Loan interest payable	1,058	363
Less: amount included in cost of required assets	(<u>1,071</u>)	<u>-</u>
	<u>\$ 61,694</u>	<u>\$ 49,312</u>

Information on capitalization of interest is as follows:

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

(IV) Depreciation and Amortization

	<u>2018</u>	<u>2017</u>
Properties, Plants, and Equipment	\$ 279,946	\$ 238,965
Intangible Assets and prepaid rent	<u>28,432</u>	<u>25,011</u>
	<u>\$ 308,378</u>	<u>\$ 263,976</u>
Depreciation Summarized by Functions		
Operating Costs	\$ 211,165	\$ 178,601
Operating Expense	<u>68,781</u>	<u>60,364</u>
	<u>\$ 279,946</u>	<u>\$ 238,965</u>
Amortization Summarized by functions		
Operating Costs	\$ 1,989	\$ 2,266
Operating Expense	<u>26,443</u>	<u>22,745</u>
	<u>\$ 28,432</u>	<u>\$ 25,011</u>

(V) Employee Benefit Expense

	<u>2018</u>	<u>2017</u>
Short-Term Employee Benefits		
Salaries	\$ 1,690,311	\$ 1,610,431
Labor and Health Insurance	172,133	104,601
Others	<u>127,272</u>	<u>148,865</u>
	<u>1,989,716</u>	<u>1,863,897</u>
Post-Retirement Benefits		
Defined Contribution Plan	84,939	72,034
Defined Benefit Plan (Note 25)	<u>10,567</u>	<u>13,419</u>
	<u>95,506</u>	<u>85,453</u>
	<u>\$ 2,085,222</u>	<u>\$ 1,949,350</u>
Summarized by Functions		
Operating Costs	\$ 697,570	\$ 678,388
Operating Expense	<u>1,387,652</u>	<u>1,270,962</u>
	<u>\$ 2,085,222</u>	<u>\$ 1,949,350</u>

(VI) Employee Remuneration and Director Compensations

The Company's remuneration for employees and directors shall be 2 to 6% and under 3% of the earnings before tax and before deducting remuneration for employees and directors. Remuneration of employees, directors and supervisors for 2017 and 2018 were resolved by the board of directors on March 21, 2019 and April 12, 2018, respectively.

1. Estimated Ratio

	<u>2018</u>	<u>2017</u>
Employee Remuneration for Directors and Supervisors	3.7%	3.1%
	1.5%	1.6%

2. Amount

	<u>2018</u>	<u>2017</u>
	C a s h	C a s h
Employee Rewards Remuneration for Directors and Supervisors	\$ 33,000	\$ 35,000
	13,322	18,000

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

Actual employee compensation and remuneration for directors in 2017 and 2016 were consistent with amounts recognized in the consolidated financial statements.

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

(VII) Currency Exchange Gain or loss

	<u>2018</u>	<u>2017</u>
Total currency exchange gain	\$ 221,313	\$ 93,690
Total currency exchange loss	(<u>202,223</u>)	(<u>140,268</u>)
Net Profit (loss)	<u>\$ 19,090</u>	<u>(\$ 46,578)</u>

XXIX. Income tax

(I) Main composition of income tax expense recognized in profit or loss

	<u>2018</u>	<u>2017</u>
Current Income Tax		
Generated during the Year	\$ 282,735	\$ 339,806
Surtax on Unappropriated Retained Earnings	29,110	68,553
Adjustments from Previous Years	73,088	(58,404)
R&D Deduction	(<u>1,756</u>)	(<u>13,915</u>)
	<u>383,177</u>	<u>336,040</u>
Deferred Income Tax		
Changes in Tax Rates	58,299	-
Generated during the Year	(<u>122,294</u>)	(<u>92,290</u>)
	(<u>63,995</u>)	(<u>92,290</u>)
	<u>\$ 319,182</u>	<u>\$ 243,750</u>

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

	<u>2018</u>	<u>2017</u>
Profit before tax	<u>\$ 1,035,812</u>	<u>\$ 1,160,753</u>
Profit before tax calculated using income tax expense at the statutory rate	\$ 296,617	\$ 328,140
Expense not Deductible for Tax	3,708	6,872
Tax-Exempt Income	(19,635)	(7,877)
Unrecognized Temporary Difference	(99,434)	(482)
Changes in Tax Rates	58,299	-
Permanent Difference	(3,202)	(63,068)
Surtax on Unappropriated Retained Earnings	29,110	68,553
Adjustments in Prior Years	73,088	(58,404)
Tax Relief	(17,613)	(16,069)
R&D Deduction	(<u>1,756</u>)	(<u>13,915</u>)
	<u>\$ 319,182</u>	<u>\$ 243,750</u>

Based on tax laws in the Republic of China, the applicable tax rate to the Company is 17% in 2017. The tax rate for operating income tax is adjusted from 17% to 20% after tax law amendments in February 2017 and is applicable from 2018. In addition, the tax rate applicable to undistributed earnings for 2018 will decrease from 10% to 5%. The tax rate applicable to subsidiaries in the Mainland China is 25%. Tax arising from other jurisdictions is calculated using tax rates applicable to the respective jurisdictions.

As shareholders meeting on distribution of earnings in 2019 is still uncertain, potential income tax consequences for undistributed earnings of 2018 are not yet determined.

(II) Income Tax Expense Recognized in Other Comprehensive Income

	<u>2018</u>	<u>2017</u>
<u>Deferred Income Tax</u>		
Changes in Tax Rates	\$ 8,817	\$ -
Accrued in the Current Year		
Translations from Overseas		
Operations	(14,570)	58,679
Remeasurement of Defined		
Benefit Plans	(<u>2,477</u>)	(<u>8,452</u>)
	(<u>\$ 8,230</u>)	\$ <u>50,227</u>

(III) Current Income Tax Assets and Liabilities

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Current Income Tax Assets</u>		
Tax Refund Receivable	\$ <u>13,197</u>	\$ <u>19,763</u>
<u>Current Income Tax Liabilities</u>		
Income Tax Payable	\$ <u>169,036</u>	\$ <u>224,170</u>

(IV) Deferred Income Tax Assets and Liabilities

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

2018

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

2017

	Balance at Beginning of Year	Recognized in Loss and Profit	Recognized in Other Comprehensiv e Income	Exchange Difference	Year-End Balance
<u>Deferred Income Tax Assets</u>					
Temporary Difference					
Currency Translation Difference from Overseas Operations	\$ 1,071	\$ -	\$ 58,679	\$ -	\$ 59,750
Defined Benefit Retirement Plan	41,520	(897)	(8,452)	(353)	31,818
Loss on Inventory Write-Down	15,455	12,794	-	(173)	28,076
Allowance for Bad Debts	4,987	(2,745)	-	(2)	2,240
Accrued Leave Benefits	1,959	922	-	(23)	2,858
Unrealized Gross Profit	18,449	(5,477)	-	-	12,972
Others	32,594	(2,351)	-	171	30,414
	116,035	2,246	50,227	(380)	168,128
Impairment Credit	16,261	63,084	-	(379)	78,966
	<u>\$ 132,296</u>	<u>\$ 65,330</u>	<u>\$ 50,227</u>	<u>(\$ 759)</u>	<u>\$ 247,094</u>
<u>Deferred Income Tax Liabilities</u>					
Temporary Difference					
Foreign Investment Income	\$ 540,230	(\$ 24,473)	\$ -	(\$ 5)	\$ 515,752
Provision for Land Appreciation Tax	235,087	-	-	-	235,087
Others	2,587	(2,487)	-	111	211
	<u>\$ 777,904</u>	<u>(\$ 26,960)</u>	<u>\$ -</u>	<u>\$ 106</u>	<u>\$ 751,050</u>

(V) Unused Impairment Credit

As of December 31, 2018, the relevant information is set out below:

<u>Unused Credit Balance</u>	<u>Final Deduction</u>
\$ 9,847	108
13,404	109
27,055	110
36,192	111
23,780	112
20,885	113
195	114
1,135	115
71,451	116
9,641	117
181,634	-
<u>\$ 395,219</u>	

(VI) Aggregate amount of temporary differences associated with investments and unrecognized deferred income tax liabilities

As of December 31, 2018, taxable temporary differences of NT\$ 117,603,000 were not recognized as deferred income tax liabilities for investment subsidiaries.

(VII) Income Tax Approval Status

The Company's business income tax filing cases for 2015, in addition to business income tax filing cases of domestic subsidiaries for 2016 and 2017, are approved by the tax authority.

XXX. Earnings per Share

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

Net Profit of the Year

	<u>2018</u>	<u>2017</u>
Net Profit Attributable to Company Owners	<u>\$ 672,775</u>	<u>\$ 881,874</u>

Shares

	<u>2018</u>	<u>2017</u>
Weighted average number of ordinary shares used for calculation of basic EPS	109,469	107,225
Dilutive Effects of Potential Ordinary Shares:		
Employee Remuneration	<u>411</u>	<u>787</u>
Weighted average number of ordinary shares used for calculation of diluted EPS	<u>109,880</u>	<u>108,012</u>

Unit: 1,000 shares

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

XXXI. Business Consolidation

(I) Acquisition of Subsidiaries

	<u>Primary Operating Activities</u>	<u>Acquisition Date</u>	<u>All Ownership Interest with Voting Rights Acquisition Ratio (%)</u>	<u>Transfer Price</u>
Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Production and Trading of Coatings	April 1, 2017	50/1	<u>\$ 5,459</u>

The Company acquired Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd. in April 2017 to part of its expansion. The acquisition ratio was 1%, and shareholding ratio increased from 49% to 50%. The main management is designated by the Company's and exercises effective control on Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd. For more information, please refer to Note 14.

