

Nan Pao Resins Chemical Co.,  
Ltd.  
and Subsidiaries

Consolidated Financial Statements  
and CPAs' Report  
First Quarter of March 31, 2019, and  
2018

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## CPAs' Report

To Nan Pao Resins Chemical Co., Ltd.

### **Introduction**

We have reviewed the Consolidated Balance Sheets of Nan Pao Resins Chemical Co., Ltd. and its subsidiaries as of March 31, 2019, and 2018, the related Consolidated Statements of Comprehensive Income for the three-month periods ending on March 31, 2019 and 2018, the Consolidated Shareholders' Equity Statements and Consolidated Cash Flow Statements for the three-month periods ending on March 31, 2019 and 2018, as well as the accompanying Notes to the Consolidated Financial Statements (including summarized remarks on significant accounting policies). It is the management's responsibility to prepare a set of fairly presented financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 Interim Financial Reporting as endorsed, issued, and affected by the Financial Supervisory Commission (FSC). Our responsibility is to provide a conclusion on the consolidated financial statements based on our reviews.

### **Boundaries**

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

### **Basis for Qualified Conclusion**

As stated in Note 12 of the Consolidated Financial Statements, the financial statements of the same period for some of the immaterial subsidiaries that have been included in the Consolidated Financial Statements, have not been reviewed by us. The total assets are (denoted in NTD) NT\$3,347,067 thousand and NT\$3,131,284 thousand as of March 31, 2019, and March 31, 2018, and account for 19% both of the respectively of the consolidated assets. Total liabilities are NT\$854,791 thousand and NT\$553,718 thousand and account for 12% and 8% of the consolidated liabilities respectively. Its total comprehensive income from January 1, 2019 to March 31, 2019 and 2018 are profit of NT\$29,402 thousand, and NT\$11,521 thousand, and account for 17% and 9% of the consolidated comprehensive income respectively. Information disclosure has been included in the Notes to the Consolidated Financial Statements and compiled and disclosed as financial statements not reviewed by the CPAs for immaterial subsidiaries of the same period. In addition, as stated in Note 13 of the Consolidated Financial Statements, investments accounted for using the equity method as of March 31, 2019, and 2018, are NT\$296,571 thousand and NT\$285,957 thousand respectively. Income or loss recognized using the equity method from January 1 to March 31, 2019, and 2018, are the profit of NT\$4,391 thousand and NT\$7,506 thousand, respectively. The above figures have been recognized and disclosed in the financial statements of the same period for the investee companies, which have not been reviewed by CPAs.

### **Qualified Conclusion**

Based on our review and reviews from other CPAs (please see Other Matters), except for the effects as stated in the paragraph of Basis for Qualified Conclusion that there would have been adjustments to the financial statements of the said insignificant subsidiaries and investees accounted for using the equity method if they had been reviewed by CPAs, we do not find in the said consolidated financial statements, in all material aspects, any violation of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and of IAS 34 Interim Financial Reporting endorsed by the FSC, which may result in unfairly presenting the consolidated financial status of Nan Pao Resins Chemical Co., Ltd. and its subsidiaries as of March 31, 2019 and 2018, and their consolidated financial performance and consolidated cash flows for the three-month periods ending on March 31, 2019 and 2018.

## Other Matters

Financial statements of NP Australia Pty Ltd. and its subsidiaries, which have been included in the Consolidated Financial Statements of Nan Pao Resins Chemical Co., Ltd., have been reviewed by CPAs other than us. Therefore, any value of such financial statements that we have used to form our conclusion on the aforementioned consolidated financial statements is based on other CPAs' review reports. The total assets of such subsidiaries are NT\$1,486,402 thousand and NT\$1,294,647 thousand on March 31, 2019, and 2018, accounting for 8% both of the respectively of the consolidated assets. The net operating revenues from January 1 to March 31, 2019, and 2018 are NT\$453,988 thousand, NT\$476,033 thousand respectively, and accounts for 12% and 14% of the consolidated net operating revenue.

## Emphasis of Matter

stated in Note 3 to the consolidated financial statements, Nan Pao Group has started As applying the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers since 2019, as well as the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations and SIC Interpretations effective and applicable in 2019, thereby applying retrospectively the abovementioned regulations, IFRIC Interpretations and SIC Interpretations, and has chosen not to restate information during the comparison period. CPAs did not amend the qualified conclusion based on the aforementioned matter.

Deloitte & Touche Taiwan

CPA Liao, Hung-Ju

CPA Kung, Chun-Chi

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

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

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Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Consolidated Financial Statements  
March 31, 2019, December 31, 2018, and March 31, 2018

Unit: NT\$1,000

C o d e	A s s e t	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)	
		S u m	%	S u m	%	S u m	%
Current assets							
1100	Cash and cash equivalents ( Note 6 )	\$ 3,966,695	23	\$ 3,679,348	21	\$ 3,735,292	22
1136	Financial assets at amortized cost - current ( Note 8,9, and 34 )	217,177	1	196,068	1	269,748	2
1150	Notes receivable ( Note 10 )	247,005	2	293,405	2	214,663	1
1170	Accounts receivable ( Note 10 )	2,838,603	16	3,112,385	18	2,600,560	16
1180	Accounts receivable - related persons ( Note 10, and 33 )	336,707	2	357,724	2	320,039	2
1200	Other receivables ( Note 10 )	202,794	1	201,967	1	32,683	-
1220	Current income tax assets	34,064	-	13,197	-	23,597	-
130X	Inventory ( Note 11 )	2,299,796	13	2,347,224	13	2,457,221	15
1412	Prepaid rent ( Note 19 )	-	-	15,335	-	14,321	-
1479	Other current assets ( Note 20 )	409,413	2	453,097	3	511,170	3
11XX	Total current assets	<u>10,552,254</u>	<u>60</u>	<u>10,669,750</u>	<u>61</u>	<u>10,179,294</u>	<u>61</u>
Non-current assets							
1517	Financial assets measured at FVTOCI non-current ( Note 7 )	1,135,891	6	1,210,580	7	1,560,076	9
1535	Financial assets carried at cost - non- ( Note 8,9, and 34 )	93,917	1	53,194	-	52,778	-
1550	Investments accounted for using the equity method ( Note 13 )	296,571	2	292,180	2	285,957	2
1600	Property, Plants & Equipment ( Note 14, and 34 )	3,964,155	22	3,959,992	23	3,370,707	20
1755	Right-of-use asset ( Note 4, and 15 )	1,105,366	6	-	-	-	-
1760	Investment property ( Note 16 )	17,760	-	17,760	-	17,760	-
1805	Goodwill ( Note 17 )	87,397	1	86,766	1	89,000	1
1821	Other intangible assets ( Note 18 )	63,942	-	43,874	-	45,344	-
1840	Deferred income tax assets	235,517	1	251,359	1	266,796	2
1985	Prepaid rent - non-current ( Note 19 )	-	-	662,223	4	605,617	4
1990	Other non-current assets ( Note 20 )	131,303	1	115,775	1	181,857	1
15XX	Total Non-Current Assets	<u>7,131,819</u>	<u>40</u>	<u>6,693,703</u>	<u>39</u>	<u>6,475,892</u>	<u>39</u>
1XXX	Total Assets	<u>\$ 17,684,073</u>	<u>100</u>	<u>\$ 17,363,453</u>	<u>100</u>	<u>\$ 16,655,186</u>	<u>100</u>
C o d e L i a b i l i t i e s a n d S h a r e h o l d e r s ' E q u i t y							
Current liabilities							
2100	Short-term loans ( Note 21 and 34 )	\$ 1,239,092	7	\$ 1,308,539	8	\$ 1,434,616	9
2110	Short-term notes payable ( Note 21 )	-	-	-	-	99,940	1
2130	Contract liabilities - current ( Note 26 )	57,401	-	41,499	-	34,761	-
2150	Notes payable ( Note 22 )	27,561	-	35,908	-	23,623	-
2170	Accounts payable ( Note 22, and 33 )	1,755,473	10	1,923,206	11	1,808,519	11
2280	Lease liabilities-current ( Note 4, and 15 )	35,606	-	-	-	-	-
2219	Other payables ( Note 33 )	654,731	4	788,396	5	652,217	4
2230	Current income tax liabilities	242,289	1	169,036	1	231,894	1
2320	Long-term debt maturing within one year ( Note 21 and 34 )	281,442	2	252,428	1	44,917	-
2399	Other current liabilities ( Note 23, and 33 )	145,108	1	185,889	1	144,134	1
21XX	Total current liabilities	<u>4,438,703</u>	<u>25</u>	<u>4,704,901</u>	<u>27</u>	<u>4,474,621</u>	<u>27</u>
Non-current liabilities							
2580	Lease liabilities-non current ( Note 4, and 15 )	444,985	3	-	-	-	-
2540	Long-term debt ( Note 21 and 34 )	1,381,305	8	1,392,070	8	1,596,823	10
2570	Deferred income tax liabilities	732,119	4	705,380	4	729,673	4
2640	Net defined benefit liabilities - non-current	143,488	1	149,410	1	176,427	1
2670	Other Non-Current Liabilities ( Note 23, and 35 )	51,848	-	56,622	-	42,767	-
25XX	Total Non-current Liabilities	<u>2,753,745</u>	<u>16</u>	<u>2,303,482</u>	<u>13</u>	<u>2,545,690</u>	<u>15</u>
2XXX	Total Liabilities	<u>7,192,448</u>	<u>41</u>	<u>7,008,383</u>	<u>40</u>	<u>7,020,311</u>	<u>42</u>
Equity attributable to shareholders of the Company ( Note 25 )							
Equity							
3110	Ordinary Shares	1,205,707	7	1,205,707	7	1,086,207	6
3200	Capital reserve	2,108,235	12	2,108,235	12	1,290,212	8
Retained earnings							
3310	Statutory Surplus Reserve	988,725	6	988,725	6	900,538	5
3320	Special Surplus Reserve	313,321	2	313,321	2	313,321	2
3350	Undistributed earnings	4,331,263	24	4,207,525	24	4,258,407	26
3300	Total Reserved Earnings	<u>5,633,309</u>	<u>32</u>	<u>5,509,571</u>	<u>32</u>	<u>5,472,266</u>	<u>33</u>
3400	Other equity	799,557	4	804,110	5	1,096,064	7
31XX	Total Owner's Equity	<u>9,746,808</u>	<u>55</u>	<u>9,627,623</u>	<u>56</u>	<u>8,944,749</u>	<u>54</u>
36XX	Non-controlling Interests	744,817	4	727,447	4	690,126	4
3XXX	Total Equity	<u>10,491,625</u>	<u>59</u>	<u>10,355,070</u>	<u>60</u>	<u>9,634,875</u>	<u>58</u>
Total Liabilities and Equity		<u>\$ 17,684,073</u>	<u>100</u>	<u>\$ 17,363,453</u>	<u>100</u>	<u>\$ 16,655,186</u>	<u>100</u>

The attached Notes are parts of this set of Consolidated Financial Statements.  
(Please refer to Audit Report of Deloitte & Touche on May 9, 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

January 1 to March 31, 2019 and 2018

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

Unit: NT\$1,000

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

C o d e	January 1, 2019 to March 31, 2019			January 1, 2018 to March 30, 2018		
	S	u	%	S	u	%
4000	Operating revenue (Notes 26, and 33)	\$ 3,747,814	100	\$ 3,506,847	100	
5000	Operating cost (Notes 11, 27, and 33)	<u>2,782,648</u>	<u>74</u>	<u>2,723,243</u>	<u>77</u>	
5900	Gross profit	<u>965,166</u>	<u>26</u>	<u>783,604</u>	<u>23</u>	
	Operating expenses (Note 27)					
6100	Selling expenses	391,301	10	374,865	11	
6200	General and administrative expenses	213,529	6	184,191	5	
6300	Research and development expenses	106,049	3	94,442	3	
6450	Estimated credit impairment loss or gain	( <u>8,399</u> )	<u>-</u>	<u>5,031</u>	<u>-</u>	
6000	Total operating expenses	<u>702,480</u>	<u>19</u>	<u>658,529</u>	<u>19</u>	
6900	Net operating profit	<u>262,686</u>	<u>7</u>	<u>125,075</u>	<u>4</u>	
	Non-operating income and expenses (Notes 13, and 27)					
7010	Other income	7,284	-	8,042	-	
7020	Other gains and losses	6,962	-	( 25,675 )	( 1 )	
7050	Financing cost	( 17,708 )	-	( 13,866 )	-	
7060	Share of the profit or loss of associates accounted for using the equity method	<u>4,391</u>	<u>-</u>	<u>7,506</u>	<u>-</u>	
7000	Total Non-operating Income and Expenses	<u>929</u>	<u>-</u>	<u>( 23,993 )</u>	<u>( 1 )</u>	
7900	Pre-tax profit	263,615	7	101,082	3	
7950	Income tax expenses (revenue) (Note 4 and 28)	<u>95,647</u>	<u>2</u>	<u>( 7,442 )</u>	<u>-</u>	
8200	Net profit of this period	<u>167,968</u>	<u>5</u>	<u>108,524</u>	<u>3</u>	
	Other comprehensive gain or loss					
	Items that will not be reclassified to profit or loss:					
8316	Unrealized valuation loss (gain) on investments in an equity instrument measured at FVTOCI	( 74,689 )	( 2 )	-	-	
8349	items that will not be reclassified (Note 28)	<u>-</u>	<u>-</u>	<u>( 1,727 )</u>	<u>-</u>	
8310		<u>( 74,689 )</u>	<u>( 2 )</u>	<u>( 1,727 )</u>	<u>-</u>	
8360	Items that may be reclassified to profit or loss:					
8361	Foreign currency translation difference(Note 25)	100,662	3	6,019	-	
8399	Income tax relating to items that may be reclassified (Notes 28)	( <u>18,198</u> )	<u>( 1 )</u>	<u>10,359</u>	<u>1</u>	
		<u>82,464</u>	<u>2</u>	<u>16,378</u>	<u>1</u>	