(II)	Assets Acquired and Liabilities Assumed upon Acquisition Date	
	Current Assets	
	Cash and Cash Equivalents	\$ 71,717
	Accounts Receivable and other Receivables	96,860
	Inventory	80,000
	Other Current Assets	17,716
	Non-Current Assets	
	Property, Plant and Equipment	56,349
	Rent Receivable	47,069
	Other Non-Current Assets	1,545
	Current Liabilities	
	Short-Term Loans	(34,541)
	Accounts Payable and Other Payables	(97,316)
	Other Current Liabilities	(<u>50</u>)
		<u>\$ 239,349</u>
(III)	Goodwill Arising from Acquisition	
	Transfer Price	\$ 5,459
	Add: fair value of equity held by acquiree before acquisition	117,281
	Add: non-controlling ownership (50% of all ownership from Noroo-Nao Pao Paints & Coatings (Vietnam) Co., Ltd.)	119,674
	Less: fair value of obtained identifiable assets	(239,349)
	Net Exchange Difference	<u>10</u>
	Goodwill Arising out of Acquisition	<u>\$ 3,075</u>
(IV)	Net cash Inflow from Subsidiary Acquisition	
	Consideration Paid in Cash	\$ 5,459
	Less: balance of cash and cash equivalents acquired	(71,717)
		<u>(\$ 66,258)</u>

(V) Effects of Business Combination on Management Performance

Management results of acquired companies from acquisition date were as follows:

	Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.
Operating Revenue	<u>\$ 317,828</u>
Net Profit of the Year	<u>\$ 23,103</u>

If these business combinations took place on the date of acquisition at the start of annual accounting, the company's 2017 proposed operating revenue and net profit were NT\$14,724,218,000 and NT\$ 923,669,000 respectively. When such amounts cannot reflect whether business combination had been completed at the beginning of fiscal year in the year at acquisition, actual revenue and business performance cannot be used to predict future operating performance.

Assuming acquisition of Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd. had been completed at the beginning of fiscal year and operating revenue and net profit were estimated, management would take 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. Borrowing cost will be estimated based on capital status, credit rating, and debt-to-equity ratio of the Company after business combination.

XXXII. Disposal of Subsidiaries

The Company entered into an agreement on December 26, 2017 to dispose of Dongguan Bao Jing Chemical Engineering. The disposal was completed on the same day and the Company no longer exercised control. Dongguan Bao Jing was responsible for the Company's trading of chemicals.

(I) Consideration Received

	Dongguan Bao Jing Chemical Engineering Co., Ltd.
Proceeds from Disposal of Investment	<u>\$ 8,289</u>

(II) Analysis of Loss of Control on Assets and Liabilities

	Dongguan Bao Jing Chemical Engineering Co., Ltd.
Current Assets	
Cash and Cash Equivalents	\$ 12,822
Accounts Receivable and other receivables	10,872
Inventory	803
Other Current Assets	149
Non-Current Assets	
Property, Plant and Equipment	363
Current Liabilities	
Accounts Payable and Other Payables	(1,350)
Other Current Liabilities	(3)
Net Disposed Assets	<u>\$ 23,656</u>

(III) Loss from Disposal of Subsidiaries

	Dongguan Bao Jing Chemical Engineering Co., Ltd.
Consideration Received	\$ 8,289
Net Disposed Assets	(23,656)
Non-Controlling Interests	7,097
Net Exchange Difference	90
Loss disposal	<u>(\$ 8,180)</u>

(IV) Net Cash Inflow from acquisition of subsidiary

	Dongguan Bao Jing Chemical Engineering Co., Ltd.
Consideration Received in Cash and Cash Equivalents	\$ 8,289
Less: disposed Investment Receivables	(8,289)
Balance of Disposal of Cash and Cash Equivalents	(12,822)
	<u>(\$ 12,822)</u>

XXXIII. Equity and Non-Controlling Interest Transactions

	2018		2017	
	ITLS-Rich (S) Pte. Ltd.(I)	Biorich Biotechnology Co., Ltd. (II)	ITLS-SB SDN BHD (III)	Prince Pharmaceutic al Co., Ltd. (4)
Cash Consideration Paid	\$ 1,665	\$ 3	\$ 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)	(5)	(4,630)	(122,533)
Difference in Equity Transactions	<u>\$ 859</u>	<u>(\$ 2)</u>	<u>\$ 1,361</u>	<u>(\$ 22,533)</u>
<u>Equity Transaction Adjustment</u>				
Capital Surplus - The difference between the share price from acquisition of a subsidiary and its book value	\$ -	\$ 2	\$ -	\$ 22,926
Capital Surplus – changes in ownership of subsidiaries	-	-	-	(393)
Retained Earnings	<u>(859)</u> <u>(\$ 859)</u>	<u>-</u> <u>\$ 2</u>	<u>(1,361)</u> <u>(\$ 1,361)</u>	<u>-</u> <u>\$ 22,533</u>

- (I) The Company acquired the remaining 20% of shares from ITLS-Rich (S) Pte. Ltd. in February 2018, increasing shareholding ratio from 80% to 100%.
- (II) The Company used NT\$3,000 to subscribe to shares from Biorich Biotechnology Co. in October 2018, which increased shareholding ratio from 57.06% to 57.1%.
- (III) The Company acquired the remaining 20% of shares from ITLS-SB SDN BHD in April 2017, and shareholding ratio increased from 80% to 100%.
- (IV) In February 2017, the Company's subscription for the NT\$100,000,000 new issuances from Prince Pharmaceutical Co., Ltd. was not undertaken according to shareholding ratio. Prince Pharmaceutical Co., Ltd. issued executive stock option and some employees executed the subscription right, causing the shareholding ratio to decrease to 49.9%.

The above-mentioned transactions did not change the control over such subsidiaries, and the Company considers them to be equity transactions.

XXXIV. 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:

	December 31, 2018	December 31, 2017
Less than 1 year	\$ 60,031	\$ 48,496
1 to 5 years	134,773	118,428
More than 5 years	<u>344,291</u>	<u>359,431</u>
	<u>\$ 539,095</u>	<u>\$ 562,355</u>

XXXV. Capital Risk Management

The Company's capital management is to ensure that required financial resources and operational plans are in place to meet the needs for working capital, capital expenditure, research and development expense, debt repayment and dividend expenses for the next twelve months.

XXXVI. Financial Instruments

(I) Fair Value Information - financial instruments not measured at fair value

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

(II) Fair Value Information - financial instruments measured at fair value on repetitive basis

1. Fair Value Measurement Levels

December 31, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial Assets Measured at</u> <u>FVTOCI - Equity Instrument</u> Domestic Unlisted Stocks	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,210,580</u>	<u>\$1,210,580</u>

2. Reconciliation of Financial Instruments using Level 3 Fair Value

2018

	Financial Assets Measured at FVTOCI
Balance at Beginning of Year	<u>\$ 1,560,076</u>
Recognized in Other Comprehensive Income (unrealized loss and profit from financial asset measured at FVTOCI)	(349,496)
Year-End Balance	<u>\$ 1,210,580</u>

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

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

(III) Classification of Financial Instruments

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial Assets</u>		
Loans and Receivables (Note 1)	\$ -	\$ 7,511,760
Financial Assets Measured at Cost	-	183,580
Financial Assets Measured at Amortized Cost (Note 2)	7,894,091	-
Financial Assets Measured at FVTOCI	1,210,580	-
<u>Financial Liabilities</u>		
Valuation of Cost after Amortization (Note 3)	5,702,609	5,855,926

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

Note 2: balance refers to financial assets measured at amortized cost, including cash and cash equivalents, debt instrument investment, accounts receivable (including affiliates), other receivables.

Note 3: balance refers to 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 (listing other current and non-current liabilities).

(IV) Objectives and Policy of Financial Risk Management

The Company's main financial instruments include equity and debt instruments, accounts receivable, accounts payable, short-term securities and loans payable. The financial management department serves each operating unit, coordinating operations in domestic and foreign financial markets. Financial risks associated with operations of the Company is managed through internal risk reporting based on risk levels and analysis. These risks include market risks (foreign exchange rates, interest rates and other price risks), credit risk and liquidity risk.

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

financial instruments (including derivative financial instruments) for speculative purposes.

1. Market Risks

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

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

(1) Foreign Exchange Risks

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

Please see Note 40 for details on carrying amount of monetary assets denominated in non-functional currency, and liabilities denominated in foreign currency on balance sheet date (including monetary items denominated in non-functional currencies written off in the consolidated financial statements).

Sensitivity Analysis

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

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

	Influence from the USD		
	2018	2017	
Profit or loss	\$ 14,470	\$ 13,372	A

	Influence from VND		
	2018	2017	
Profit or loss	\$ 5,617	\$ 4,862	B

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

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

(2) Interest Rate Risk

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

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Interest Rate Risks with Cash Flow		
Financial Assets	\$ 3,183,724	\$ 3,268,202
Financial Liabilities	2,953,037	2,944,541

Sensitivity Analysis

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

If interest rate is increased/decreased by 1%, the Company's net profit before tax for 2018 and 2017 would increase/decrease by NT\$ 29,530,000 and NT\$29,445,000 respectively, due to changes in loan interest rates of the consolidated company.

(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.

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

	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Group A	\$ 357,724	10	\$ 279,978	9

3. Liquidity Risk

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

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

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

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

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

December 31, 2018

	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>
<u>Non-Derivative</u>			
<u>Financial Liabilities</u>			
Non-Interest-Bearing Liabilities	\$ 2,747,522	\$ 2,050	\$ -
Floating Interest Rate Instruments	<u>1,577,814</u>	<u>1,206,920</u>	<u>216,774</u>
	<u>\$ 4,325,336</u>	<u>\$ 1,208,970</u>	<u>\$ 216,774</u>

December 31, 2017

	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>
<u>Non-Derivative</u>			
<u>Financial Liabilities</u>			
Non-Interest-Bearing Liabilities	\$ 2,790,321	\$ 1,141	\$ -
Fixed Interest Rate Instruments	120,000	-	-
Floating Interest Rate Instruments	<u>1,355,424</u>	<u>1,311,736</u>	<u>334,369</u>
	<u>\$ 4,265,745</u>	<u>\$ 1,312,877</u>	<u>\$ 334,369</u>

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

(2) Financing Credit

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Unsecured Borrowing (reviewed each year)		
Bank Credit each		
Amount Used	\$ 2,970,489	\$ 3,096,995
Amount Available	<u>4,211,371</u>	<u>4,254,100</u>
	<u>\$ 7,181,860</u>	<u>\$ 7,351,095</u>
Secured Borrowing		
Bank Credit		
Amount Used	\$ 88,963	\$ 60,000
Amount Available	<u>195,327</u>	<u>40,000</u>
	<u>\$ 284,290</u>	<u>\$ 100,000</u>

XXXVII. Related Party Transactions

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

(I) Name and Relations of Affiliates

<u>Name of Affiliate</u>	<u>Relations with the Company</u>
New Industrial Companies	Associates
Pou Chen Corporation	Other affiliates (the Chairman of the company is an executive of the Company)
Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Associates (subsidiaries of the Company as of April 2017)
Pou Chen Corporation and Subsidiaries	Investors with Material Influence
Kunshan Nan Pao Coatings Engineering Co., Ltd.	Other affiliates (the Chairman of the Company is an executive of the Company prior to May 2018.)

(II) Operating Revenue

<u>Category of Affiliates/Name</u>	<u>2018</u>	<u>2017</u>
Investors with Material Influence		
Pou Chen Corporation and Subsidiaries	\$ 1,352,346	\$ 1,417,840
Associates	-	23,674
Other Affiliates	<u>19,624</u>	<u>78,312</u>
	<u>\$ 1,371,970</u>	<u>\$ 1,519,826</u>

There is no significant difference in the Company's selling price to affiliates and average customers. Payment term is 30 to 125 days, which is no different for non-related parties.

(III) Inventory

<u>Category of Affiliates</u>	<u>2018</u>	<u>2017</u>
Associates	<u>\$ 22,219</u>	<u>\$ 58,173</u>

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

(IV) Receivables from Affiliates

<u>Accounting Items</u>	<u>Category of Affiliates/Name</u>	<u>2018 December 31</u>	<u>2017 December 31</u>
Accounts Receivable	Material Investor Pou Chen Corporation and Subsidiaries	\$ 357,724	\$ 279,978
	Other Affiliates	<u>-</u>	<u>51,852</u>
		<u>\$ 357,724</u>	<u>\$ 331,830</u>

No guarantee is received for outstanding receivables from affiliates.

(V) Payables to Affiliates

<u>Accounting Items</u>	<u>Category of Affiliates</u>	<u>2018 December 31</u>	<u>2017 December 31</u>
Accounts Payable	Associates	<u>\$ 2,643</u>	<u>\$ 5,714</u>
Other Payables	Investors with Material Influence	<u>\$ 132</u>	<u>\$ 135</u>

No guarantee is given for outstanding payables to affiliates.

(VI) Others – Refund Liabilities

<u>Accounting Items</u>	<u>Category of Affiliates/Name</u>	<u>2018 December 31</u>
Other Current Liabilities	Material Investor Pou Chen Corporation and Subsidiaries	<u>\$ 78,443</u>

(VII) Managerial Remuneration

	<u>2018</u>	<u>2017</u>
Short-Term Employee Benefits	\$ 49,767	\$ 51,065
Post-Retirement Benefits	1,680	1,211
Share-Based Payment	<u>124</u>	<u>-</u>
	<u>\$ 51,571</u>	<u>\$ 52,276</u>

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

XXXVIII. Assets Pledged as Collateral

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Property, Plant and Equipment	\$ 111,040	\$ 112,406
Fixed Deposits (Note)	<u>200,311</u>	<u>18,786</u>
	<u>\$ 311,351</u>	<u>\$ 131,192</u>

Note: financial assets measured at amortized cost (2018) and other financial assets (2017) are stated.

XXXIX. Significant Contingent Liability and Unrecognized Contract Commitments

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

(I) As of December 31, 2017 and 2018, the Company has unused letters of credit for purchases of raw materials and machinery, with amounts of NT\$106,415,000 and NT\$ 83,526,000 respectively.

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Purchase of Properties, Plants, and Equipment	\$ 89,288	\$ 60,053
Purchase of Raw Material	<u>46,080</u>	-
	<u>\$ 135,368</u>	<u>\$ 60,053</u>

(III) Material Lawsuits

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

Based on the ruling of Changhua District Court, He Kui Chemical Company argued for ownership of machinery and equipment in the plant. Based on the above-mentioned, He Kui Chemical Company filed for indemnity lawsuit against Nan Pao Chemical Co., Ltd. for damage caused by use of machinery and equipment, and sought for indemnity of NT\$53,102,000. Nevertheless, the amount that He Kui Chemical Company claimed for was based on the purchase price of machinery and equipment, and did not factor in

depreciation based on the useful life of property, plant, and equipment. The batch of machinery was purchased in the 90s and early 2000s, with surplus value under NT\$53,102,000. The Company has appropriated NT\$38,445,000 liability reserve based on remaining value.

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

XL. Information Regarding Material Assets and Liabilities Denominated in Foreign Currencies

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

December 31, 2018

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

December 31, 2017

<u>Financial Assets</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Monetary Items</u>			
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
 <u>Financial Liabilities</u>			
<u>Monetary Items</u>			
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

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

Functional Currency	2018		2017	
	Functional and Presentation Currency	Net exchange profit or loss	Functional and Presentation Currency	Net Exchange Income
USD	30.149 (USD:NTD)	(\$ 23,480)	30.432 (USD:NTD)	(\$ 1,379)
NTD	1 (NTD:NTD)	41,809	1 (NTD:NTD)	(69,945)
CNY	4.560 (CNY:NTD)	(5)	4.505 (CNY:NTD)	4,955
Singaporean dollar	22.35 (SGD:NTD)	81	22.04 (SGD:NTD)	1,627
Australian Dollar	22.54 (AUD:NTD)	(10,556)	23.32 (AUD:NTD)	890
Indonesian rupiah	0.00213 (IDR:NTD)	9,353	0.00229 (IDR:NTD)	393
Others		<u>1,888</u>		<u>16,881</u>
		<u>\$ 19,090</u>		<u>(\$ 46,578)</u>

XLI. Other Disclosures

Information on

(I) Significant Transactions and

(II) Investees

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

(III) Information on Investments in Mainland China:

1. Mainland China investees' names, main business items, amount of paid-in capital, investment methods, capital transaction conditions, shareholding ratios, current investment loss and profit, end-of-term investment book value, investment income repatriation and investment limits in Mainland China. (Table 8)

2. Direct or indirect significant transactions with Mainland China investee companies through third region, and their prices, terms of payment, unrealized gains and losses: (Table 9)
 - (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 resulting gain or loss.
 - (4) Ending balance of endorsement, guarantee or collateral provided and its purposes.
 - (5) The maximum balance, ending balance, interest rate range and total amount of current interest in financing.
 - (6) Other transactions having significant impact on profit and loss or financial status of the period, such as providing or receiving services.