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Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Consolidated Statement of Changes in Equity  
January 1 to March 31, 2019 and 2018  
(Reviewed only, not audited in accordance with generally accepted auditing standards)

Unit: NT\$1,000

Code		E q u i t y		a t t r i b u t a b l e			e t o o w n e r s		T o t a l	N o n - c o n t r o l l i n g I n t e r e s t s	T o t a l E q u i t y
		C a p i t a l f r o m c o m m o n s t o c k	C a p i t a l r e s e r v e	S t a t u t o r y S u r p l u s R e s e r v e	S p e c i a l S u r p l u s R e s e r v e	U n d i s t r i b u t e d e a r n i n g s	O t h e r	E q u i t y			
A1	Balance as of January 1, 2019	\$ 1,205,707	\$ 2,108,235	\$ 988,725	\$ 313,321	\$ 4,207,525	(\$ 222,890)	\$ 1,027,000	\$ 9,627,623	\$ 727,447	\$ 10,355,070
A3	Impact of retrospective application (Note 3)	-	-	-	-	( 27,373)	( 2,654)	-	( 30,027)	-	( 30,027)
A5	Adjusted balance as of January 1, 2019	1,205,707	2,108,235	988,725	313,321	4,180,152	( 225,544)	1,027,000	9,597,596	727,447	10,325,043
D1	Net income from January 1 to March 31, 2019	-	-	-	-	151,111	-	-	151,111	16,857	167,968
D3	Other comprehensive income after tax from January 1, 2019, to March 31, 2019	-	-	-	-	-	72,790	( 74,689)	( 1,899)	9,674	7,775
D5	Total comprehensive income from January 1, 2019, to March 31, 2019	-	-	-	-	151,111	72,790	( 74,689)	149,212	26,531	175,743
O1	Increase in non-controlling interests	-	-	-	-	-	-	-	-	( 9,161)	( 9,161)
Z1	Balance as of March 31, 2019	\$ 1,205,707	\$ 2,108,235	\$ 988,725	\$ 313,321	\$ 4,331,263	(\$ 152,754)	\$ 952,311	\$ 9,746,808	\$ 744,817	\$ 10,491,625
A5	Balance as of January 1, 2018	\$ 1,086,207	\$ 1,290,212	\$ 900,538	\$ 313,321	\$ 4,158,679	(\$ 291,717)	\$ 1,376,496	\$ 8,833,736	\$ 658,555	\$ 9,492,291
D1	Net income from January 1 to March 31, 2018	-	-	-	-	102,314	-	-	102,314	6,210	108,524
D3	Other comprehensive income after tax from January 1, 2018, to March 31, 2018	-	-	-	-	( 1,727)	11,285	-	9,558	5,093	14,651
D5	Total comprehensive income from January 1, 2018, to March 31, 2018	-	-	-	-	100,587	11,285	-	111,872	11,303	123,175
M5	Differences from book value in the acquisition of shares from subsidiaries (Note 30)	-	-	-	-	( 859)	-	-	( 859)	( 806)	( 1,665)
O1	Increase in non-controlling interests	-	-	-	-	-	-	-	-	21,074	21,074
Z1	Balance as of March 31, 2018	\$ 1,086,207	\$ 1,290,212	\$ 900,538	\$ 313,321	\$ 4,258,407	(\$ 280,432)	\$ 1,376,496	\$ 8,944,749	\$ 690,126	\$ 9,634,875

The attached Notes are parts of this set of Consolidated Financial Statements.  
(Please refer to Audit Report of Deloitte & Touche on May 9, 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

January 1 to March 31, 2019, and 2018

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

Unit: NT\$1,000

<u>C o d e</u>		<u>January 1, 2019 to March 31, 2019</u>	<u>January 1, 2018 to March 31, 2018</u>
	Cash flow from operating activities		
A10000	Current net profit before tax	\$ 263,615	\$ 101,082
A20010	Gains and Losses:		
A20100	Depreciation	88,518	65,089
A20200	Amortization	3,294	6,988
A20400	Estimated credit impairment loss or gain	( 8,399)	5,031
A20900	Financial costs	17,708	13,866
A21200	Interest income	( 6,737)	( 8,003)
A22300	Share of the profit and loss of associates accounted for using the equity method	( 4,391)	( 7,506)
A22500	Loss on disposal of properties, plants, and equipment	( 3,141)	106
A23700	Allowance for inventory valuation and obsolescence loss	2,776	16,936
A30000	Net variable in operational assets/liabilities		
A31130	Notes receivable	46,400	83,833
A31150	Accounts receivable	320,056	85,788
A31160	Accounts receivable - stakeholders	25,774	52,202
A31180	Other receivables	64	5,381
A31200	Inventory	65,364	( 221,892)
A31240	Other current assets	43,418	( 116,129)
A31990	Other non-current assets	1,322	1,041
A32125	Contract liabilities	15,902	11,978
A32130	Notes payable	( 10,476)	( 24,235)
A32150	Accounts payable	( 185,023)	( 139,787)
A32180	Other payables	( 109,633)	( 124,256)
A32230	Other Current Liabilities	( 40,781)	57,094
A32240	Net defined benefit liabilities	( 5,922)	( 2,614)
A32990	Other noncurrent liabilities	19,808	25
A33000	Cash flow from operating activities	539,516	( 137,982)
A33100	Interest income received	5,714	7,754
A33300	Interest Paid	( 18,179)	( 13,410)
A33500	Income Tax Paid	( 18,217)	( 21,115)
AAAA	Net cash inflow (outflow) from operating activities	<u>508,834</u>	<u>( 164,753)</u>

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<u>C o d e</u>		<u>January 1, 2019 to March 31, 2019</u>	<u>January 1, 2018 to March 31, 2018</u>
	Cash flow from investment activities		
B00040	Acquisition of financial assets measured at amortized cost	(\$ 190,947)	(\$ 28)
B00050	Disposal of financial assets measured at amortized cost	130,055	-
B01800	Acquisition of shares in subsidiaries	-	( 1,665)
B02700	Purchase of property, plant and equipment	( 123,232)	( 99,196)
B02800	Disposition of PPE	21,667	11,604
B03700	Increases in refundable deposits	-	( 691)
B03800	Decreases in refundable deposits	-	1,484
B04500	Purchased intangible assets	( 22,656)	( 553)
B09900	Disposition of right-of-use asset	<u>4,900</u>	<u>-</u>
BBBB	Net cash flow from investing activities (out)	<u>( 180,213)</u>	<u>( 89,045)</u>
	Cash flow from financing activities		
C00100	Increases in short-term loans	1,026,171	980,477
C00200	Decreases in short-term loans	( 1,104,372)	( 852,500)
C00500	Increases in short-term notes and bills payable	-	99,829
C00600	Decreases in short-term notes and bills payable	-	( 119,812)
C01600	Long-term loans borrowed	368,871	167,561
C01700	Long-term loans repaid	( 351,148)	( 160,000)
C03000	Increases in guarantee deposits	1,657	797
C03100	Decreases in guarantee deposits	( 25)	( 66)
C04020	Repayment of the principal portion of lease liabilities	( 9,014)	-
C05800	Changes in non-controlling equity	<u>( 9,161)</u>	<u>21,074</u>
CCCC	Net cash inflow from financing activities (out)	<u>( 77,021)</u>	<u>137,360</u>
DDDD	Impacts on cash and cash equivalents from changes in exchange rates	<u>35,747</u>	<u>( 14,857)</u>
EEEE	Increases (decreases) in cash and cash equivalents	287,347	( 131,295)
E00100	Cash and cash equivalents at the beginning of the year	<u>3,679,348</u>	<u>3,866,587</u>
E00200	Cash and cash equivalents at the end of the year	<u>\$ 3,966,695</u>	<u>\$ 3,735,292</u>

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

(Please refer to Audit Report of Deloitte & Touche on May 9, 2019.)

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

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

Consolidated Financial Report

January 1 to March 31, 2019, and 2018

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

(In NT\$ '000, unless otherwise specified)

I. Company History

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

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

The Consolidated Financial Statements were released on May 9, 2019, after being approved by the Board of Directors.

III. Applicability of New Announcements and Standards and Interpretations of Amendments

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

With the exception of the following, the applicability of the aforementioned revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed

and announced by the FSC should not result in major changes to the accounting policies of the Company:

#### 1. IFRS 16 "Leases"

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

##### Definition of "Leases"

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

##### The Company is the lessee.

Except for the low-value target asset leases and short-term leases, the leases are recognized on a straight-line basis, and other leases will recognize the right-of-use assets and lease liabilities on the Consolidated Balance Sheet. The Consolidated Statements of Comprehensive Income will state clearly and separately the depreciation expense of the right-of-use assets and the interest expenses accrued on the lease liabilities. The interest should be calculated using the effective rate method. On the Consolidated Statements of Cash Flows, cash payments for the principle of lease liabilities will be classified under financing activities, whereas cash payments for interest of lease liabilities will be classified under operating activities. Prior to the application of IFRS 16, expenses for contracts classified as operating leases were recognized through a straight-line basis, and leases prepaid for obtaining the right-of-use for land were recognized as prepaid rent. Cash flow from operating leases is shown in operating activities on the Consolidated Statement of Cash Flow. Contracts classified as financing

leases were recognized as rental assets and rent payable on the Consolidated Balance Sheet.

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

Previously agreements processed as operating rental contracts under IAS 17 will be discounted by the remaining lease payments at the increase borrowing rate of the lessee on January 1, 2019. 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). For the following practical expedients(2), the recognized right-of-use assets will be subject to IAS 36 assessment impairment.

The Company is expected to adopt the following practical expedients:

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

For the leases classified as finance leases under IAS 17, the carrying amount of the lease assets and lease liabilities on December 31, 2018, will be used as the carrying amount of

the right-of-use assets and lease liabilities on January 1, 2019.

Total amount of future minimum lease payments under non-cancellable operating leases on December 31, 2018	\$ 539,095
Less: Short-term leases to which exemption is applicable	( 36,836)
Less: Leases of low-value assets to which exemption is applicable	( 2,001)
Undiscounted total amount total on January 1, 2019	<u>\$ 500,258</u>
Present value discounted at the incremental borrowing rate of interest on January 1, 2019	\$ 482,289
Add: Obligation under finance leases on December 31, 2018	26,247
Lease liabilities on January 1, 2019	<u>\$ 508,536</u>

The Company is the lessor.

No adjustments will be made to the lessor's leases during the transition and IFRS 16 will be applied from January 1, 2019. Adjustments to assets, liabilities and equity on January 1, 2019 due to first-time adoption of IFRS 16 were listed as follows:

	January 1, 2019 Amount before restatement	Adjustment due to first-time adoption	January 1, 2019 Amount after restatement
Prepaid leases - current	\$ 15,335	(\$ 15,335)	\$ -
Prepaid leases - non-current	662,223	( 662,223)	-
Property, plant and equipment	8,198	( 8,198)	-
Right-of-use assets	-	1,137,621	1,137,621
Other current assets	266	( 266)	-
Deferred tax assets	<u>251,359</u>	<u>663</u>	<u>252,022</u>
Effect on assets	<u>\$ 937,381</u>	<u>\$ 452,262</u>	<u>\$1,389,643</u>
Lease liabilities - current	\$ -	\$ 54,341	\$ 54,341
Other current liabilities	24,406	( 24,406)	-
Lease liabilities - non-current	-	454,195	454,195
Other non-current liabilities	<u>1,841</u>	<u>( 1,841)</u>	<u>-</u>

	January 1, 2019 Amount before restatement	Adjustment due to first-time adoption	January 1, 2019 Amount after restatement
Effect on liabilities	<u>\$ 26,247</u>	<u>\$ 482,289</u>	<u>\$ 508,536</u>
Retained earnings	\$ -	(\$ 27,373)	(\$ 27,373)
Other equity	<u>-</u>	<u>( 2,654)</u>	<u>( 2,654)</u>
Effect on equity	<u>\$ -</u>	<u>( \$ 30,027)</u>	<u>( \$ 30,027)</u>

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

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

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

<u>New announcements/revisions/standards and interpretations of amendments</u>	<u>Effective Date of Publication by IASB (Note 1)</u>
IASB amends the definition of a business of IFRS 3	January 1, 2020(Note.2)
Amendments to IFRS 10 and IAS 28 in "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS17 "Insurance Contracts"	January 1, 2021
IAS 1 and IAS 8 amends the definition of material	January 1, 2020(Note.3)

Note1: The aforementioned new, revised or amended standards or interpretations are effective for annual periods beginning on or after the effective dates unless stated otherwise.

Note.2: The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.



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

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

#### IV. Description of Significant Accounting Policies

##### (I) Statement of Compliance

The Consolidated Financial Report is formulated in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 recognized and announced by the FSC that have entered into effect. The Consolidated Financial Statements does not include all IFRSs disclosure information required for the Annual Report.

##### (II) Basis of Preparation

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

The fair value assessment is categorized into three levels of inputs based on the observability and importance of the related input:

1. Level 1 input value: The quoted prices (unadjusted) of similar instruments available in the market for the same class of assets or liabilities on the day of assessment.
2. Level 2 input value: It refers to market inputs other than Level 1 inputs as directly observable (i.e., the price) or indirectly observable (i.e., deduced from the price) assets or liabilities.
3. Level 3 input value: It refers to inputs based not on observable

assets or liabilities.

### (III) Basis of the Merger

The Consolidated Financial Report includes the financial reports of the Company and its wholly-owned subsidiaries. The financial reports of subsidiaries have been reorganized to bring uniformity in their accounting policies and those of the Company. In the Consolidated Financial Report, all transactions, account balances, income, and expenses between the entities have been written off. The comprehensive income of a subsidiary belongs to the owners of the Company as also its non-controlling interests, even its liabilities.

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

Please refer to Note 12 and Table 6 and 7 for details, shareholding ratio, and business items of subsidiaries.

### (IV) Other Material Accounting Policies

Apart from the relevant accounting policies for leases and the following explanation, refer to the summary of major accounting policies listed in the 2018 consolidated financial statements.