XLII. Department Information

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

(I) Departmental Income and Operation Results

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

	Taiwan	Mainland China	Vietnam	Australia	Other Regions	Adjustments and Write-Off	Total
<u>2018</u>							
Revenue							
Revenue from External Customers	\$ 3,497,110	\$ 5,940,406	\$ 3,269,460	\$ 1,994,845	\$ 1,320,399	\$ -	\$16,022,220
Revenue between Departments	<u>2,476,354</u>	<u>1,057,069</u>	<u>639,914</u>	<u>22,758</u>	<u>39,596</u>	(4,235,691)	-
Total Revenue	<u>\$ 5,973,464</u>	<u>\$ 6,997,475</u>	<u>\$ 3,909,374</u>	<u>\$ 2,017,603</u>	<u>\$ 1,359,995</u>	<u>(\$ 4,235,691)</u>	<u>\$16,022,220</u>
Department Income	<u>\$ 338,149</u>	<u>\$ 128,590</u>	<u>\$ 242,670</u>	<u>\$ 50,443</u>	<u>\$ 93,733</u>	<u>\$ 47,425</u>	\$ 901,010
Interest Income							35,318
Other Income							121,495
Other profit and loss							18,454
Financing Cost							(61,694)
Share of affiliated companies' profit (loss) adopts the equity method							21,229
Income before tax							<u>\$ 1,035,812</u>
<u>2017</u>							
Revenue							
Revenue from External Customers	\$ 3,401,490	\$ 4,927,827	\$ 3,072,020	\$ 1,932,209	\$ 1,281,462	\$ -	\$14,615,008
Revenue between Departments	<u>2,555,228</u>	<u>983,487</u>	<u>397,829</u>	<u>20,933</u>	<u>68,517</u>	(4,025,994)	-
Total Revenue	<u>\$ 5,956,718</u>	<u>\$ 5,911,314</u>	<u>\$ 3,469,849</u>	<u>\$ 1,953,142</u>	<u>\$ 1,349,979</u>	<u>(\$ 4,025,994)</u>	<u>\$14,615,008</u>
Department Income	<u>\$ 452,520</u>	<u>\$ 150,863</u>	<u>\$ 298,079</u>	<u>\$ 91,606</u>	<u>\$ 92,661</u>	<u>\$ 107,243</u>	\$ 1,192,972
Interest Income							24,430
Other Income							61,537
Other profit and loss							(92,272)
Financing Cost							(49,312)
Share of affiliated companies' profit (loss) adopts the equity method							23,398
Income before tax							<u>\$ 1,160,753</u>

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

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

(II) Revenue from Main Products

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

	<u>2018</u>	<u>2017</u>
Adhesives	\$ 11,423,743	\$ 10,414,902
Coatings	1,757,081	1,485,410
Construction materials	2,137,677	2,123,193
Others	<u>703,719</u>	<u>591,503</u>
	<u>\$ 16,022,220</u>	<u>\$ 14,615,008</u>

(III) Geographic Information

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

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

	<u>Revenue from External Customers</u>	
	<u>2018</u>	<u>2017</u>
Asia	\$ 11,526,562	\$ 10,229,272
Taiwan	2,363,313	2,309,948
Oceania	1,781,868	1,762,867
America	125,667	106,720
Africa	79,204	93,416
Europe	<u>145,606</u>	<u>112,785</u>
	<u>\$ 16,022,220</u>	<u>\$ 14,615,008</u>

	<u>Non-Current Assets</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Taiwan	\$ 2,736,700	\$ 2,455,486
Mainland China	660,331	662,280
Southeast Asia	1,415,298	1,289,813
Australia	<u>366,241</u>	<u>213,164</u>
	<u>\$ 5,178,570</u>	<u>\$ 4,620,743</u>

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

(IV) Information on Main Customers

Single-customer operating revenue reaches 10% or more of net operating income of the merging company is as follows:

<u>Customers</u>	<u>2018</u>	<u>2017</u>
Group A	<u>\$ 1,352,346</u>	<u>\$ 1,417,840</u>

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

Loans to Others

January 1 to December 31, 2018

Table 1

Unit: NT\$1,000

Serial number	Lender Company	Borrower	Item	Whether being Related Parties'	Maximum Balance on the current period	End-of-Term Balance	Actual Amount Drawn (Note 5)	Interest Rate Interval (%)	Capital Financing and Feature (Note 1)	Amount of Transaction	Reason for Financing Short-term financing	Amount of loss from listed deductibles	Collateral		Limitation on total amount of loan to specific entities	Limitation on total amount of loan
													Title	Value		
1	Nan Pao Group Holdings Ltd.	RLA Polymers (M) Sdn Bhd	Other Accounts Receivable - Related Parties	Yes	\$ 80,906	\$ 4,914	\$ 4,914	3.25 - 3.5	2	\$ -	Operating turnover	\$ -	-	\$ -	\$ 3,674,698	\$ 3,674,698
		Profit Land Ltd.	Other Accounts Receivable - Related Parties	Yes	29,105	-	-	6	2	-	Operating turnover	-	-	-	3,674,698	3,674,698
		Nan Pao Materials Vietnam Co., Ltd.	Other Accounts Receivable - Related Parties	Yes	156,240	-	-	3	2	-	Operating turnover	-	-	-	3,674,698	3,674,698
2	Profit Land Ltd.	Nan Pao Resins (Foshan) Co., Ltd.	Other Accounts Receivable - Related Parties	Yes	121,430	-	-	6	2	-	Operating turnover	-	-	-	1,014,818	1,014,818
3	Progroup Technology Co.	Biorich Biotechnology Co.	Other Accounts Receivable - Related Parties	Yes	8,100	900	900	2	2	-	Operating turnover	-	-	-	13,358	26,715
4	Eastlion Enterprises Ltd.	Nan Pao Resins International Ltd.	Other Accounts Receivable - Related Parties	Yes	11,398	-	-	3.5	2	-	Operating turnover	-	-	-	761,240	761,240
5	Nan Pao Resins (China) Co., Ltd.	Nan Pao (Kunshan) Electronic Commerce Co., Ltd.	Other Accounts Receivable - Related Parties	Yes	229,080	111,800	111,800	4.35 - 5	2	-	Operating turnover	-	-	-	400,990	400,990

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

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

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

1. Amount of loan to others shall be less than 40% of the Company's net value.
2. The maximum amount of loan permitted to a single borrower:
 - (1) For capital loan and business transaction counterparties, the maximum amount permitted to a single borrower cannot exceed the total purchase or sales (whichever is higher) between two parties in the last year. However, maximum amount may not exceed the total amount of capital loan.
 - (2) For those in need of capital loan and short-term financing, the maximum amount permitted to a single borrower may not exceed 20% of the Company's net value.

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

1. Total capital loan to others shall be less than 100% of the Company's net value.
2. The maximum amount of loan permitted to a single borrower:
 - (1) For capital loan and business transaction counterparties, the maximum amount permitted to a single borrower cannot exceed the total purchase or sales (whichever is higher) between two parties in the last year. However, maximum amount may not exceed the total amount of capital loan.
 - (2) For those in need of capital loan and short-term financing, the maximum amount permitted to a single borrower may not exceed 20% of the Company's net value.

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

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

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

Endorsements for Others

January 1 to December 31, 2018

Table 2

Unit: NT\$1,000

Serial number	Endorsement Provider Company Name	Guaranteed Party		For a Single Enterprise	Highest for Current Period Endorsement Balance	At the End of the Period Endorsement Balance	Actual Amount Drawn	Property-Guaranteed	Aggregated Endorsement Amount Ratio of which on the latest financial statements Ratio on Net Value (%)	Endorsement Maximum Amount (Note 2 and 3)	For the parent company	For the subsidiary	For
		Company Name	Relation (Note 1)	(Note 2)				Endorsement			Guarantee amount	For Subsidiaries	For Parent Company
0	Nan Pao Resins Chemical Co.	NP Australia Pty. Ltd.	2	\$ 1,925,525	\$ 117,775	\$ -	\$ -	\$ -	-	\$ 6,739,336	Y	N	N
		ITLS-SB SDN BHD	2	1,925,525	9,287	9,215	-	-	0.10	6,739,336	Y	N	N
		Phymed Bio-Tec Co., Ltd.	2	1,925,525	10,000	10,000	1,500	-	0.10	6,739,336	Y	N	N
		ITLS-Rich (S) Pte. Ltd.	2	1,925,525	15,478	-	-	-	-	6,739,336	Y	N	N
		Nan Pao Resins Chemical Philippines, Inc.	2	1,925,525	30,955	30,715	-	-	0.32	6,739,336	Y	N	N
		ITLS Holding Pte. Ltd.	2	1,925,525	46,433	-	-	-	-	6,739,336	Y	N	N
		ITLS International Development Co. Ltd.	2	1,925,525	50,000	50,000	2,230	-	0.52	6,739,336	Y	N	N
		Nan Pao Advanced Materials Vietnam Co., Ltd.	2	1,925,525	61,910	30,715	-	-	0.32	6,739,336	Y	N	N
		Nan Pao Materials Vietnam Co., Ltd.	2	1,925,525	123,820	122,860	26,794	-	1.28	6,739,336	Y	N	N
		RLA Polymers (M) SDN BHD	2	1,925,525	92,865	92,145	92,145	-	0.96	6,739,336	Y	N	N
		RLA Polymers Pty Ltd.	2	1,925,525	387,970	153,575	21,665	-	1.60	6,739,336	Y	N	N
		Nan Pao Resins International Ltd.	2	1,925,525	309,550	307,150	12,900	-	3.19	6,739,336	Y	N	N
		Nan Pao Group Holdings Ltd.	2	1,925,525	639,385	153,575	-	-	1.60	6,739,336	Y	N	N
		Nan Pao (Kunshan) Electronic Commerce Co., Ltd.	2	1,925,525	30,955	-	-	-	-	6,739,336	Y	N	Y
		Progroup Technology Co., Ltd.	2	1,925,525	10,000	10,000	-	-	0.10	6,739,336	Y	N	N
1	NP Australia Pty Ltd.	PT. Indo Nan Pao Resins Chemical	2	1,925,525	91,670	61,430	30,715	-	0.64	6,739,336	Y	N	N
		RLA Polymers Pty Ltd.	2	129,086	110,471	106,159	71,495	-	16.45	451,801	N	N	N

Note 1: relationship between endorser and those being endorsed is as follows:

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

Note 2: The Company's maximum guarantee and the endorsement for a single business is no more than 20% of the Company's ending net value. The maximum endorsement is no more than 70% of the Company's year-end net value.