#### 1. Property, plant and equipment

Property, plant and equipment are recognized at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment in 2018 also include assets held under finance leases.

Property, plant and equipment under construction are recognized at cost less accumulated impairment losses. 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 and equipment, and listed for depreciation.

Except that self-owned land is not listed for depreciation, the remaining property, plant and equipment are depreciated separately for each significant component on a straight-line basis over their useful life. Assets held under finance leases in 2018 were depreciated over the lease term if the lease term is shorter than the useful life. The merged company reviews the estimated useful life, residual value and depreciation method at least once at the end of each year, and infers the effect of changes in accounting estimates.

During the derecognition of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in profit or loss.

## 2. Leases

2019

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

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

(1) The merged company is the lessor.

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

Under operating leases, lease payments after deducting lease incentives are recognized as revenue on a straight-line basis over the relevant lease term.

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

Lease payments are apportioned to land and buildings in proportion to the fair value of land and building lease rights on the contract establishment date. If lease payments can be apportioned reliably to these two elements, each element is treated according to the applicable lease classification. If lease payments cannot be apportioned reliably to these two elements, the entire lease is classified under finance leases. However, if both elements clearly meet the standards of operating leases, the entire lease is classified under operating leases.

(2) The merged company is the lessee

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

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

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

Lease liabilities are initially measured at the present value of

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, while interest expenses are amortized over the lease term. If the lease term and changes in lease payments depending on an index or a rate result in changes in future lease payments, the merged company re-measures lease liabilities and adjusts right-of-use assets. However, if the carrying amount of right-of-use assets has been reduced to zero, the remaining re-measured amount is recognized in profit or loss. Lease liabilities are expressed separately in the consolidated balance sheet.

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

2018

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

(1) The merged company is the lessor.

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

(2) The merged company is the lessee

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

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

requirements.

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

### (3) Land and Building Leases

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

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

### 3. Pension Benefit in Defined Benefit Plan

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

### 4. Income tax

Income tax expenses are the sum of the current income tax and deferred income tax. Income tax in the interim is evaluated on an annual basis by taking into calculation the applicable tax rates to the expected annual earnings and income before tax in the interim. The accounting treatment is the same for transactions that generate taxation and effects of tax rate changes due to the amendment to taxation laws in the

interim, both of which are recognized in profit or loss and other comprehensive profit or loss account when occurred.

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

Refer to the major sources of significant accounting judgments, estimates and assumptions in the 2018 consolidated financial statements.

VI. Remarks on Material Accounts

6 . Cash and cash equivalents

	2019 March 31	2018 December 31	2018 March 31
Cash in hand and petty cash	\$ 10,963	\$ 8,843	\$ 6,505
Bank checks and demand deposit	3,523,118	3,308,965	3,015,140
Cash equivalents (investments with original maturity date of less than three months)			
Bank acceptance bill	3,694	10,189	8,231
Bank fixed deposit	<u>428,920</u>	<u>351,351</u>	<u>705,416</u>
	<u>\$ 3,966,695</u>	<u>\$ 3,679,348</u>	<u>\$ 3,735,292</u>

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

	2019 March 31	2018 December 31	2018 March 31
Bank fixed deposit	<u>0.66% ~ 5.5%</u>	<u>0.66% ~ 5.5%</u>	<u>0.14% ~ 5.5%</u>

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

	2019 March 31	2018 December 31	2018 March 31
Domestic investment			
Unlisted equity	<u>\$ 1,135,891</u>	<u>\$ 1,210,850</u>	<u>\$ 1,560,076</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 management of the Company believes that it is not consistent with the aforementioned long-term investment planning if the short-term fair value changes of such investment The financial in profit or loss. Therefore, the Company elects to designate such investment as to be measured at FVTOCI.

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

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

	2019 March 31	2018 December 31	2018 March 31
<u>Current</u>			
Restricted Time deposits (1)	\$ 215,768	\$ 193,177	\$ 266,649
Refundable deposit	<u>1,409</u>	<u>2,891</u>	<u>3,099</u>
	<u>\$ 217,177</u>	<u>\$ 196,068</u>	<u>\$ 269,748</u>
<u>Non-current</u>			
Restricted Time deposits (1)	\$ 49,270	\$ 7,134	\$ 7,359
Refundable deposit	<u>44,647</u>	<u>46,060</u>	<u>45,419</u>
	<u>\$ 93,917</u>	<u>\$ 53,194</u>	<u>\$ 52,778</u>

(1) As of March 31, 2019, December 31, 2018, and March 31, 2018, the range of time deposit interest rates was 0.94% to 6.7%, 0.66% to 6.75%, and 0.94% to 2.75%, respectively.

(2) The credit risk management and impairment assessment information of financial assets at amortized cost, please refer to Note 9.

(3) Please refer to Note 34 for information on the pledge of financial assets measured at amortized cost.

#### 9. Credit risk management of debt instrument investment

The debt instrument of amalgamated company is the financial assets at amortized cost :

##### Book Value

	2019 March 31	2018 December 31	2018 March 31
At amortized cost — Current	\$ 217,177	\$ 196,068	\$ 269,748
At amortized cost — Non-current	<u>93,917</u>	<u>53,194</u>	<u>52,778</u>
	<u>\$ 311,094</u>	<u>\$ 249,262</u>	<u>\$ 322,526</u>

The policies of impairment assessment investment that amalgamated companies adopt is a low credit debt instrument. The amalgamated companies consider historical loss given default, current financial position of the debtor and the industrial forecast to measure loss for 12-month expected credit losses and lifetime expected credit losses of debt instruments; since the low credit risks for debtors combines with efficient cash flow to pay off debts. As of March 31, 2019, December 31,



2018, and March 31, 2018, there was no expected credit loss on financial assets measured at amortized cost.

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

	<u>2019</u> <u>March 31</u>	<u>2018</u> <u>December 31</u>	<u>2018</u> <u>March 31</u>
<u>Notes receivable</u>			
Measured at amortized cost			
Total carrying amount			
Arising from operations	<u>\$ 247,005</u>	<u>\$ 293,405</u>	<u>\$ 214,663</u>
<u>Accounts receivable (including related parties)</u>			
Measured at amortized cost			
Total carrying amount	\$ 3,213,341	\$ 3,516,825	\$ 2,953,559
Less: allowance for impairment/allowance for bad debt	<u>38,031</u>	<u>46,716</u>	<u>32,960</u>
	<u>\$ 3,175,310</u>	<u>\$ 3,470,109</u>	<u>\$ 2,920,599</u>
<u>Other receivables from subsidiaries</u>			
Gross carrying amount	<u>\$ 202,794</u>	<u>\$ 201,967</u>	<u>\$ 32,683</u>

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

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

If evidence indicates that the counterparty is facing severe financial difficulty and the Company cannot reasonably anticipate recoverable amounts, for instance, if the counterparty is undergoing liquidation, the Company will directly hedge against the relevant accounts receivable. Nevertheless, collection activities will continue, as recovered amounts that have been collected will be recognized in the profit or loss accounts.

#### Notes receivable

As of March 31, 2019, December 31, 2018, and March 31, 2018, the notes receivable analyzed by the merged company based on the number of days overdue were not overdue, and the merged company did not provide allowance for notes receivable.

#### Accounts receivable (including related parties)

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

##### March 31, 2019

	<u>Not overdue</u>	<u>Past due 1 to 90 days</u>	<u>Past due 91 to 180 d a y s</u>	<u>Past due 181 to 270 d a y s</u>	<u>Past due 271 to 365 d a y s</u>	<u>Past due over 365 days</u>	<u>T o t a l</u>
Gross carrying amount	\$ 2,605,848	\$ 523,239	\$ 39,076	\$ 13,795	\$ 5,289	\$ 26,094	\$ 3,213,341
Loss allowance (full lifetime expected credit losses)	( 185)	( 663)	( 1,932)	( 5,458)	( 3,702)	( 26,091)	( 38,031)
Amortized cost	<u>\$ 2,605,663</u>	<u>\$ 522,576</u>	<u>\$ 37,144</u>	<u>\$ 8,337</u>	<u>\$ 1,587</u>	<u>\$ 3</u>	<u>\$ 3,175,310</u>

##### December 31, 2018

	<u>Not overdue</u>	<u>Past due 1 to 90 days</u>	<u>Past due 91 to 180 d a y s</u>	<u>Past due 181 to 270 d a y s</u>	<u>Past due 271 to 365 d a y s</u>	<u>Past due over 365 days</u>	<u>T o t a l</u>
Gross carrying amount	\$ 2,862,518	\$ 563,446	\$ 39,736	\$ 8,935	\$ 7,067	\$ 35,123	\$ 3,516,825
Loss allowance (full lifetime expected credit losses)	( 36)	( 395)	( 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>

##### March 31, 2018

	<u>Not overdue</u>	<u>Past due 1 to 90 days</u>	<u>Past due 91 to 180 d a y s</u>	<u>Past due 181 to 270 d a y s</u>	<u>Past due 271 to 365 d a y s</u>	<u>Past due over 365 days</u>	<u>T o t a l</u>
Gross carrying amount	\$ 2,381,485	\$ 477,814	\$ 42,206	\$ 11,223	\$ 10,509	\$ 30,322	\$ 2,953,559
Loss allowance (full lifetime expected credit losses)	( -)	( 196)	( 2,267)	( 3,752)	( 3,588)	( 23,157)	( 32,960)
Amortized cost	<u>\$ 2,381,485</u>	<u>\$ 477,618</u>	<u>\$ 39,939</u>	<u>\$ 7,471</u>	<u>\$ 6,921</u>	<u>\$ 7,165</u>	<u>\$ 2,920,599</u>

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

	January 1, 2019 to March 31, 2019	January 1, 2018 to March 31, 2018
Beginning balance	\$ 46,716	\$ 32,480
Recognized ( Reversed )	( 8,399 )	5,031
Charge off	( 658 )	( 4,199 )
Translation differences of foreign currency	<u>372</u>	<u>( 352 )</u>
December 31	<u>\$ 38,031</u>	<u>\$ 32,960</u>

## 11. Inventory

	2019 March 31	2018 December 31	2018 March 31
Product	\$ 201,627	\$ 196,799	\$ 197,900
Finished goods and work-in-process	811,096	873,028	858,376
Work-in-process	61,954	78,174	52,157
Raw material	1,044,038	996,733	1,161,712
Raw materials and supplies in transit	<u>181,081</u>	<u>202,490</u>	<u>187,076</u>
	<u>\$ 2,299,796</u>	<u>\$ 2,347,224</u>	<u>\$ 2,457,221</u>

Cost of goods sold relevant to inventory from January 1 to March 31, 2019, and 2018 were NT\$2,785,789 thousand, NT\$ 2,723,137 thousand respectively. The inventory impairment and obsolescence loss in the cost of goods sold from January 1 to March 31, 2019, and 2018 were NT\$2,776 thousand, NT\$ 16,936 thousand respectively.

## 12. Subsidiaries

The entities of the Consolidated Financial Report are as follows:

Investor Company	Name of subsidiaries	Business activities	Shareholding ratio (%)			Details
			2019 March 30	2018 December 31	2018 March 30	
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Chemical Company Ltd.	Trading of chemical substances	100	100	100	Note 8
	Nan Pao Application Material Co., Ltd.	Trading of chemical substances	100	100	100	Note 8
	Nan Pao Electronic Material Company	Production and trading of electronic materials	100	100	100	Note 8
	ITLS International Development Co., Ltd.	Trading of construction materials and chemical substances	100	100	100	
	Prince Pharmaceutical Co., Ltd.	Manufacturing, packaging, and processing of raw materials for various pharmaceutical and health food	49.9	49.9	49.9	Note 8
	PHYMED BIO-TEC CO., LTD.	R&D and trading of health food	100	100	100	Note 8
	Biorich Biotechnology Co., Ltd.	R&D, production, and trading of new high protein business and health food	57.1	57.7	57.06	Note 1 and Note 8
	Nan Pao Advanced Materials Co., LTD.	Trading of adhesives and chemicals	70	70	70	Note 8
	Fuqing Nan Pao Investments Ltd.	General investment	100	100	100	
	Thai Nan Pao Investments Ltd.	General investment	100	100	100	
	Nan Pao Resins India Pvt Ltd.	Trading of adhesives	100	100	100	Note 8
	Nan Pao Materials Vietnam Co., Ltd.	Production and trading of adhesives and chemicals	100	100	100	
	Nan Pao Advanced Materials Vietnam Co., Ltd.	Production and trading of adhesives and chemicals	100	100	100	Note 8
	Nan Pao Overseas Holdings Ltd.	General investment	100	100	100	
	Profit Land Ltd.	General investment	73.75	73.75	73.75	Note 2
	All Saints Enterprises Ltd.	General investment	54.53	54.53	54.53	Note 2
	Ongoing Profits Ltd.	General investment	32.18	32.18	32.18	Note 2
	PT. Indo Nan Pao Resins Chemical	Production and trading of adhesives	49	49	49	Note 3 and Note 8
ITLS International Development Co., Ltd.	ITLS Holding Pte. Ltd.	General investment	100	100	100	
	Aftek Materials Vietnam Co., Ltd.	Production and trading of construction materials	70	70	70	Note 4 and Note 8

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Investor Company	Name of subsidiaries	Business activities	Shareholding ratio (%)			Details
			2019 March 30	2018 December 31	2018 March 30	
ITLS Holding Pte. Ltd.	ITLS (Malaysia) SDN BHD	Production and trading of construction materials	100	100	100	Note 8
	PT. ITLS Indonesia	Production and trading of construction materials	100	100	100	Note 8
	ITLS Vietnam Co., Ltd.	Production and trading of construction materials	100	100	100	Note 8
	ITLS-Rich (S) Pte. Ltd.	Trading of hardware and construction materials	100	100	100	Note 5 and Note 8
	ITLS-SB SDN BHD	Production and trading of hardware and construction materials	100	100	100	Note 8
Fuqing Nan Pao Investments Ltd.	Wealth Castle Development Ltd.	General investment	100	100	100	
Wealth Castle Development Ltd.	Fuqing Nan Pao Resins Co., Limited	Production and trading of adhesives	100	100	100	
Thai Nan Pao Investments Ltd.	Thai Nanpao Resins Chemical Co., Ltd.	Production and trading of adhesives	100	100	100	Note 8
Nan Pao Overseas Holdings Ltd.	Nan Pao Group Holdings Ltd.	General investment	100	100	100	
Nan Pao Group Holdings Ltd.	Greatwill Materials (HK) Ltd.	General investment	67.68	67.68	67.68	
	Profit Land Ltd.	General investment	26.25	26.25	26.25	Note 2
	Nan Pao Resins (Holdings) Ltd.	General investment	100	100	100	
	All Saints Enterprises Ltd.	General investment	45.47	45.47	45.47	Note 2
	Mega Victory Ltd.	General investment	100	100	100	
	ITLS – TWA Australia Pty Ltd.	Production and trading of hardware, construction materials, and chemical substances	100	100	100	Note 8
	NP Australia Pty Ltd.	General investment	100	100	100	
	Ongoing Profits Ltd.	General investment	67.82	67.82	67.82	Note 2
	Treasure Wealth (HK) Ltd.	General investment	100	100	100	
	Goldford Investments Ltd.	General investment	100	100	100	
	Nan Pao Resins Chemical Philippines, Inc.	Trading of adhesives	100	100	100	Note 8
	Nan Pao Resins International Ltd.	Trading of chemical substances and related products	100	100	100	
	Nanpao Advanced Investment Co., Ltd.	General investment	100	100	100	
Greatwill Materials (HK) Ltd.	Foshan Nan Pao Advanced Materials Co., Ltd.	Production and trading of adhesives	99	99	99	Note 2
Profit Land Ltd.	Giant Profit Development Ltd.	General investment	100	100	100	
Giant Profit Development Ltd.	Nan Pao Resins (Fo Shan) Co., Ltd.	Production and trading of adhesives	100	100	100	

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Investor Company	Name of subsidiaries	Business activities	Shareholding ratio (%)			Details
			2019 March 31	2018 December 31	2018 March 31	
Nan Pao Resins (Foshan) Co., Ltd.	Foshan Nan Pao Cheng Hung Advanced Materials Technology Co., Ltd.	Trading of footwear materials	51	51	51	
	Foshan Nan Pao Advanced Materials Co., Ltd.	Production and trading of adhesives	1	1	1	Note 2
	Foshan Nan Pao Hung Xing Advanced Materials Co., Ltd.	Trading of chemical substances	-	-	-	Note 6
Nan Pao Resins (Holdings) Ltd.	Eastlion Enterprises Ltd.	General investment	100	100	100	
	Eastlion Industrial Ltd. Nan Pao Resins Development Ltd.	General investment General investment	100 100	100 100	100 100	
Eastlion Enterprises Ltd.	Nan Pao Resins (Dong-Guan) Co., Ltd.	Processing of adhesive products	100	100	100	
Nan Pao Resins Development Ltd.	Dongguan Jia Chin Electronics Co., Ltd.	Production and trading of coatings and advanced resin	100	100	100	
All Saints Enterprises Ltd.	Great Mount Enterprises Ltd.	General investment	100	100	100	
Great Mount Enterprises Ltd.	Nan Pao Resins (China) Co., Ltd.	Production and trading of adhesives and coatings	100	100	100	
Mega Victory Ltd.	Progroups Technology co. Ltd.	Trading of water-based polyurethane resin	91.99	91.99	91.99	Note 8
NP Australia Pty Ltd.	RLA Polymers Pty Ltd.	Production and trading of construction materials and chemical substances	100	100	100	
RLA Polymers Pty Ltd.	RLA Polymers (M) SDN BHD	Production and trading of construction materials and chemical substances	100	100	100	
Ongoing Profits Ltd.	Rising Sun Associates Ltd.	General investment	100	100	100	
Rising Sun Associates Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Production and trading of adhesives and coatings	100	100	100	
Goldford Investments Ltd.	PT. Indo Nan Pao Resins Chemical	Production and trading of adhesives	18.5	18.5	18.5	Note 3 and Note 8

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Investor Company	Name of subsidiaries	Business activities	Shareholding ratio (%)			Details
			2019	2018	2018	
			March 31	December 31	March 31	
Treasure Wealth (HK) Ltd.	Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Production and trading of coatings	50	50	50	Note 8
Nanpao Advanced Investment Co., Ltd.	Nan Pao (Kunshan) E-commerce Ltd.	Agency of online business and general merchandise	100	100	100	
	Nantong Nanpao Resins Materials Co., Ltd.	Production and trading business of adhesives	100	100	100	
	Nan Pao Resins (Yunan) Co., Ltd.	Production and trading business of adhesives	100	-	-	Note 7

Note 1: The Company has acquired the fractional shares of Biorich Biotechnology Co., Ltd., causing the shareholding ratio to increase to 57.1% from 57.06%.

Note 2: Total direct and indirect shareholding account for 100%.

Note 3: Total direct and indirect shareholding account for 67.5%.

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

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

Note 6: Nan Pao Resins (Fo Shan) Co., Ltd. established Foshan Nan Pao Hung Xing Advanced Materials Co., Ltd. in May 2018 with an 80% shareholding ratio, however also completed liquidation and cancellation in November 2018.

Note 7: Nanpao Advanced Investment Co., Ltd. established Nan Pao Resins (Yunan) Co., Ltd. in August 2018, with the shareholding ratio of 100%.

Note 8: Such companies are immaterial subsidiaries, and their financial statements have not been reviewed by CPA.

### 13. Investment using equity method

	2019	2018	2018
	March 31	December 31	March 31
<u>Investment in affiliates</u>			
Individual associates without significance	<u>\$ 296,571</u>	<u>\$ 292,180</u>	<u>\$ 285,957</u>

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

	2019 January 1 to March 31, 2019	2018 January 1 to March 31, 2018
Shares from the Company		
Net income (loss) and total comprehensive income for the period	<u>\$ 4,391</u>	<u>\$ 7,506</u>

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

#### 14. Properties, plants, and equipment

	L a n d	Land reform	B u i l d i n g	M a c h i n e r y e q u i p m e n t	T r a n s p o r t a t i o n E q u i p m e n t	O t h e r E q u i p m e n t	U n f i n i s h e d c o n s t r u c t i o n s a n d e q u i p m e n t t o b e t e s t e d	T o t a l
<u>Cost</u>								
Balance as of January 1, 2019	\$ 1,179,441	\$ 6,434	\$ 1,910,042	\$ 2,520,538	\$ 234,160	\$ 745,751	\$ 390,361	\$ 6,986,727
Impact amounts of applied IFRS 16	-	-	-	-	( 4,830)	( 7,603)	-	( 12,433)
Balance as of January 1, 2019 (Adjusted)	1,179,441	6,434	1,910,042	2,520,538	229,330	738,148	390,361	6,974,294
Additions	-	-	67,623	35,024	5,197	17,743	( 40,730)	84,857
Disposals	-	-	( 11,322)	( 27,705)	( 960)	( 3,923)	-	( 43,910)
Net exchange differences	243	30	15,858	17,868	1,579	2,914	1,044	39,536
Balance as of March 31, 2019	<u>\$ 1,179,684</u>	<u>\$ 6,464</u>	<u>\$ 1,982,201</u>	<u>\$ 2,545,725</u>	<u>\$ 235,146</u>	<u>\$ 754,882</u>	<u>\$ 350,675</u>	<u>\$ 7,054,777</u>
<u>Accumulated depreciation and impairment</u>								
Balance as of January 1, 2019	\$ -	\$ 5,645	\$ 680,901	\$ 1,638,207	\$ 156,699	\$ 545,283	\$ -	\$ 3,026,735
Impact amounts of applied IFRS 16	-	-	-	-	( 2,643)	( 1,592)	-	( 4,235)
Balance as of January 1, 2019 (Adjusted)	-	5,645	680,901	1,638,207	154,056	543,691	-	3,022,500
Depreciation	-	268	15,826	38,941	4,798	13,067	-	72,900
Disposals	-	-	( 1,717)	( 19,985)	( 960)	( 2,722)	-	( 25,384)
Net exchange differences	-	9	6,374	11,184	1,132	1,907	-	20,606
Balance as of March 31, 2019	<u>\$ -</u>	<u>\$ 5,922</u>	<u>\$ 701,384</u>	<u>\$ 1,668,347</u>	<u>\$ 159,026</u>	<u>\$ 555,943</u>	<u>\$ -</u>	<u>\$ 3,090,622</u>
Net amount 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>
Net amount as of January 1, 2019 (Adjusted)	<u>\$ 1,179,441</u>	<u>\$ 789</u>	<u>\$ 1,229,141</u>	<u>\$ 882,331</u>	<u>\$ 75,274</u>	<u>\$ 194,457</u>	<u>\$ 390,361</u>	<u>\$ 3,951,794</u>
Net amount as of March 31, 2019	<u>\$ 1,179,684</u>	<u>\$ 542</u>	<u>\$ 1,280,817</u>	<u>\$ 877,378</u>	<u>\$ 76,120</u>	<u>\$ 198,939</u>	<u>\$ 350,675</u>	<u>\$ 3,964,155</u>
<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	-	-	2,293	16,326	5,387	14,311	31,245	69,562
Disposals	-	-	( 2,085)	( 42,609)	( 2,605)	( 2,937)	-	( 50,236)
Reclassification	-	-	( 6,437)	19,596	-	16,977	( 3,458)	26,678
Net exchange differences	243	( 21)	604	( 6,618)	( 537)	595	8,076	2,342
Balance as of March 31, 2018	<u>\$ 1,179,268</u>	<u>\$ 5,604</u>	<u>\$ 1,615,531</u>	<u>\$ 2,321,359</u>	<u>\$ 206,544</u>	<u>\$ 723,193</u>	<u>\$ 206,340</u>	<u>\$ 6,257,839</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	-	-	13,330	34,759	4,028	12,972	-	65,089
Disposals	-	-	( 1,960)	( 32,524)	( 1,247)	( 2,795)	-	( 38,526)
Reclassification	-	-	( 489)	( 159)	-	3,814	-	3,166
Net exchange differences	-	( 21)	1,951	( 6,750)	( 566)	25	-	( 5,361)
Balance as of March 31, 2018	<u>\$ -</u>	<u>\$ 5,604</u>	<u>\$ 639,089</u>	<u>\$ 1,564,114</u>	<u>\$ 148,702</u>	<u>\$ 529,623</u>	<u>\$ -</u>	<u>\$ 2,887,132</u>
Net amount as of March 31, 2018	<u>\$ 1,179,268</u>	<u>\$ -</u>	<u>\$ 976,442</u>	<u>\$ 757,245</u>	<u>\$ 57,842</u>	<u>\$ 193,570</u>	<u>\$ 206,340</u>	<u>\$ 3,370,707</u>

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

Land reform	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

From January 1, 2019 to March 31, 2019 and from January 1, 2018 to March 31, 2018, there were no signs of impairment, so the merged company did not conduct any impairment assessment.

Refer to Note 34 for details regarding property, plant and equipment set as collateral.

## 15. Lease agreement

### (1) Right-of-use assets

	<u>2019</u>
	<u>March 31</u>
Balance of right-of-use assets	
Land	\$ 780,491
Building	295,982
Machinery equipment	239
Transportation Equipment	26,062
Other Equipment	<u>2,592</u>
	<u>\$ 1,105,366</u>
	 January 1, 2019
	 to March 31, 2019
Addition of right-of-use	<u>\$ 1,081</u>
Depreciation of right-of-use	
Land(Note)	\$ 5,101
Building	7,177
Machinery equipment	32
Transportation Equipment	3,050

	January 1, 2019 to March 31, 2019
Other Equipment	<u>258</u>
	<u>\$ 15,618</u>

Note : Land use rights are originally classified as prepaid leases according to IAS17. Refer to Note 3 and Note 19 for details regarding reclassification and information for 2018.

(2) Lease liabilities

	2019
	<u>March 31</u>
Balance of lease liabilities	
Current	<u>\$ 35,606</u>
Non-current	<u>\$ 444,985</u>

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

	2019
	<u>March 31</u>
Land	1.56%
Building	1.05% ~ 5.37%
Machinery equipment	1.05% ~ 2%
Transportation Equipment	1.3% ~ 5.37%
Other Equipment	5.37% ~ 11.2%

(3) Important Leasing Activities and Terms

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

(4) Other lease information

<u>2019</u>	January 1, 2019 to March 31, 2019
Expenses for short-term leases	<u>\$ 16,663</u>
Expenses for low-value assets	<u>\$ 200</u>
Net cash (outflow) from lease	<u>(\$ 29,475)</u>

## 2018

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

	2018	2018
	<u>December 31</u>	<u>March 31</u>
Not later than 1 year	\$ 60,031	\$ 61,688
Later than 1 year and not later than 5 years	134,773	134,699
Later than 5 years	<u>344,291</u>	<u>375,377</u>
	<u>\$ 539,095</u>	<u>\$ 571,764</u>

### 16. Investment Property

	<u>L a n d</u>
Balance on March 31,2019, December 31,2018 and March 31, 2018	<u>\$ 17,760</u>

The fair value of investment property was NT\$159,657 thousand and NT\$97,923 thousand on both December 31 2018 and 2017 respectively. It has not been evaluated by independent evaluators, and only through the management level of the Company by referencing the actual transaction price of nearby regions in the most recent year. Compare to both December 31 2018 and 2017, there were no significant change on fair value both on March 31 2019 and 2018.

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

### 17. Goodwill

There were no significant change on goodwill of company both on March 31 2019 and 2018. The Company conducts an impairment test on the recoverable amount of goodwill at the end of each year, using the value-in-use as the basis for the calculation of the recoverable amount. The calculation of the value-in-use is based on the cash flows of the Company's future financial projections as an estimate to reflect the specific risks of the relevant cash generating unit.

No impairment loss on goodwill has been recognized by the Company from January 1 to March 31, 2019, and 2018.