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

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries
Details on Marketable Securities at the end of the period
December 31, 2018

Table 3

Unit: NT\$1,000

Company holding shares	Type and Name of Marketable Securities	Relationship with Issuer	Accounting Items	End of Period				Remarks
				Number of Shares	Book Value	Shareholding Ratio (%)	Fair Value	
Nan Pao Resins Chemical Co.	Dairen Chemical Corp. - publicly issued share	None	Financial asset measured at fair value through other comprehensive income - Non-Current	6,515,606	\$ 1,194,702	2	\$ 1,194,702	
	Hua Chi Venture Capital Co., Ltd. - privately issued share	"	"	157,895	3,756	1	3,756	
	Hsin Sheng Photovoltaic Co., Ltd. - privately issued share	"	"	1,600,000	4,480	10	4,480	
					<u>\$ 1,202,938</u>		<u>\$ 1,202,938</u>	
Nan Pao Chemical Co., Ltd.	Ace Chemical Corp - privately issued share	None	Financial asset measured at fair value through other comprehensive income - Non-Current	827,030	<u>\$ 7,642</u>	10	<u>\$ 7,642</u>	

Note 1: marketable securities in 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 7 for information on investments in subsidiaries and affiliated companies.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries
 Acquisition of real estate at cost in excess of NT\$300 Million or 20% of paid-in capital
 2018

Table 4

Unit: NT\$1,000

Company that acquires real estate	Property Name	Event Date	Transaction Amount	Payment Status	Counterparty	Relations	Counterparty is Related Party, Prior Transfer Data				Reference of Price Determination	Purpose of Acquisition and Usage	Other Agreement Matter
							Relationship Between	Issuer and Counterparty	Transfer Date	Amount			
Prince Pharmaceutical Co.	New Construction Project of Central Taiwan Science Park	09.29.2017 - 12.31.2018	\$ 449,800	Pay through wire transfer at month-end according to the progress of the construction	Tianrui Construction Engineering Company	-	-	-	-	-	Price Comparison and Price Negotiation	Operational Requirements	None

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

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

January 1 to December 31, 2018

Table 5

Unit: NT\$1,000

Purchase(Sale) company	Name of counterparty	Relations	Transaction				Unusual Trade Conditions and Reasons		Notes and accounts receivable (payable)		Remarks
			Purchase/Sale	Amount (NT\$)	Ratio of total Purchase (Sales)	Credit Period	Unit Price	Credit Period	Balance (Note)	Ratio on total accounts receivable or payable (%)	
Nan Pao Resins Chemical Co.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Subsidiary	Sales	(\$ 951,550)	18	90 day Wire Transfer	Equivalent	Equivalent	\$ 275,605	23	
	PT. Indo Nan Pao Resins Chemical	Subsidiary	Sales	(305,654)	6	90 day Wire Transfer	Equivalent	Equivalent	86,332	7	
	Eastlion Enterprises Ltd.	Subsidiary	Sales	(262,753)	5	90 day Wire Transfer	Equivalent	Equivalent	80,693	7	
	Nan Pao Materials Vietnam Co. Ltd.	Subsidiary	Sales	(151,082)	3	90 day Wire Transfer	Equivalent	Equivalent	79,130	7	
	Nan Pao Resins (Foshan) Co., Ltd.	Subsidiary	Sales	(185,614)	3	90 day Wire Transfer	Equivalent	Equivalent	18,459	2	
	Nan Pao Resins (China) Co., Ltd.	Subsidiary	Sales	(177,062)	3	90 day Wire Transfer	Equivalent	Equivalent	54,369	5	
Nan Pao Resins International Ltd.	Pou Chen Corporation and Subsidiaries	Investors with significant influence	Sales	(441,212)	98	Payment within 60 Days	Equivalent	Equivalent	85,756	100	
Nan Pao Resins (Vietnam) Enterprise Ltd.	Nan Pao Resins International Ltd.	Same Parent Company	Sales	(321,674)	12	90 day Wire Transfer	Equivalent	Equivalent	90,840	14	
	PT. Indo Nan Pao Resins Chemical	Same Parent Company	Sales	(109,304)	4	90 day Wire Transfer	Equivalent	Equivalent	42,382	6	
	Pou Chen Corporation and Subsidiaries	Investors with significant influence	Sales	(155,636)	6	Payment within 90 Days	Equivalent	Equivalent	30,408	5	
Nan Pao Materials Vietnam Co., Ltd.	Nan Pao Resins International Ltd.	Same Parent Company	Sales	(115,030)	17	60 - 90 Day Wire Transfer	Equivalent	Equivalent	35,604	17	
PT. Indo Nan Pao Resins Chemical	Pou Chen Corporation and Subsidiaries	Investors with significant influence	Sales	(431,541)	45	90 day Wire Transfer	Equivalent	Equivalent	162,123	55	
Eastlion Enterprises Ltd.	Nan Pao Resins (Dongguan) Co., Ltd.	Subsidiary	Processing Fee	311,779	100	Payment within 30 days	No Comparable Product Sales	No Third-Party Transaction for Comparison	-	-	
	Pou Chen Corporation and Subsidiaries	Investors with significant influence	Sales	(164,547)	15	45 Day Wire Transfer	Equivalent	Equivalent	34,637	11	
Nan Pao Resins (Foshan) Co., Ltd.	Fuqing Nan Pao Resins Co., Ltd.	Same Parent Company	Sales	(114,898)	7	Payment within 90 Days	Equivalent	Equivalent	24,125	7	

Note: Except for investors with significant influence, they would be written off during the compilation of the consolidated financial report.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries
Amount of accounts receivable from related parties up to NT\$100 million or 20% of its paid-in capital
December 31, 2018

Table 6

Unit: NT\$1,000

Company with Accounts Receivable	Name of counterparty	Relations	Related party of account receivables Account balance (Note 2)	Turnover Ratio%	Overdue Accounts Receivable from Related Party		Accounts Receivable from Related Party Amount Recoverable After period	Listed Deductibles Bad debt
					Amount	Processing Method		
Nan Pao Resins Chemical Co. PT. Indo Nan Pao Resins Chemical	Nan Pao Resins (Vietnam) Enterprise Ltd. Pou Chen Corporation and Subsidiaries	Subsidiary Investors with significant influence	\$ 275,605 162,123	3.07 2.81	\$ - -	Not Applicable Not Applicable	\$ 171,365 78,330	\$ - 15
Nan Pao Resins (China) Co., Ltd.	Nan Pao (Kunshan) Electronic Commerce Co., Ltd.	Same Parent Company	113,482	- (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: Except for investors with significant influence, they would be written off during the compilation of the consolidated financial report.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

Information on investees, locations, etc.

January 1 to December 31, 2018

Table 7

Unit: NT\$1,000

(Only foreign currency is denoted in dollars)