## 18. Other intangible assets

	2019	2018	2018
	March 31	December 31	March 31
Customer relations	\$ 28,418	\$ 29,747	\$ 29,607
Computer software	13,229	13,828	15,435
Others	<u>22,295</u>	<u>299</u>	<u>302</u>
	<u>\$ 63,942</u>	<u>\$ 43,874</u>	<u>\$ 45,344</u>

Except for the recognition of amortization expenses, the Company did not have any significant additions, dispositions, and impairments to other intangible assets from January 1 to March 31, 2019, and 2018. 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

## 19. Prepaid rent

	2018	2018
	December 31	March 31
Current	\$ 15,335	\$ 14,321
Non-current	<u>662,223</u>	<u>605,617</u>
	<u>\$ 677,558</u>	<u>\$ 619,938</u>

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

	2018	2018
	December 31	March 31
Vietnam	\$ 414,724	\$ 405,416
China	199,099	207,371
Malaysia	61,608	4,975
Indonesia	<u>2,127</u>	<u>2,176</u>
	<u>\$ 677,558</u>	<u>\$ 619,938</u>

The above-mentioned land use rights are set for a period of 30 to 89 years, and all of their terms will expire before the year 2107.

## 20. Other assets

	2019 March 31	2018 December 31	2018 March 31
<u>Current</u>			
Input tax amount	\$ 177,796	\$ 160,692	\$ 281,361
Prepaid cost of goods	154,050	208,413	168,199
Prepaid expense	51,263	57,799	49,111
Tax overpaid retained	17,036	15,515	2,627
Inventory of supplies	348	-	1,898
Refundable deposit	<u>8,920</u>	<u>10,678</u>	<u>7,974</u>
Others	<u>\$ 409,413</u>	<u>\$ 453,097</u>	<u>\$ 511,170</u>
 <u>Non-current</u>	 \$ 124,665	 \$ 107,815	 \$ 177,447
Prepaid equipment	<u>6,638</u>	<u>7,960</u>	<u>4,410</u>
Others	<u>\$ 131,303</u>	<u>\$ 115,775</u>	<u>\$ 181,857</u>

## 21. Loans

### (1) Short-term borrowings

	2019 March 31	2018 December 31	2018 March 31
Secured loans from banks	\$ 88,946	\$ 88,963	\$ 60,000
Bank credit loans	<u>1,150,146</u>	<u>1,219,576</u>	<u>1,374,616</u>
	<u>\$ 1,239,092</u>	<u>\$ 1,308,539</u>	<u>\$ 1,434,616</u>

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

	2019 March 31	2018 December 31	2018 March 31
Secured loans from banks	1.52% ~ 3.62%	1.52% ~ 3.44%	1.52%
Bank credit loans	0.95% ~ 5.3%	0.91% ~ 5.6%	0.9% ~ 5.12%

(2) Short-term bills payable

March 31, 2019

Guarantee or Accepting Institution		Face value	Discount amount	At book value	Interest rate range (%)	Name of collateral
<u>Commercial paper payable</u>						
International						
Bills	Finance	\$ 50,000	\$ 2	\$ 49,998	1.038	None
Corp.						
Dah	Chung					
Bills	Finance	<u>50,000</u>	<u>58</u>	<u>49,942</u>	1.038	None
Corp.						
		<u>\$ 100,000</u>	<u>\$ 60</u>	<u>\$ 99,940</u>		

(3) Long-term debt

	2019 March 31	2018 December 31	2018 March 31
<u>Unsecured loans</u>			
1. Mizuho Bank	\$ 500,000	\$ 500,000	\$ 500,000
2. O-Bank	60,000	60,000	150,000
3. O-Bank	30,000	30,000	30,000
4. Yuanta Commercial Bank	90,000	140,000	140,000
5. Chinatrust Commercial Bank	231,000	181,000	210,000
6. E.Sun Bank	-	-	130,000
7. KGI Bank	140,000	140,000	300,000
8. Taipei Fubon Commercial Bank	230,000	230,000	-
9. Taiwan Cooperative Bank	224,000	208,000	-
10. Mega International Commercial Bank	144,885	155,498	178,922
11. Mega International Commercial Bank	-	-	2,818
12. Taipei Fubon Commercial Bank	12,862	-	-
	1,662,747	1,644,498	1,641,740
Less: portion recognized as maturing within one year	281,442	252,428	44,917
	\$ 1,381,305	\$ 1,392,070	\$ 1,596,823

1. The Company signed a loan agreement with Mizuho Bank with a credit line of NT\$500,000 thousand which will be expired in December 2020; the credit will be used cyclically within the credit line. Annual rates on March 31, 2019, December 31, 2018, and March 31, 2018 were 1%, 1%, and 1.1% respectively.
2. The Company signed a loan agreement with O-Bank with a credit line of NT\$150,000 thousand which will be expired in September 2021. The credit term is every three months starting from September 2019, and loan principal repayment will be made in equal portions. Annual rates on March 31, 2019, December 31, 2018, and March 31, 2018 were all 1.1998%.
3. The Company signed a loan agreement with O-Bank with the credit line of NT\$300,000 thousand. The credit term is every three months starting from September 2020, and loan principal repayment will be made in equal portions. Annual rates on March 31, 2019, December 31, 2018, and March 31, 2018 were all 1.1839%.
4. The Company signed a loan agreement with Yuanta Commercial Bank with a credit line of NT\$300,000 thousand which will be expired in August 2020; the credit will be used cyclically within the credit line. Annual rates on March 31, 2019, December 31, 2018, and March 31, 2018, were all 1.15%.
5. The Company signed a loan agreement with Chinatrust Commercial Bank with a credit line of NT\$260,000 thousand which will be expired in September 2020; the credit will be used cyclically within the credit line. Annual rates on March 31, 2019, December 31, 2018, and March 31, 2018, were 1.0496% - 1.0498%, 1.0493% - 1.0494%, and 1.1862% - 1.2464% respectively.
6. The Company signed a loan agreement with E.Sun Bank with a credit line of NT\$300,000 thousand which will be expired in May 2020; the credit will be used cyclically within the credit line. The loan principal has already been fully repaid in April 2018. Annual rates on December 31, 2018 was 1.15%.
7. The Company signed a loan agreement with KGI Bank with a credit line of NT\$500,000 thousand which will be expired in

August 2020; the credit will be used cyclically within the credit line. Annual rates on March 31, 2019, and December 31, 2018, and March 31 were 1.03967% - 1.03978%, 1.03778% - 1.03933%, and 1.037% respectively.

8. The Company signed a loan agreement with Taipei Fubon Commercial Bank with a credit line of NT\$300,000 thousand which will be expired in December 2020; the credit will be used cyclically within the credit line. Annual rate on March 31, 2019, and December 31, 2018 were 1.046% - 1.1247%, and 1.0442% - 1.0571% respectively.
9. The Company signed a loan agreement with Taiwan Cooperative Bank with a credit line of NT\$320,000 thousand which will be expired in December 2019. The loan shall be allocated in accordance with 80% coverage according to the progress of the construction project through verifying invoices or relevant transaction payment certificates. The loan principal repayment will be paid at once or the loan shall be changed to a long-term debt with collateral at credit line of NT\$320,000. The annual rate on March 31, 2019 and December 31, 2018 were all 1.6%.
10. The Company signed a loan agreement with Mega International Commercial Bank with a credit line of US\$ 6,200 thousand which will be expired in June 2022. The credit will be repaid in 17 installments starting from June 2018, where each installment is for every 3 months. Annual rates on March 31, 2019, December 31, 2018, and March 31, 2018 were 3.486 – 3.708%, 3.336 – 3.695%, and 2.695% - 3.084% respectively.
11. The Company signed a loan agreement with Mega International Commercial Bank with a credit line of US\$ 1,000 thousand. The credit will be repaid in installments starting from December 2015, where each installment is for every 6 months. The loan principal will be repaid in equal portions. The loan principal has already been fully repaid in December 2018. Annual rates on March 31, 2019, December 31, 2018 and March 31, 2018 were all 4.202%.



12. The Company signed a loan agreement with Taipei Fubon Commercial Bank with a credit line of NT\$10,000 thousand which will be expired in December 2019; the credit will be used cyclically within the credit line. Annual rate on March 31, 2019 was 3.766%.

## 22. Accounts payable and bills payable

	2019 March 31	2018 December 31	2018 March 31
<u>Notes payable</u>			
Arising from operations	\$ 27,561	\$ 35,908	\$ 23,623
<u>Accounts payable</u>			
Arising from operations	<u>\$ 1,755,473</u>	<u>\$ 1,923,206</u>	<u>\$ 1,808,519</u>

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

## 23. Other liabilities

	2019 March 31	2018 December 31	2018 March 31
<u>Current</u>			
<u>Other liabilities</u>			
Refund liability (Note 26 and 34)	\$ 84,531	\$ 101,921	\$ 122,254
Others	<u>60,577</u>	<u>83,968</u>	<u>21,880</u>
	<u>\$ 145,108</u>	<u>\$ 185,889</u>	<u>\$ 144,134</u>
<u>Non-current</u>			
<u>Other liabilities</u>			
Guarantee deposits	\$ 3,715	\$ 2,050	\$ 1,884
Others	<u>48,133</u>	<u>54,572</u>	<u>40,883</u>
	<u>\$ 51,848</u>	<u>\$ 56,622</u>	<u>\$ 42,767</u>

## 24. Post-retirement benefit program

Pension expenses such as the defined benefit plan recognized from January 1 to March 31, 2019, and 2018, were calculated based on the pension cost rate from actuarial decision as of December 31, 2018, and 2017, and the costs were NT\$2,053 thousand and NT\$1,898 thousand respectively.

## 25. Equity

### (1) Capital

#### Ordinary Shares

	2019 March 31	2018 December 31	2018 March 31
Shares (thousand shares)	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Nominal capital	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of issued and paid-for shares (thousand shares)	<u>120,570</u>	<u>120,570</u>	<u>108,621</u>
	<u>\$ 1,205,707</u>	<u>\$ 1,205,707</u>	<u>\$ 1,086,207</u>

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

In line with the underwriting of stock before initial listing, the Board of Directors approved to engage in cash capital increase by issuing 11,950 thousand new shares, with a face value of NT\$10 per share, on September 26, 2018. Each share is issued at a premium of NT\$76.8 to NT\$79.56, and the base date for capital increase was November 26, 2018. The paid-up capital after capital increase was NT\$1,205,707 thousand.

### (2) Capital surplus

	2019 March 31	2018 December 31	2018 March 31
<u>May be used to make up for loss, cash distribution, or for capital replenishment (1)</u>			
Stock issuance premium	\$ 2,040,204	\$ 2,040,204	\$ 1,222,541
Difference between the actual price and carrying amount of equity of subsidiaries acquired	2	2	-
<u>May be used to make up for loss</u>			
Recognized value of changes in equity of ownership of subsidiaries(2)	23,811	23,811	23,811
Employee stock options	<u>44,083</u>	<u>44,083</u>	<u>43,860</u>
Expired stock options	135	135	-
	<u>\$ 2,108,235</u>	<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.

(3) Retained earnings and dividend policy

Pursuant to the policy on allocation of surplus in the Company's Articles of Association, the Company shall first pay taxes and cover for loss from previous years if the surplus is found after closing the accounts for the year. Subsequently, 10% shall be appropriated as a legal capital reserve, and after which the surplus could be appropriated based on other legal regulations or regulations of the competent authority, or appropriated as a special capital reserve. The remaining surplus will be accumulated toward the undistributed surplus over the years, and the Board of Directors will draft a motion for appropriation, and ask the Shareholders' Meeting for appropriation. The Company's Articles of Association has stipulated policy on employee remuneration and directorial compensations. Please see (6) Employee Remuneration and Directorial Compensations in Note 27-6.

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

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

The Company distributes and appropriates special capital reserve pursuant to Letter No. 1010012865 and Letter No. 1030006415 from the FSC, and "Q&A of the Application of the Special Capital

Reserve After Adopting the International Financial Reporting Standards (IFRSs)."

The Company held Shareholders' Meetings on March 21, 2019, and June 14, 2018, during which the 2018 and 2017 appropriation of earnings passed, respectively, were as follows:

	Earnings appropriation		Dividends per share (NT\$)	
	2017	2016	2018	2017
Statutory Surplus Reserve	\$ 67,277	\$ 88,187		
Cash Dividend	602,854	543,104	\$ 5	\$ 5

The 2018 surplus distribution plan is pending approval from the Annual General Meeting to be convened on June 14, 2019.

#### (4) Special capital reserve

During the first-time adoption of IFRSs, the Company's books had unrealized write-ups, accumulated revaluation adjustment, and appropriated retained earnings from the surplus of NT\$313,321 thousand in total. Special capital reserve of the same amount has been appropriated.

#### (5) Other equity items

##### Foreign currency translation difference

	A m o u n t before-tax	R e l e v a n t income tax	I n c o m e after t a x
Balance as of January 1, 2019	(\$ 278,613)	\$ 55,723	(\$ 222,890)
Impact amounts of applied IFRS 16	( 3,317)	663	( 2,654)
Balance as of January 1, 2019 (Adjusted)	( 281,930)	56,386	( 225,544)
Arising during the period			
Currency translation differences from overseas operations	90,988	( 18,198)	72,790
Balance as of March 31, 2019	<u>(\$ 190,942)</u>	<u>\$ 38,188</u>	<u>(\$ 152,754)</u>
Balance as of January 1, 2018	(\$ 351,467)	\$ 59,750	(\$ 291,717)
		10,544	10,544
Changes in tax rates Arising during the period			
Currency translation differences from overseas operations	926	( 185)	741
Balance as of March 31, 2018	<u>(\$ 350,541)</u>	<u>\$ 70,109</u>	<u>(\$ 280,432)</u>

2. Unrealized profit and loss from sale of fair value through other comprehensive income financial assets

	From Jan.1 to Mar.31, 2019	From Jan.1 to Mar.31, 2018
Opening Balance	\$ 1,027,000	\$ 1,376,496
Current		
Unrealized profit and loss		-
Equity Instrument	( 74,689 )	-
Ending Balance	<u>\$ 952,311</u>	<u>\$ 1,376,496</u>
(6) Non-controlling interests		
	January 1, 2019 to March 31, 2019	January 1, 2018 to March 31, 2018
Beginning balance	\$ 727,447	\$ 658,555
Net profit of this period	16,857	6,210
Other comprehensive income of the year		
Exchange differences on translation of foreign financial statements	9,674	5,093
Increases in non-controlling interest by acquisition of subsidiaries	-	21,074
Acquisition of non-controlling interest in subsidiaries (Note 30)	-	( 806 )
Dividend payout from subsidiary	( 9,161 )	-
December 31	<u>\$ 744,817</u>	<u>\$ 690,126</u>

26. Revenue

(1) Diagggregation of revenue from customer contracts

	2019 January 1 to March 31,2019	2018 January 1 to March 31,2019
Adhesives	\$2,677,875	\$2,399,435
Coatings	393,324	394,076
Construction materials	491,581	514,435
Others	185,034	198,901
	<u>\$3,747,814</u>	<u>\$3,506,847</u>

(2) Balance on contracts

	March 31, 2019	December 31, 2018	March 31, 2018	January 1, 2018
Accounts receivable (Note 10)	<u>\$ 3,175,310</u>	<u>\$ 3,470,109</u>	<u>\$ 2,920,599</u>	<u>\$ 3,063,274</u>
Provision - Current Product sales	<u>\$ 57,401</u>	<u>\$ 41,499</u>	<u>\$ 34,761</u>	<u>\$ 22,783</u>
Refund liability - current (listed in other current liabilities) Product sales	<u>\$ 84,531</u>	<u>\$ 101,921</u>	<u>\$ 122,254</u>	<u>\$ 54,740</u>

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

27. Net income

(1) other revenues

	2019 January 1 to March 31, 2019	2018 January 1 to March 31, 2018
Revenue from subsidies	428	-
Interest income	6,737	8,003
Rental income	119	39
	<u>\$ 7,284</u>	<u>\$ 8,042</u>

(2) Other gain and loss

	2019 January 1 to March 31, 2019	2018 January 1 to March 31, 2018
Foreign exchange gain or loss, net	\$ 440	(\$ 28,014)
Others	<u>6,522</u>	<u>2,339</u>
	<u>\$ 6,962</u>	<u>(\$ 25,675)</u>

(3) Financial costs

	2019 January 1 to March 31, 2019	2018 January 1 to March 31, 2018
Interest of bank loans	\$ 13,797	\$ 13,616
Loan interest payable		250
Interest of lease liabilities	4,918	
Less: amounts included in the cost of the required assets	<u>(1,007)</u>	<u>-</u>
	<u>\$ 17,708</u>	<u>\$ 13,866</u>

Information on the capitalization of interest is as follows:

	2019 January 1 to March 31, 2019
Amount of capitalization of interest	\$ 1,007
Interest rate of capitalization of interest	1.6%

(4) Depreciation and amortization

	2019 January 1 to March 31, 2019	2018 January 1 to March 31, 2018
Properties, plants, and equipment	\$ 72,900	\$ 65,089
Right-of-use asset	15,618	-
Intangible assets and prepaid rent	<u>3,294</u>	<u>6,988</u>
	<u>\$ 91,812</u>	<u>\$ 72,077</u>
Depreciation summarized by functions		
Operating costs	\$ 60,949	\$ 49,153
Operating expenses	<u>27,569</u>	<u>15,936</u>
	<u>\$ 88,518</u>	<u>\$ 65,089</u>
Amortization summarized by functions		
Operating costs	\$ 40	\$ 502
Operating expenses	<u>3,254</u>	<u>6,486</u>
	<u>\$ 3,294</u>	<u>\$ 6,988</u>

(5) Employee benefit expenses

	2019 January 1 to March 31, 2019	2018 January 1 to March 31, 2018
Short-term employee benefits		
Salaries	\$ 442,983	\$ 418,320
Labor and health insurance	28,462	26,797
Others	<u>110,837</u>	<u>43,974</u>
	<u>502,635</u>	<u>489,091</u>
Benefits after retirement		
Defined contribution plans	21,267	20,677
Defined benefit plan (Note 24)	<u>2,053</u>	<u>1,898</u>
	<u>23,320</u>	<u>22,575</u>
	<u>\$ 525,955</u>	<u>\$ 511,666</u>
Summarized by functions		
Operating costs	\$ 173,812	\$ 176,169
Operating expenses	<u>352,143</u>	<u>335,497</u>
	<u>\$ 525,955</u>	<u>\$ 511,666</u>

(6) Employee remuneration and directoral compensations

The Company's remuneration for employees and Directors shall be 2 to 6% and under 3% of the earnings before tax of the year and before deducting remuneration for employees and Directors. From January 1 to March 31, 2019, and 2018, the estimated ratio of employee and directoral remuneration is as follows:

Estimated ratio

	2019 January 1 to March 31, 2019	2018 January 1 to March 31, 2018
Employee remuneration	4.0%	3.6%
Director's compensations	1.2%	1.8%

Amount

	2019 January 1 to March 31, 2019	2018 January 1 to March 31, 2018
Employee remuneration	\$ 9,000	\$ 3,000
Remuneration to directors and supervisors	2,719	1,500

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

Employee compensation and remuneration to directors in 2018 and 2017 resolved in Board of Directors' meetings on March 21, 2019, and April 12, 2018, respectively, were as follows:

	2018 C a s h	2017 C a s h
Employee remuneration	\$ 33,000	\$ 35,000
Remuneration to directors and supervisors	13,322	18,000

The actual employee compensation and remuneration to directors in 2018 and 2017 were consistent with the amounts recognized in the Consolidated Financial Statements for the years ended December 31, 2018, and 2017.

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



(7) Gain or loss from exchange

	2019 January 1 to March 31, 2019	2018 January 1 to March 31, 2018
Total currency exchange gain	\$ 75,990	\$ 35,536
Total currency exchange loss	( 75,550)	( 63,550)
Net gain (loss)	<u>\$ 440</u>	<u>(\$ 28,014)</u>

28. Income tax

(1) Income tax recognized in profit or loss

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

	2019 January 1 to March 31, 2019	2018 January 1 to March 31, 2018
Current income tax		
Generated in the current year	\$ 55,066	\$ 24,451
Adjustments from previous years	<u>15,535</u>	<u>4,209</u>
	<u>70,601</u>	<u>28,660</u>
Deferred income tax		
Generated in the current year	25,046	( 115,394)
Changes in tax rates	<u>-</u>	<u>79,292</u>
	<u>25,046</u>	<u>( 36,102)</u>
	<u>\$ 95,647</u>	<u>(\$ 7,442)</u>

The amendment to the Income Tax Act in 2018 adjusted business income tax from 17% to 20%. Deferred income tax losses that are recognized in profit or loss have been fully recognized in the period of the tax rate adjustment. The applicable tax rate for undistributed earnings in 2018 is reduced from 10% to 5%. The tax rate applicable to subsidiaries in China is 25%, while taxes generated in other jurisdictions are calculated based on the tax rates in each jurisdiction.

(2) Income tax expenses recognized in other comprehensive income

	2019 January 1 To March 31 2019	2018 January 1 To March 31 2018
<u>Deferred income tax</u>		
Changes in tax rates		\$ 8,817
Impact amounts of applied IFRS 16	\$ 663	
Arising during the period		
Translations from overseas operations	<u>( 18,198)</u>	<u>( 185 )</u>
	<u>(\$ 17,535)</u>	<u>\$ 8,632</u>

(3) Income tax approval status

The Company and domestic subsidiaries have declared business income tax for 2015 and 2017 respectively, and have been approved by the taxing authority.

29. Basic earnings per share

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

Net profit of this period

	2019 January 1 To March31 2019	2018 January 1 To March31 2018
Equity attributable to owners of the Company	<u>\$ 151,111</u>	<u>\$ 102,314</u>

Shares

Unit: 1,000 shares

	2019 January 1 To March31 2019	2018 January 1 To March31 2018
Weighted average number of common stocks used for the calculation of basic EPS	120,571	108,621
Effect of dilutive potential common stocks:		
Employee remuneration	<u>287</u>	<u>461</u>
Weighted average number of common stocks used for the calculation of diluted EPS	<u>120,858</u>	<u>109,082</u>

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

the dilutive effects of such potential ordinary shares shall continue to be considered.

### 30. Equity transactions with non-controlling interests - 2018

	ITLS-Rich (S) Pte. Ltd.
Cash consideration paid	\$ 1,665
Carrying amount of net assets of subsidiaries that should be transferred out of non-controlling interests based on the calculation of relative equity changes	( 806 )
	_____
Difference in equity transactions	\$ 859
<u>Equity transaction balance</u>	<u>859</u>
<u>adjustment</u>	
Undistributed earnings	( <u>859</u> )

In February 2018, the merged company purchased the remaining 20% of shares of ITLS-Rich (S) Pte. Ltd., thereby increasing its shareholding percentage from 80% to 100%.

### 31. Capital Risk Management

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

### 32 Financial instruments

(1) Fair value information - financial instruments not measured at fair value

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

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

## 1. Fair value measurement hierarchy

March 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets measured at FVTOCI</u>				
Domestic unlisted stocks:	\$ -	\$ -	\$1,135,891	\$1,135,891

December 31, 2018

<u>Financial assets measured at FVTOCI</u>				
Domestic unlisted stocks:	\$ -	\$ -	\$1,210,580	\$1,210,580

March 31, 2018

<u>Financial assets measured at FVTOCI</u>				
Domestic unlisted stocks:	\$ -	\$ -	\$1,560,076	\$1,560,076

## 2. Reconciliation of financial instruments by Level 3 of the fair value hierarchy

Financial assets measured at FVTOCI	2019		2018	
	To	January 1 March 31 2019	To	January 1 March 31 2018
Beginning balance	\$	1,210,580	\$	1,560,076
Recognized in other comprehensive income (unrealized gain or loss from financial assets measured at FVTOCI)		( 74,689 )		-
Ending balance	\$	<u>1,135,891</u>	\$	<u>1,560,076</u>

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

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

(2) Certain domestic unlisted (or OTC) equity use the income approach, in which estimated present value (PV) that could be obtained through holding the investment is calculated based on the discounted value of cash flow. Major unobservable inputs are as follows. When the rate of revenue growth and operating profit increase or the weighted average cost of capital (WACC) decrease, the

fair value of such investment will increase.

	<u>March 31, 2018</u>
Achievement rate of revenue growth rate and operating profit rate	50%
Weighted average cost of capital (WACC)	18.47%

(3) Some investments in equity not listed on TWSE (or TPEX) are estimated at fair value using the asset-based approach, and are determined based on the assessment of the total value of individual assets and liabilities included in the valuation of the underlying equity in order to reflect the overall value of companies or equity.

(3) Classification of financial instruments

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Financial assets			
Financial assets at amortized cost (Note 1)	\$7,902,898	\$7,894,091	\$7,225,763
Financial assets measured at FVTOCI	1,135,891	1,210,580	1,560,076
Financial liabilities			
Measurement of amortized cost (Note 2)	5,343,331	5,702,609	5,662,539

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

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

#### (4) Objectives and policy of financial risk management

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

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

##### 1. Market risks

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

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

##### (1) Foreign exchange risk

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

Please see Note 36 for details on the carrying amount of monetary assets and monetary liabilities denominated by the Company in non-functional currency at the balance

sheet date (including monetary items denominated in non-functional currencies that have been charged-off in the Consolidated Financial Statements).

### Sensitivity Analysis

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

	<u>I n f l u e n c e f r o m t h e U S D</u>		
	<u>January 1, 2019 to March 31, 2019</u>	<u>January 1, 2018 to March 31, 2018</u>	
Profit or loss	\$ <u>15,994</u>	\$ <u>8,497</u>	A

	<u>I n f l u e n c e f r o m V N D</u>		
	<u>January 1, 2019 to March 31, 2019</u>	<u>January 1, 2018 to March 31, 2018</u>	
Profit or loss	\$ <u>5,278</u>	\$ <u>5,026</u>	B

A. Mainly derived from cash and cash equivalents, receivables, payables and borrowings denominated in USD that are still outstanding on the Balance Sheet date and have not been hedged by cash flows. The change was due mainly to the increase in cash and cash equivalents denominated in the US dollar.

B. Mainly derived from cash and cash equivalents, receivables, payables and borrowings denominated in Vietnamese Dong that is still outstanding on the

Balance Sheet date and has not been hedged by cash flows.

(2) Interest rate risk

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

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

	March 31, 2019	December 31, 2018	March 31, 2018
Interest rate risks with cash flow			
Financial assets	\$ <u>3,420,726</u>	\$ <u>3,183,724</u>	\$ <u>2,917,568</u>
Financial liabilities	<u>2,901,839</u>	<u>2,953,037</u>	<u>3,076,356</u>

Sensitivity Analysis

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

When interest rate increases (or decreases) by 1%, when all other variables are unchanged, the Company's profit before tax from January 1 to March 31, 2019, and 2018 will decrease/increase by NT\$7,255 thousand and NT\$7,691 thousand respectively. This is mostly due to changes in the Company's interest rate from loans.

(3) Risks to other prices

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



## 2. Credit risk

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

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

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

	March 31, 2019		December 31, 2018		March 31, 2018	
	S	%	S	%	S	%
Group A	<u>\$336,707</u>	10	<u>\$357,724</u>	10	<u>\$282,621</u>	10

## 3. Liquidity risk

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

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

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

The contractual maturity analysis of balances for non-derivative financial liabilities is calculated based on the earliest required loan repayment date of the Company. It is compiled based on the undiscounted cash flows of the financial liabilities (including principal and estimated interest). Therefore, the following table

presents the bank loans that the Company may be asked to immediately repay first, regardless of the chances of the banks in exercising such right. The analysis of the maturity of other non-derivative liabilities is prepared in accordance with the agreed repayment date.