Name of Investor Company	Name of Investee Company	Location	Main Service Items	Initial Investment		Held at the end of the period			Investee Company Profit (loss) for the Period	Recognized Investment Profit/Loss for the current period (Note 1)	Remarks
				End of the current period	End of Last Year	Number of Shares	Ratio	Book Value			
Nan Pao Resins Chemical Co.	Nan Pao Chemical Co., Ltd.	No.12, Nanhai, Nanhai li., Xigang Dist., Tainan City	Trading of Chemicals	\$ 300,000	\$ 300,000	15,000,000	100	\$ 144,988	\$ 11,205	\$ 11,205	
	Nan Pao Application Material Co.	No.12, Nanhai, Nanhai li., Xigang Dist., Tainan City	Trading of Chemicals	60,000	60,000	200,000	100	9,641	(255)	(255)	
	Nan Pao Electronic Material Co.	No.510, Zhongshan Rd., Xigang Dist, Tainan City	Production and Trading of Electronic Materials	63,540	63,540	4,000,000	100	45,097	1,927	1,927	
	ITLS International Development Co. Ltd.	5F, No.356, Sec.1, Neihu Rd., Neihu Dist, Taipei	Trading of Building Materials and Chemicals	755,000	755,000	30,500,000	100	296,110	(12,683)	(9,546)	
	Prince Pharmaceutical Co.	9F, No. 107, Sec.3, Chongxin Rd., Sanchung Dist., New Taipei City	Manufacturing, packaging, processing of various medicine and health food materials	268,000	268,000	14,500,000	49.90	302,950	(3,843)	(1,917)	
	Phymed Bio-Tec Co.	No.12, Nanhai, Nanhai li., Xigang Dist., Tainan City	R&D and Trading of Health Food	16,000	16,000	600,000	100	3,997	(1,544)	(1,544)	
	Biorich Biotechnology Co.	5F, No.356, Sec.1, Neihu Rd., Neihu Dist, Taipei	R&D, Production and Trading of New High Protein Business and Health Food	64,121	64,121	391,462	57.10	5,240	2,434	1,387	
	Nan Pao Advanced Materials Co.	No. 521, Zhongshan Rd., Xigang Dist., Tainan City 723	Trading of Adhesives and Chemicals	3,500	3,500	350,000	70	5,803	3,140	2,198	
	New Industrial Co.	12 F, No. 117, Sec. 2, Chongqing N. Rd., Datung Dist., Taipei City	Production and Trading of Adhesives, Resins, and Other Chemicals Materials	120,000	120,000	1,500,000	30	292,180	70,763	21,229	
	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	198,610	10,739	10,739	
	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	177,158	10,157	10,157	
	Nan Pao Resins India Pvt Ltd.	204, Abhishek, off New Link Road, Andheri (W), Mumbai 400053, India	Trading of Adhesives	16,499	16,499	3,000,000	100	26,676	5,755	5,755	
	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	723,976	62,203	62,203	
	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	435,168	(7,127)	(7,127)	
	Nan Pao Overseas Holdings Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General Investment	2,071,057	1,839,886	67,284,333	100	3,628,352	171,651	170,418	
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General Investment	186,588	186,588	983,333	73.75	742,582	56,314	42,223	Nan Pao Resins Chemical Co., Ltd. and affiliated companies hold 100% shares
	All Saints Enterprises Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General Investment	143,375	143,375	5,452,549	54.53	221,171	(16,227)	(8,848)	Nan Pao Resins Chemical Co., Ltd. and affiliated companies hold 100% 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	299,816	121,839	39,359	Nan Pao Resins Chemical Co., Ltd. and affiliated companies hold 100% 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	193,196	65,461	32,076	Nan Pao Resins Chemical Co., Ltd. and affiliated companies hold 67.5% 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	156,167	(11,744)		
	Aftek Materials Vietnam Co., Ltd.	No. 16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and Trading of Building Materials	49,172	-	-	70	43,848	(9,160)		
Fuqing Nan Pao Investments Ltd.	Wealth Castle Development Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General Investment	140,060	140,060	10,000	100	198,186	10,804		
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	(USD 4,560,000)	(USD 4,560,000)	21,197,000	100	112,583	10,088		
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	171,353	171,353	67,284,333	100	3,674,698	171,733		
ITLS Holding Pte. Ltd.	ITLS (Malaysia) SDN BHD	Lot 75289, Lebuhraya Pasir Gudang, Mukim Plentong (PermasJaya) , 81750 Masai, Johor, Malaysia	Production and Trading of Building Materials	(USD 5,578,821)	(USD 5,578,821)	3,250,000	100	17,990	(727)		
	PT. ITLS Indonesia	Jl. Pajajaran Raya No. 44, Kel. Gandasari, Kec. Jatiuwung, Tangerang-15137 Indonesia	Production and Trading of Building Materials	(USD 2,066,638)	(USD 1,830,133)	2,437,109	100	25,737	1,670		
	ITLS Vietnam Co., Ltd.	No.16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and Trading of Building Materials	(USD 1,027,092)	(USD 1,027,092)	-	100	83,997	(9,362)		
	ITLS-Rich (S) Pte. Ltd.	Blk1049,Eunos Avenue 6,#01-132, Singapore 409628	Trading of Hardware and Building Materials	(USD 2,461,620)	(USD 2,461,620)	250,000	100	-	(5,157)		
	ITLS-SB SDN BHD	Lot 75289, Lebuhraya Pasir Gudang, Mukim Plentong (PermasJaya) , 81750 Masai, Johor, Malaysia	Production and Trading of Hardware and Building Materials	(SGD 275,000)	(SGD 200,000)	2,000,000	100	18,904	(1,199)		
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	20,876	20,876	7,172	67.68	280,745	74,732		
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General Investment	(USD 1,260,000)	(USD 1,260,000)	350,000	26.25	266,390	56,314		Nan Pao Resins Chemical Co., Ltd. and affiliated companies hold 100% shares
				(USD 1,887,627)	(USD 1,887,627)						

(continued on next page)

(continued from previous page)

Name of Investor Company	Name of Investee Company	Location	Main service items	Initial Investment		Held at the end of the period			Investee Company Profit (loss) for the current period	Investment profit or loss Recognized in the current period (Note 1)	Remarks
				End of the current period	End of Last Year	Number of Shares	Ratio	Book Value			
	Nan Pao Resins (Holdings) Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General Investment	\$ 800,251 (USD 26,054,073)	\$ 800,251 (USD 26,054,073)	10,000	100	\$ 873,685	\$ 16,724		
	All Saints Enterprises Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General Investment	163,805 (USD 5,333,075)	163,805 (USD 5,333,075)	4,547,451	45.47	184,424	(16,227)	Nan Pao Resins Chemical Co., Ltd. and affiliated companies hold 100% shares	
	Mega Victory Ltd.	Visits Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	General Investment	72,707 (USD 2,367,154)	72,707 (USD 2,367,154)	2,367,154	100	61,468	2,726		
	ITLS –TWA Australia Pty. Ltd.	Level 4, 147 Collins Street Melbourne Vic 3000	Production and Trading of Hardware, Building Materials, and Chemicals	129,990 (AUD 6,000,000)	129,990 (AUD 6,000,000)	6,000,000	100	(49,10)	(3)		
	NP Australia Pty. Ltd.	Level 4, 147 Collins Street Melbourne Vic 3000	General Investment	513,771 (AUD 23,714,354)	513,771 (AUD 23,714,354)	23,714,354	100	645,430	23,241		
	Ongoing Profits Ltd.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Island	General Investment	117,848 (USD 3,836,817)	117,848 (USD 3,836,817)	3,287,546	67.82	661,171	121,839	Nan Pao Resins Chemical Co., Ltd. and affiliated companies hold 100% shares	
	Treasure Wealth (HK) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General Investment	141,596 (USD 4,610,000)	141,596 (USD 4,610,000)	4,610	100	142,887	(2,955)		
	Goldford Investments Ltd.	Creque Building, P.O. Box 116, Road Town, Tortola, British Virgin Islands	General Investment	17,963 (USD 584,844)	17,963 (USD 584,844)	486,000	100	78,717	12,068		
	Nan Pao Resins Chemical Philippines, Inc.	Road 22 Phase 11, Cogeo Village, Antipolo City, Philippines	Trading of Adhesives	6,450 (USD 210,000)	6,450 (USD 210,000)	9,000	100	39,313	4,489		
	Nan Pao Resins International Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Trading of chemicals and related products	784 (HKD 200,000)	784 (HKD 200,000)	1,000	100	9,911	1,729		
Profit Land Ltd.	Giant Profit Development Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General Investment	245,720 (USD 8,000,000)	245,720 (USD 8,000,000)	10,000	100	913,288	53,529		
Nan Pao Resins (Holdings) Ltd.	Eastlion Enterprises Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General Investment	618,603 (USD 20,140,100)	618,603 (USD 20,140,100)	20,240	100	761,240	15,623		
	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	1,080	(395)		
	Nan Pao Resins Development Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General Investment	92,145 (USD 3,000,000)	92,145 (USD 3,000,000)	3,000	100	104,049	1,503		
All Saints Enterprises Ltd.	Great Mount Enterprises Ltd.	Unit 2102, 21/F The Broadway, No., 54-62 Lockhart, Road, Wanchai, Hong Kong	General Investment	307,150 (USD 10,000,000)	307,150 (USD 10,000,000)	10,000	100	401,140	(16,178)		
Mega Victory Ltd.	Progroun Technology Co., Ltd.	No.12, Nanhai, Nanhai li., Xigang Dist., Tainan City	Trading of Waterborne PU Resin	75,000	75,000	459,950	91.99	61,438	2,970		
NP Australia Pty Ltd.	RLA Polymers Pty. Ltd.	Level 4, 147 Collins Street Melbourne Vic 3000	Production and Trading of Building Materials and Chemicals	321,386 (AUD 14,834,344)	321,386 (AUD 14,834,344)	10,052,080	100	504,231	27,668		
Ongoing Profits Ltd.	Rising Sun Associates Ltd.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Island	General Investment	148,892 (USD 4,847,546)	148,892 (USD 4,847,546)	3,000,000	100	973,031	121,892		
Treasure Wealth (HK) Ltd.	Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Kcn Nhon Trach II, Xa Hiep Phuoc, Huyen Nhon Trach, Tinh Dong Nai, Vietnam	Production and Trading of Coatings	140,982 (USD 4,590,000)	140,982 (USD 4,590,000)	-	50	142,462	221		
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	77,907	65,461	Nan Pao Resins Chemical Co., Ltd. and affiliated companies hold 67,5% shares	
Rising Sun Associates Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Cong Thanlilz, DiAn District, Binh Duong Province	Production and Trading of Adhesives and Coatings	104,683 (USD 3,408,217)	104,683 (USD 3,408,217)	-	100	970,005	121,940		
RLA Polymers Pty Ltd.	RLA Polymers (M) SDN BHD	No.5, Lebuhraya Petai, Pandamaran, 42000 Port Klang, Selangor Darul Ehsan, Malaysia	Production and Trading of Building Materials and Chemicals	129,379 (AUD 5,971,801)	129,379 (AUD 5,971,801)	18,415,500	100	192,216	1,921		

Note 1: The Company is only required to list the amount of profit and loss of each of the subsidiaries and each investee that adopts the equity method. The rest of the information can be exempted.

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

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries
Information on investment in Mainland China
January 1 to December 31, 2018

Table 8

Unit: NT\$1,000
(Only foreign currency is denoted in dollars)

Investee Company in Mainland China Company Name	Main Service Items	Actual Paid-In Capital (Note 4)	Investee Company (Note 1)	Accumulated Outflow of Investment from Taiwan at the beginning of the period Amount Invested (Note 4)	Outflow or recovery of investment during the period		Accumulated outflow from Taiwan at the end of the period Amount Invested (Note 4)	Investee company Profit (loss) of the current period	Shareholding ratio of the company's direct or indirect investments (%)	Investment Profit or Loss Recognized in the current period (Note 2)	Investment at the end of the period Book Value	Investment Income remitted at end of the current period
					Outflow	Recovery						
Nan Pao Resins (China) Co., Ltd.	Production and trading of adhesives and coatings	\$ 307,150 (USD 10,000,000)	(2) Great Mount Enterprises Ltd.	\$ 331,413 (USD 10,789,932)	\$ -	\$ -	\$ 331,413 (USD 10,789,932)	(\$ 16,160)	100	(\$ 16,160) (2) B.	\$ 400,990	\$ -
Fuqing Nan Pao Resins Co., Limited	Production and trading of adhesives	140,060 (USD 4,560,000)	(2) Wealth Castle Development Ltd.	153,268 (USD 4,990,000)	-	-	153,268 (USD 4,990,000)	10,949	100	10,949 (2) B.	196,981	112,121
Nan Pao Resins (Dongguan) Co., Ltd.	Processing of adhesives	82,931 (USD 2,700,000)	(2) Eastlion Enterprises Ltd.	78,073 (USD 2,541,860)	-	-	78,073 (USD 2,541,860)	41,595	100	41,595 (2) B.	120,989	-
Dongguan Jia Chin Electronics Co., Ltd.	Production and trading of coatings and high performance resins	92,145 (USD 3,000,000)	(2) Nan Pao Resins Development Ltd.	94,132 (USD 3,064,683)	-	-	94,132 (USD 3,064,683)	1,504	100	1,504 (2) B.	104,031	-
Foshan Nan Pao Advanced Materials Co., Ltd.	Production and trading of adhesives	46,073 (USD 1,500,000)	(2) Greatwill Materials (HK) Ltd. and Nan Pao Resins (Foshan) Co., Ltd.	-	-	-	-	75,189	68	51,131 (2) B.	280,750	-
Nan Pao Resins (Foshan) Co., Ltd.	Production and trading of adhesives	245,720 (USD 8,000,000)	(2) Giant Profit Development Ltd.	239,197 (USD 7,787,627)	-	-	239,197 (USD 7,787,627)	53,547	100	53,547 (2) B.	912,250	128,367
Nanpao Chenghong New Material Technology Co., Ltd.	Trading of Footwear Materials	22,360 (RMB 5,000,000)	(3) Nan Pao Resins (Fo Shan) Co., Ltd.	-	-	-	-	1,754	51	895 (2) B.	12,783	-
Foshan Nan Pao Hung Hou New Materials Co., Ltd.	Trading of Chemicals	-	(3) Nan Pao Resins (Foshan) Co., Ltd.	-	-	-	-	(456)	80	(365) (2) B.	-	-
Gangyi Electronic (Dongguan) Co., Ltd. (Note 5)	Production and trading of magnetic rings, magnetic covers, iron cores and electronic components	-	(2) Qang Yi Electronic Factory Company Ltd.	12,286 (USD 400,000)	-	-	12,286 (USD 400,000)	-	-	-	-	-
Nanpao Advanced Investment Co., Ltd.	General Investment	574,371 (USD 18,700,000)	(2) Nan Pao Group Holdings Ltd.	337,865 (USD 11,000,000)	236,506 (USD 7,700,000)	-	574,371 (USD 18,700,000)	(4,266)	100	(4,266) (2) B.	542,313	-
Nan Pao (Kunshan) Electronic Commerce Co., Ltd.	Online Business Agency and General Merchandise Trading	153,575 (USD 5,000,000)	(3) Nan Pao Advanced Investment Co., Ltd.	-	-	-	-	(9,144)	100	(9,144) (2) B.	130,460	-
Nantong Nan Pao Resins Materials Co., Ltd.	Production and trading of adhesives	168,933 (USD 5,500,000)	(3) Nan Pao Advanced Investment Co., Ltd.	-	-	-	-	(537)	100	(537) (2) B.	159,317	-
Nan Pao Resins (Yunan) Co., Ltd.	Production and trading of adhesives	61,430 (USD 2,000,000)	(3) Nan Pao Advanced Investment Co., Ltd.	-	-	-	-	483	100	483 (2) B.	61,439	-

Aggregate investment amount remitted from Taiwan to Mainland China at end of period (Note 4)	Investment Amounts Authorized by Investment Commission, MOEA (Note 4)	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs (MOEA) (Note 4)
\$ 1,482,739 (USD 48,274,102)	\$ 1,730,768 (USD 56,349,260)	\$ 5,776,574

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

- (1) Direct investment in Mainland China.
- (2) Invest in Mainland China through companies in a third-party region (please specify investment company in third-party region).
- (3) Other methods

Note 2: Investment gains and losses recognized in the current period column:

- (1) If the Company is in preparation status, no investment loss and profit occur, it shall be noted
- (2) There are three types of recognized investment loss and profit, and the Company is required to note the type that applies to the Company:
 - A. The financial statements audited by international accounting firms that has relations with CPA Republic of China.
 - B. The financial statements audited by CPA of Taiwan parent company.
 - C. Others.

Note 3: the Company's investment limit in Mainland China is calculated as follows:

$$\$9,627,623 \times 60\% = \$5,776,574$$

Note 4: relevant amounts are calculated based on the exchange rate of US\$1 = NT\$30.715 at the end of the period.

Relevant amounts are calculated based on the exchange rate of CNY 1 = NT\$4.472 at the end of the period.

Note 5: Gangyi Electronic (Dongguan) Co., Ltd. has finished liquidation in October 2017 but its share amounts have not been remitted to Taiwan; hence, it has not been removed from authorized investment amount from the MOEA.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

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

January 1 to December 31, 2018

Table 9

Unit: NT\$1,000 unless otherwise stated

Purchase(Sale) company	Counterparty	Relations	Transaction				The amount of transaction is different from the normal transactions		Notes and accounts receivable (payable)		Unrealized profit (Note)
			Purchase/Sale	Amount (NT\$)	Ratio on total sales and purchases Ratio (%)	Credit Period	Reasons and Conditions		Balance (Note)	Ratio on total accounts receivable Notes Payable, Account Ratio (%)	
							Unit Price	Credit Period			
Nan Pao Resins Chemical Co.	Nan Pao Resins (Foshan) Co., Ltd.	Subsidiary	Sales	(\$ 185,614)	(3)	90 Day Wire Transfer	Equivalent	Equivalent	\$ 18,459	2	\$ 4,837
	Nan Pao Resins (China) Co., Ltd.	Subsidiary	Sales	(177,062)	(3)	90 Day Wire Transfer	Equivalent	Equivalent	54,369	5	-
	Fuqing Nan Pao Resins Co., Limited	Subsidiary	Sales	(15,563)	-	90 Day Wire Transfer	Equivalent	Equivalent	2,462	-	-
Foshan Nan Pao Advanced Materials Co., Ltd.	Nan Pao Resins Chemical Co.	Ultimate Parent Company	Sales	(74,074)	(5)	30 Day Wire Transfer	Equivalent	Equivalent	1,996	-	-
	Nan Pao Resins (Foshan) Co., Ltd.	Same Parent Company	Sales	(50,794)	(3)	Payment within 90 Days	Equivalent	Equivalent	14,642	3	-
	Nan Pao Resins India Pvt Ltd.	Same Parent Company	Sales	(32,870)	(2)	90 Day Wire Transfer	Equivalent	Equivalent	12,990	3	-
	Greatwill Materials (HK) Ltd.	Same Parent Company	Sales	(62,487)	(4)	90 Day Wire Transfer	Equivalent	Equivalent	18,727	4	-
Nan Pao Resins (Dongguan) Co., Ltd.	Eastlion Enterprises Ltd.	Parent Company	Net Sale of Processing	(311,779)	(100)	Payment within 30 days	No comparable product price	No comparable third-party transaction	-	-	-
Nan Pao Resins (Foshan) Co., Ltd.	Eastlion Enterprises Ltd.	Same Parent Company	Sales	(22,881)	(1)	90 Day Wire Transfer	Equivalent	Equivalent	6,007	2	-
	Nan Pao Resins (China) Co., Ltd.	Same Parent Company	Sales	(30,726)	(2)	Payment within 90 Days	Equivalent	Equivalent	9,472	2	-
	Fuqing Nan Pao Resins Co., Limited	Same Parent Company	Sales	(114,898)	(6)	Payment within 90 Days	Equivalent	Equivalent	24,125	6	-
Fuqing Nan Pao Resins Limited	Nan Pao Resins (China) Co., Ltd.	Same Parent Company	Sales	(48,274)	(13)	90 Day Wire Transfer	Equivalent	Equivalent	17,054	19	-