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

### March 31, 2019

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>
<u>Non-derivative financial liabilities</u>			
Non-interest-bearing liabilities	\$ 2,437,777	\$ 3,715	\$ -
Lease liabilities	55,115	145,426	462,862
Floating interest rate instruments	<u>1,537,826</u>	<u>1,416,723</u>	<u>-</u>
	<u>\$ 4,030,718</u>	<u>\$ 1,565,864</u>	<u>\$ 462,862</u>

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

	<u>Over 1 year</u>	<u>1 year to 5 years</u>	<u>5 years to 10 years</u>	<u>10 years to 20 years</u>	<u>Over 20 years</u>
Lease liabilities	<u>\$ 55,115</u>	<u>\$ 145,426</u>	<u>\$ 166,352</u>	<u>\$ 231,343</u>	<u>\$ 65,167</u>

### December 31, 2018

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>
<u>Non-derivative financial liabilities</u>			
Non-interest-bearing liabilities	\$ 2,747,522	\$ 2,050	\$ -
Floating interest rate instruments	<u>1,577,814</u>	<u>1,423,694</u>	<u>-</u>
	<u>\$ 4,325,336</u>	<u>\$ 1,425,744</u>	<u>\$ -</u>

### March 31, 2018

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>
<u>Non-derivative financial liabilities</u>			
Non-interest-bearing liabilities	\$ 2,484,359	\$ 1,884	\$ -
Fixed interest rate instruments	100,000	-	-
Floating interest rate instruments	<u>1,496,845</u>	<u>1,637,765</u>	<u>-</u>
	<u>\$ 4,081,204</u>	<u>\$ 1,639,649</u>	<u>\$ -</u>

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

#### (2) Financing credit

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Unsecured bank borrowing credit (to be reviewed in each year)			
Amount used	\$ 2,907,304	\$ 2,970,489	\$ 3,205,358
Amount available	<u>4,972,816</u>	<u>4,591,090</u>	<u>4,221,813</u>
	<u>\$ 7,880,120</u>	<u>\$ 7,561,579</u>	<u>\$ 7,427,171</u>
Secured bank borrowing			
Amount used	\$ 88,946	\$ 88,963	\$ 60,000
Amount available	<u>118,924</u>	<u>118,540</u>	<u>40,000</u>
	<u>\$ 207,870</u>	<u>\$ 207,503</u>	<u>\$ 100,000</u>

### 33. Related party transactions

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

#### (I) The names and relations of related parties

<u>Name of related party</u>	<u>Relations with the company</u>
Hsin-Tsung Industrial Co., Ltd.	Affiliate enterprises
Pou Chen Group and subsidiaries	Investors with significant influence
Kunshan Nan Pao Coatings Engineering Co., Ltd.	Other affiliates (the Chairman of the Company is an executive of the Company prior to May 2018.)

(2) Operating revenue

<u>Category of related parties / Name</u>	<u>2019 January 1 to March 31, 2019</u>	<u>2018 January 1 to March 31, 2018</u>
Investors with significant influence	\$ 336,348	\$ 283,851
Other related parties	<u>-</u>	<u>6,255</u>
	<u>\$ 336,348</u>	<u>\$ 290,106</u>

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

(3) Purchase inventories

<u>Category of related parties</u>	<u>2019 January 1 to March 31, 2019</u>	<u>2018 January 1 to March 31, 2018</u>
Affiliate enterprises	<u>\$ 3,945</u>	<u>\$ 2,579</u>

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

(4) Receivables from related parties

<u>Accounting item</u>	<u>Category of related parties</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Accounts receivable related parties	Investors with significant influence			
	Pou Chen Group and subsidiaries	\$ 336,707	\$ 357,724	\$ 282,621
	Other related parties	<u>-</u>	<u>-</u>	<u>37,418</u>
		<u>\$ 336,707</u>	<u>\$ 357,724</u>	<u>\$ 320,039</u>

No guarantee is received for outstanding receivables from related parties.

(5) Payable to related parties

<u>Accounting item</u>	<u>Category of related parties</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Accounts payable	Affiliate enterprises	<u>\$ 2,879</u>	<u>\$ 2,643</u>	<u>\$ 1,178</u>
Other payables	Investors with significant influence	<u>\$ 135</u>	<u>\$ 132</u>	<u>\$ 137</u>

No guarantee is given for outstanding payables to related parties.

(6) Others

Return liability

<u>Accounting item</u>	<u>Category of related parties / Name</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2018</u>
Other current liabilities	Investors with significant influence			
	Pou Chen Group and subsidiaries	<u>\$ 62,460</u>	<u>\$ 78,443</u>	<u>\$ 69,502</u>

(7) Managerial remuneration

	<u>2019 January 1 to March 31, 2019</u>	<u>2018 January 1 to March 31, 2018</u>
Short-term employee benefits	<u>\$ 12,207</u>	<u>\$ 12,253</u>
Benefits after retirement	<u>473</u>	<u>257</u>
	<u>\$ 12,680</u>	<u>\$ 12,510</u>

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

34. Assets pledged as collateral

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

	<u>2019 March 31</u>	<u>2018 December 31</u>	<u>2018 March 31</u>
Property, plant and equipment	<u>\$ 110,699</u>	<u>\$ 111,040</u>	<u>\$ 112,064</u>
Time deposits (Financial assets measured at amortized cost)	<u>265,038</u>	<u>200,311</u>	<u>274,008</u>
	<u>\$ 375,737</u>	<u>\$ 311,351</u>	<u>\$ 386,072</u>

35. Significant contingent liability and unrecognized contract commitments

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

- (1) As of March 31, 2019, December 31, 2018, and March 31, 2018, the number of unused credits issued by the Company for procurement of raw material and machinery and equipment are NT\$94,411 thousand, NT\$106,415 thousand, and NT\$77,686 thousand respectively.

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

	2019 March 31	2018 December 31	2018 March 31
Purchase of property, plant, and equipment	\$ 100,098	\$ 89,288	\$ 71,273
Procurement of raw material	<u>36,611</u>	<u>46,080</u>	<u>39,557</u>
	<u>\$ 136,709</u>	<u>\$ 135,368</u>	<u>\$ 110,830</u>

(3) Material lawsuits

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

Based on the ruling of Taiwan Changhua District Court, He Kui Chemical Company argued for ownership of the machinery and equipment in the plant. Based on the above-mentioned, He Kui Chemical Company filed for indemnity lawsuit against Nan Pao Chemical Co., Ltd. for damage caused by the use of machinery and equipment, and sought for indemnity of NT\$53,102 thousand.

Nevertheless, the amount that He Kui Chemical Company claimed for was based on the purchase price of the machinery and equipment, and did not factor in depreciation based on the useful life of property, plant, and equipment. The batch of machinery was purchased in the '90s to early 2000's, with the surplus value under NT\$53,102 thousand. The Consolidated Company has appropriated NT\$38,445 thousand liability reserve based on the remaining value (listed in other non-current liabilities).

As of the publication date of the Consolidated Financial Statements, the indemnity lawsuit with He Kui Chemical Company was still being ruled at Taiwan Changhua District Court.

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

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

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

March 31, 2019

<u>Financial assets</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>At book value</u>
<u>Monetary items</u>			
USD	\$ 47,016	30.82 (USD:NTD)	\$ 1,448,981
USD	13,367	6.7335 (USD:CNY)	411,962
USD	7,722	14,138 (USD:IDR)	237,979
USD	4,250	7.85 (USD:HKD)	131,015
Vietnamese Dong	491,297,325	0.000043 (VND:USD)	651,814
Malaysian ringgit	7,783	0.3458 (MYR:AUD)	58,823

Financial liabilities

<u>Monetary items</u>			
USD	4,890	30.82 (USD:NTD)	150,689
USD	1,595	6.7335 (USD:CNY)	49,155
USD	3,962	7.7573 (USD:HKD)	120,649
USD	5,624	14,438 (USD:IDR)	173,343
USD	4,435	1.4102 (USD:AUD)	136,699
Vietnamese Dong	93,174,710	0.000043 (VND:USD)	124,039

### December 31, 2018

<u>Financial assets</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>At book value</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

### Financial liabilities

<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



March 31, 2018

<u>Financial assets</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>At book value</u>
<u>Monetary items</u>			
USD	\$ 33,960	29.11 (USD:NTD)	\$ 988,397
USD	12,936	6.2881 (USD:CNY)	376,507
USD	6,788	13,664 (USD:IDR)	197,569
USD	4,146	7.8487 (USD: HKD)	120,651
USD	1,770	22,770 (USD:VND)	51,504
Vietnamese Dong	514,859,105	0.000043 (VND:USD)	648,164
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	5,441	29.044 (USD:NTD)	158,040
USD	5,774	6.2881 (USD:CNY)	168,050
USD	4,163	7.84 (USD:HDK)	121,011
USD	8,625	13,664 (USD:IDR)	251,026
USD	6,429	22,738 (USD:VND)	186,835
Vietnamese Dong	113,570,863	0.000044 (VND:USD)	145,520

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

Functional c u r r e n c y	January 1, 2019 to March 31, 2019		January 1, 2018 to March 31, 2018	
	Functional currency and presentation	Net exchange profit or loss	Functional currency and presentation	Net exchange profit or loss
USD	30.83 (USD:NTD)	(\$ 1,675)	29.3 (USD:NTD)	(\$ 98)
NTD	1 (NTD:NTD)	5,894	1 (NTD:NTD)	( 24,331)
CNY	4.565 (CNY:NTD)	( 7,510)	4.611 (CNY:NTD)	( 8,261)
Singaporean dollar	22.76 (SGD:NTD)	( 43)	22.21 (SGD:NTD)	( 135)
Australian Dollar	21.95 (AUD:NTD)	1,715	23.025 (AUD:NTD)	1,829
Indonesian rupiah	0.0022 (IDR:NTD)	( 975)	0.00217 (IDR:NTD)	1,765
Vietnamese Dong	0.00133 (VND:NTD)	( 99)	0.00129 (VND:NTD)	430
Others		3,133		787
		<u>\$ 440</u>		<u>(\$28,014)</u>

### 37. Other disclosures

#### Information on (1) Significant Transactions and (2) Investees

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

(3) Information on Investments in Mainland China:

1. China investees' names, business items, amounts of paid-in capital, investment methods, capital transaction conditions, shareholding ratios, investment gains and losses, the ending investment book value, investment income repatriation and limits of investment in China. (Table 7)
2. Significant transactions with China investee company through direct or indirect third region, and their prices, terms of payment, unrealized gains and losses: (Table 8)
  - (1) Purchase amount and percentage, and the ending balance and percentage of payables.
  - (2) Sales amount and percentage, and the ending balance and percentage of receivables.
  - (3) Property transaction amount and the resulting gain or loss
  - (4) Ending balance of endorsement, guarantee or collateral provided and purposes.
  - (5) The maximum balance, ending balance, interest rate range and the total amount of current interest in financing.
  - (6) Other transactions having a significant impact on profit or loss or financial status of the period, such as providing or receiving services.

### 38. Segment Information

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

Segment revenue and operations

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

	T a i w a n	M a i n l a n d C h i n a	V i e t n a m	A u s t r a l i a	O t h e r R e g i o n s	A d j u s t m e n t s a n d c h a r g e o f f	T o t a l
<u>January 1, 2019 to March 31, 2019</u>							
Revenue							
Revenue from external customers	\$ 814,495	\$ 1,287,642	\$ 834,288	\$ 453,988	\$ 357,401	\$ -	\$ 3,747,814
Revenue between segments	527,695	265,438	149,238	3,959	10,962	( 957,292)	-
Total revenue	<u>\$ 1,342,190</u>	<u>\$ 1,553,080</u>	<u>\$ 983,526</u>	<u>\$ 457,947</u>	<u>\$ 368,363</u>	<u>( \$ 957,292)</u>	<u>\$ 3,747,814</u>
Segment profit (loss)	<u>\$ 67,899</u>	<u>\$ 28,129</u>	<u>\$ 123,027</u>	<u>\$ 192</u>	<u>\$ 25,607</u>	<u>\$ 17,832</u>	<u>\$ 262,686</u>
Interest income							6,737
Other income							547
Other income							6,962
Financial costs							( 17,708)
Share of profit (loss) of associates accounted for using the equity method							4,391
Pre-tax profit							<u>\$ 263,615</u>
<u>January 1, 2018, to March 31, 2018</u>							
Revenue							
Revenue from external customers	\$ 844,398	\$ 1,188,303	\$ 677,247	\$ 476,033	\$ 320,866	\$ -	\$ 3,506,847
Revenue between segments	588,023	224,099	133,658	5,716	11,354	( 962,850)	-
Total revenue	<u>\$ 1,432,421</u>	<u>\$ 1,412,402</u>	<u>\$ 810,905</u>	<u>\$ 481,749</u>	<u>\$ 332,220</u>	<u>( \$ 962,850)</u>	<u>\$ 3,506,847</u>
Segment profit	<u>\$ 60,198</u>	<u>( \$ 13,555)</u>	<u>\$ 15,734</u>	<u>\$ 12,031</u>	<u>\$ 19,074</u>	<u>\$ 31,593</u>	<u>\$ 125,075</u>
Interest income							8,003
Other income							39
Other income							( 25,675)
Financial costs							( 13,866)
Share of profit (loss) of associates accounted for using the equity method							7,506
Pre-tax profit							<u>\$ 101,082</u>

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

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

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

Table 1

Unit: NT\$1,000

No.	Lender	Lender	Item	Whether being Related parties	Maximum Balance	Balance of Period End	Amount Actually Drawn (Note 4)	Interest rate range (%)	Capital financing feature (Note 1)	Amount of Transaction	Short-term financing Reason for financing	Amount of Allowance for Doubtful Account	Collateral		Limitation on financing to specific entities	Limitation on financing to specific entities
													Title	Value		
0	Nan Pao Resins Chemical Co., Ltd.	RLA Polymers (M) Sdn Bhd	Other accounts receivable--related parties	Yes	\$ 92,460	\$ 92,460	\$ 92,460	4.2	2	\$ -	Operating turnover	\$ -	-	\$ -	\$ 1,949,362	\$ 3,898,723
1	Nan Pao Group Holdings Ltd.	RLA Polymers (M) Sdn Bhd	Other accounts receivable--related parties	Yes	4,931	4,931	4,931	3.25	2	-	Operating turnover	-	-	-	3,756,301	3,756,301
2	Progroups Technology co. Ltd.	Biorich Biotechnology Co., Ltd.	Other accounts receivable--related parties	Yes	900	-	-	2	2	-	Operating turnover	-	-	-	13,728	27,456
3	Nan Pao Resins (China) Co., Ltd.	Nan Pao (Kunshan) E-commerce Ltd.	Other accounts receivable--related parties	Yes	115,075	114,500	114,500	4.57~5	2	-	Operating turnover	-	-	-	403,652	403,652

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

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

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

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

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

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

Note.3: The procedure rules of management that loans directly or indirectly provided from subsidiary to others as following:

1. Such financing amount shall not exceed 100% of the lender's net worth.
2. The aggregate amount of loans and the maximum amount permitted to a single borrower

(1) Where funds are lent to a company or business with business relationship, the amount of an individual loan granted by the Company to a company or business with business relationship with the Company shall not exceed the business transaction amount in the past year between the parties. "Business transaction amount" refers to the amount of purchase or sale between the parties, whichever is higher.