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

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries
Business relationships, important transactions, and amounts between parent company and subsidiaries
January 1 to December 31, 2018

Table 10

Unit: NT\$1,000

Serial number	Name of counterparty	Counterparty	Relationship with Counterparty (Note 1)	Transaction Status				
				Account	Amount (Note 2)	Transaction Terms	Percentage of consolidated total revenue or total asset (%)	
0	Nan Pao Resins Chemical Co.	Nan Pao Resins (China) Co., Ltd	1	Accounts Receivable - Related Parties	\$ 54,369		-	
				Sales Revenue	177,062	Price based on average transaction price, receive 90 day payment through wire transfer	1	
			Nan Pao Resins (Vietnam) Enterprise Ltd.	1	Accounts Receivable - Related Parties	275,605		2
					Sales Revenue	951,550	Price based on average transaction price, receive 90 day payment through wire transfer	6
					Purchase	12,594	Price based on average transaction price, payment through wire transfer within 90 days	-
			Nan Pao Resins (Foshan) Co., Ltd.	1	Accounts Receivable - Related Parties	18,459		-
					Sales Revenue	185,614	Price based on average transaction price, receive 90 day payment through wire transfer	1
			PT. Indo Nan Pao Resins Chemical	1	Accounts Receivable - Related Parties	86,332		-
					Sales Revenue	305,654	Price based on average transaction price, receive 90 day payment through wire transfer	2
			Nan Pao Resins Chemical Philippines, Inc.	1	Sales Revenue	21,910	Price based on average transaction price, receive 90 day payment through wire transfer	-
			Fuqing Nan Pao Resins Co., Ltd.	1	Sales Revenue	15,563	Price based on average transaction price, receive 90 day payment through wire transfer	-
			Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	1	Sales Revenue	22,138	Price based on average transaction price, receive 90 day payment through wire transfer	-
			RLA Polymers Pty Ltd.	1	Sales Revenue	18,577	Price based on average transaction price, receive 90 day payment through wire transfer	-
			Eastlion Enterprises Ltd.	1	Accounts Receivable - Related Parties	80,693		-
					Sales Revenue	262,753	Price based on average transaction price, receive 90 day payment through wire transfer	2
					Purchase	37,050	No comparable product price, payment within 90 days through wire transfer	-
			Foshan Nan Pao Advanced Materials Co., Ltd.	1	Purchase	74,074	Price based on average transaction price, payment through wire transfer within 90 days	-
			Nan Pao Materials Vietnam Co., Ltd.	1	Accounts Receivable - Related Parties	79,130		-
					Sales Revenue	151,082	Price based on average transaction price, receive 90 day payment through wire transfer	1
		1	Nan Pao Resins (Vietnam) Enterprise Ltd.	ITLS International Development Co.	1	Sales Revenue	28,007	Price based on average transaction price, received 90 day payment
Nan Pao Advanced Materials Co.	1			Sales Revenue	30,544	Price based on average transaction price, receive 90 day payment	-	
Thai Nanpao Resins Chemical Co., Ltd.	1			Sales Revenue	23,533	Price based on average transaction price, receive 90 day payment through wire transfer	-	
Nan Pao Chemical Co., Ltd.	1			Purchase	15,189	Price based on average transaction price, payment through wire transfer within 90 days	-	
PT. Indo Nan Pao Resins Chemical				Accounts Receivable - Related Parties	42,382	Price based on average transaction price, receive 90 day payment through wire transfer	-	
				Sales Revenue	109,304	Price based on average transaction price, receive 90 day payment through wire transfer	1	

Serial number	Name of counterparty	Counterparty	Relationship with Counterparty (Note 1)	Transaction Status			
				Account	Amount (Note 2)	Transaction Terms	Percentage of consolidated total revenue or total asset (%)
		Nan Pao Resins International Ltd.	3	Accounts Receivable - Related Parties	90,840		1
				Sales Revenue	321,674	Price based on average transaction price, receive 90 day payment through wire transfer	2
		Progroup Technology Co., Ltd.	3	Accounts payable - Related Parties	18,257		-
				Purchase	57,133	No comparable product price, payment within 90 days through wire transfer	-
		Eastlion Enterprises Ltd.	3	Accounts payable- Related Parties	21,033		-
				Purchase	80,289	Price based on average transaction price, payment through wire transfer within 90 days	1
		Nan Pao Chemical Co., Ltd.	3	Accounts Receivable - Related Parties	17,821		-
				Purchase	53,396	Price based on average transaction price, payment through wire transfer within 90 days	-
		Nan Pao Materials Vietnam Co., Ltd.	3	Accounts payable - Related Parties	12,872		-
				Purchase	\$ 30,724	Price based on average transaction price, payment within 90 days	-
2	Nan Pao Resins (Foshan) Co., Ltd.	RLA Polymers Pty Ltd.	3	Sales Revenue	21,113	Price based on average transaction price, receive 90 day payment through wire transfer	-
		Fuqing Nan Pao Resins Co., Limited	3	Accounts Receivable - Related Parties	24,125		-
				Sales Revenue	114,898	Price based on average transaction price, received 90 day payment	1
		Nan Pao Resins (China) Co., Ltd.	3	Sales Revenue	30,726	Price based on average transaction price, received 90 day payment	-
		Foshan Nan Pao Advanced Materials Co., Ltd.	3	Accounts payable - Related Parties	14,642		-
				Purchase	50,794	Price based on average transaction price, payment within 90 days	-
		Eastlion Enterprises Ltd.	3	Sales Revenue	22,881	Price based on average transaction price, receive 90 day payment through wire transfer	-
3	Eastlion Enterprises Ltd.	Nan Pao Advanced Materials Co.	3	Purchase	17,535	Price based on average transaction price, payment through wire transfer within 90 days	-
		Nan Pao Resins (Dongguan) Co., Ltd.	3	Processing Fee	311,779	No comparable product price, payment within 30 days	2
		Nan Pao Resins Chemical Philippines, Inc.	3	Accounts Receivable - Related Parties	34,467		-
				Sales Revenue	67,334	Price based on average transaction price, receive 90 day payment through wire transfer	-
		Nan Pao Resins International Ltd.	3	Management Expenses	15,384	No comparable product price, wire transfer payment within 15 days	-
		PT. Indo Nan Pao Resins Chemical	3	Accounts Receivable - Related Parties	20,149		-
				Sales Revenue	39,421	Price based on average transaction price, receive 90 day payment through wire transfer	-
4	Nan Pao Resins (China) Co., Ltd	Nan Pao (Kunshan) Electronic Commerce Co., Ltd.	3	Other Receivables - Related Parties	113,482		1
		Fuqing Nan Pao Resins Co., Limited	3	Accounts payable - Related Parties	17,054		-
				Purchase	48,274	No comparable product price, payment within 90 days through wire transfer	-
5	Foshan Nan Pao Advanced Materials Co., Ltd.	Nan Pao Resins India Pvt Ltd.	3	Accounts Receivable - Related Parties	12,990		-
				Sales Revenue	32,870	Price based on average transaction price, receive 90 day payment through wire transfer	-
		Greatwill Materials (HK) Ltd.	3	Accounts Receivable - Related Parties	18,727		-
				Sales Revenue	62,487	Price based on average transaction price, receive 90 day payment through wire transfer	-

Serial number	Name of counterparty	Counterparty	Relationship with Counterparty (Note 1)	Transaction Status			
				Account	Amount (Note 2)	Transaction Terms	Percentage of consolidated total revenue or total asset (%)
6	Nan Pao Materials Vietnam Co., Ltd.	Nan Pao Resins International Ltd.	3	Accounts Receivable - Related Parties	35,604	Price based on average transaction price, payment received through wire transfer within 60-90 days	-
				Sales Revenue	115,030		1
		Nan Pao Chemical Co., Ltd.	3	Accounts Payable - Related Parties	22,507		-
				Purchase	69,695		-
7	PT. Indo Nan Pao Resins Chemical	PT. Indo Nan Pao Resins Chemical	3	Sales Revenue	12,662	Price based on average transaction price, receive 90 day payment through wire transfer	-
				PT. ITLS Indonesia	3	Sales Revenue	22,968
		ITLS International Development Co., Ltd.	3	Purchase	27,912	Price based on average transaction price, payment through wire transfer within 90 days	-
				Purchase	12,321	Price based on average transaction price, payment through wire transfer within 90 days	-

Note 1: Relationship with counterparty can be specified using the following three categories:

- (1) Parent Company to Subsidiaries.
- (2) Subsidiaries to Parent Company.
- (3) Between Subsidiaries

Note 2: Already written off during compilation of the consolidated financial statements