(2) Where funds are lent to a company or business with short-term financial need, each individual loan shall not exceed 20% of the net worth of the Company.

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

Note 5: Already charged-off during compilation of the Consolidated Financial Statements.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Provisions of Endorsements/Guarantees  
January 1, 2019, to March 31, 2019

Table 2

Unit: NT\$1,000

No	Endorsement/ Guarantee P r o v i d e r C o m p a n y n a m e	G u a r a n t e e d P a r t y		Ceiling limit on endorsements and guarantees for a single enterprise ( N o t e 2 )	Highest endorsement or guarantee amount for current period	Endorsement or guarantee amount at end of the Period	Amount Actually D r a w n	Property-guaranteed Guarantee amount	A g g r e g a t e d endorsement or guarantee amount Ratio of which on the financial statements	Endorsement/ Guarantee M a x i m u m A m o u n t (Note 2&Note 3)	Endorsement e n t / Guarantee	Endorsement e n t / Guarantee	Endorsement e n t / Guarantee
		C o m p a n y n a m e	R e l a t i o n ( N o t e 1 )										
0	Nan Pao Resins Chemical Co., Ltd.	ITLS-SB SDN BHD	2	1,949,362	9,246	-	-	-	-	6,822,766	Y	N	N
		Phytomed Bio-tec	2	1,949,362	10,000	10,000	1,500	-	0.10	6,822,766	Y	N	N
		Nan Pao Resins Chemical Philippines, Inc.	2	1,949,362	30,820	30,820	-	-	0.32	6,822,766	Y	N	N
		ITLS International Development Co., Ltd.	2	1,949,362	50,000	50,000	-	-	0.51	6,822,766	Y	N	N
		Nan Pao Advanced Materials Vietnam Co., Ltd.	2	1,949,362	30,820	30,820	-	-	0.32	6,822,766	Y	N	N
		Nan Pao Materials Vietnam Co., Ltd.	2	1,949,362	123,280	123,280	30,820	-	1.26	6,822,766	Y	N	N
		RLA Polymers (M) SDN BHD	2	1,949,362	92,460	-	-	-	-	6,822,766	Y	N	N
		RLA Polymers Pty Ltd.	2	1,949,362	154,100	154,100	21,855	-	1.58	6,822,766	Y	N	N
		Nan Pao Resins International Ltd.	2	1,949,362	308,200	308,200	12,944	-	3.16	6,822,766	Y	N	N
		Nan Pao Group Holdings Ltd. Progroups Technology co. Ltd.	2	1,949,362	154,100	154,100	-	-	1.58	6,822,766	Y	N	N
1	NP Australia Pty Ltd.	PT. Indo Nan Pao Resins Chemical	2	1,949,362	61,640	61,640	30,820	-	0.63	6,822,766	Y	N	N
		RLA Polymers Pty Ltd.	2	123,874	108,266	107,090	72,122	-	17.29	433,558	N	N	N

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

1. Companies with business relationship
2. A company in which the Company, directly and indirectly, holds more than 50 percent of the voting rights
3. A company that directly and indirectly holds more than 50 percent of the voting rights in the Company
4. Between companies in which the Company, directly and indirectly, holds more than 90 percent of the voting rights
5. Companies with the same industry or mutual project undertakers that have mutual guarantee based on contract agreements due to contractual project needs
6. Joint venture endorsed/guaranteed by shareholders based on their holding ratio
7. The performance guarantee of the pre-sale house sales contract in the inter-bank business in accordance with the Consumer Protection Law is jointly guaranteed

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

Note 3: The total amount of endorsement / guarantee provided by the Company or for any one endorsee / guarantee company, or the total amount of endorsement / guarantee provided by the Company and its subsidiaries or the amount of endorsement/guarantee for any one endorsee / guarantee company provided by the Company and its subsidiaries totally shall not exceed 20% of the Company's net worth, neither the total amount of endorsement / guarantee provided by the Company and its subsidiaries nor the amount of endorsement / guarantee for any one endorsee / guarantee company may exceed 70% of the Company's net worth.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Details on marketable securities held at the end of the period  
March 31, 2019

Table 3

Unit: NT\$1,000

Company holding shares	Type and name of securities	Relationship with the issuer	Accounting item	A t e n d o f t h e P e r i o d				R e m a r k s
				Number of shares	At book value	Percentage of shares (%)	F a i r v a l u e	
Nan Pao Resins Chemical Co., Ltd.	Dairen Chemical Corp. - publicly owned company	None	The financial asset in other comprehensive income measured at fair value through profit and loss - non-current	6,515,606	\$ 1,119,773	2	\$ 1,119,773	
	Hua Chi Venture Capital Co., Ltd. - privately-issued equity	.	.	157,895	3,996	1	3,996	
	Hsin Sheng Photovoltaic Co., Ltd. - privately-issued equity	.	.	1,600,000	4,480	10	4,480	
					<u>\$ 1,128,249</u>		<u>\$ 1,128,249</u>	
Nan Pao Chemical Company Ltd.	Ace Chemical Corp. - privately-issued equity	None	The financial asset in other comprehensive income measured at fair value through profit and loss - non-current	827,030	<u>\$ 7,642</u>	10	<u>\$ 7,642</u>	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates, and other related derivative securities within the scope of IFRS 9: Financial instruments.

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

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Amount of purchases from and sales to related parties up to NT\$100 million or 20% of its paid-in capital  
January 1, 2019, to March 31, 2019

Table 4

Unit: NT\$1,000

Supplier (Buyer) company	R e l a t e d P a r t y	R e l a t i o n s	T r a n s a c t i o n			Unusual trade conditions and its reasons		Notes and accounts receivable (payable)		R e m a r k s	
			Purchase/sale	Amount (NT\$)	Ratio of total procurement (sales)	Credit Period	U n i t P r i c e	C r e d i t P e r i o d	Balance (Note)		Ratio on total accounts receivable or payable (%)
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Subsidiary	Sales	( \$ 204,826 )	17	Telegraphic transfer within 90 days	Equivalent	Equivalent	\$ 205,130	20	
Nan Pao Resins International Ltd.	Pou Chen Group and subsidiaries	Investors with significant influence	Sales	( 108,346 )	96	Payment within 60 days	Equivalent	Equivalent	76,531	98	
PT. Tndo Nan Pao Resins Chemical	Pou Chen Group and subsidiaries	Investors with significant influence	Sales	( 113,264 )	45	Telegraphic transfer within 90 days	Equivalent	Equivalent	162,377	54	

Note: Except for investors with significant influence, already charged-off during writing of the Consolidated Financial Statements.



Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

Amount of accounts receivable from related parties up to NT\$100 million or 20% of its paid-in capital

March 31, 2019

Table 5

Unit: NT\$1,000

Company with accounts receivable	R e l a t e d P a r t y	R e l a t i o n s	Related party of account receivable Account balance ( N o t e 2 )	Turnover ratio%	Overdue accounts receivable from related party		Accounts receivable from related party Amount recoverable a f t e r p e r i o d	Listed deductibles B a d d e b t
					S u m	Handling Method		
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd. Pou Chen Group and subsidiaries	Subsidiary Investors with significant influence	\$ 205,130	3.41	\$ -	Not applicable	\$ 74,852	\$ -
PT. Indo Nan Pao Resins Chemical			162,377	2.73	-	Not applicable	40,466	17
Nan Pao Resins (China) Co., Ltd.	Nan Pao (Kunshan) E-commerce Ltd.	Same ultimate company	117,444	- (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, already charged-off during writing of the Consolidated Financial Statements

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Information on Investees, Locations, etc.  
January 1, 2019 to March 31, 2019

Table 6

Unit: NT\$1,000

(Only foreign currency is denoted in dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Initial investment		Possession by the end of the period			Investee company Profit (loss) for the period	Share of Profits/Losses Investment Profit/Loss (Note 1)	Remarks
				March 31, 2019	December 31, 2018	Number of shares	Ratio	At book value			
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Chemical Company Ltd.	No.12, Nanhai, Nanhai Vil., Xigang Dist., Tainan City	Trading of chemical substances	\$ 300,000	\$ 300,000	15,000,000	100	\$ 144,951	( \$ 37 )	( \$ 37 )	
	Nan Pao Application Material Co., Ltd.	No.12, Nanhai, Nanhai Vil., Xigang Dist., Tainan City	Trading of chemical substances	60,000	200,000	200,000	100	9,590	( 51 )	( 51 )	
	Nan Pao Electronic Material Company	No.510, Zhongshan Rd., Xigang Dist, Tainan City	Production and trading of electronic materials	63,540	63,540	4,000,000	100	46,159	1,062	1,062	
	ITLS International Development Co., Ltd.	3F, No.356, Sec.1, NeiHu Rd., Taipei	Trading of construction materials and chemical substances	755,000	755,000	30,500,000	100	300,072	1,483	1,483	
	Prince Pharmaceutical Co., Ltd.	9F, No. 107, Sec.3, Chung-Shin Rd., Sanchung Dist., New Taipei City	Manufacturing, packaging, and processing of raw materials for various pharmaceutical and health food	268,000	268,000	14,500,000	49.90	300,794	( 4,320 )	( 2,154 )	
	PHYMED BIO-TEC CO., LTD.	No.12, Nanhai, Nanhai Vil., Xigang Dist., Tainan City	R&D and trading of health food	16,000	16,000	600,000	100	3,880	( 116 )	( 116 )	
	Biorich Biotechnology Co., Ltd.	3F, No.356, Sec.1, NeiHu Rd., Taipei	R&D, production, and trading of new high protein business and health food	64,121	64,121	391,462	57.10	6,386	2,007	1,146	
	Nan Pao Advanced Materials Co.,LTD.	No. 521, Zhongshan Rd., Xigang Dist, Tainan City	Trading of adhesives and chemicals	3,500	3,500	350,000	70	6,170	524	367	
	Hsin-Tsung Industrial Co., Ltd.	12F., No. 117, Sec. 2, Chongqing N. Rd., Datong Dist., Taipei City	Production and trading of chemical materials including adhesives and resins	120,000	120,000	1,500,000	30	296,571	14,635	4,391	
	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	205,481	2,093	2,093	
	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	182,404	2,585	2,585	
	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	28,357	1,147	1,147	
	Nan Pao Materials Vietnam Co., Ltd.	LotA4, A5, A10, A11 Daden Industrial Park, Thu Dau Mot City, Binh Duong Province, Vietnam	Production and trading of adhesives and chemicals	685,094	685,094	-	100	752,981	30,098	30,098	
	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	465,970	-	100	434,354	( 3,940 )	( 3,940 )	
	Nan Pao Overseas Holdings Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	2,071,057	2,071,057	67,284,333	100	3,711,208	63,809	66,515	
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General investment	186,588	186,588	983,333	73.75	765,835	11,891	8,730	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	All Saints Enterprises Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	143,375	143,375	5,452,549	54.53	222,630	( 6,451 )	( 3,518 )	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	Ongoing Profits Ltd.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Island	General investment	46,426	46,426	1,560,000	32.18	326,830	76,980	25,208	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	PT. Indo Nan Pao Resins Chemical	Jl. Pajajaran Raya No.44, Jatiuwung Tangerang 15137, Indonesia	Production and trading of adhesives	39,276	39,276	2,756,250	49	198,292	15,326	7,510	Nan Pao Resins Chemical Co., Ltd. and related companies hold 67.5% of voting shares
	ITLS International Development Co., Ltd.	ITLS Holding Pte. Ltd.	Blk 1049, Eunos Avenue 6, #01-132, Singapore 409628	General investment	545,462	545,462	24,064,549	100	161,157	2,827	
Aftek Materials Vietnam Co., Ltd.		No. 16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and trading of construction materials	49,172	49,172	-	70	41,924	( 3,199 )		
Fuqing Nan Pao Investmens Ltd.	Wealth Castle Development Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	140,539	140,539	10,000	100	205,055	2,094		
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	171,939	171,939	21,197,000	100	117,608	2,585		
Nan Pao Overseas Holdings Ltd.	Nan Pao Group Holdings Ltd.	4th Floor, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Islands	General investment	2,073,703	2,073,703	67,284,333	100	3,756,301	63,810		
ITLS Holding Pte. Ltd.	ITLS (Malaysia) SDN BHD	Lot 75289, Lebuhraya Pasir Gudang, Mukim Plentong (PermasJaya) , 81750 Masai, Johor, Malaysia	Production and trading of construction materials	31,655	31,655	3,250,000	100	22,293	3,890		
	PT. ITLS Indonesia	Jl. Pajajaran Raya No. 44, Kel. Gandasari, Kec. Jatiuwung, Tangerang-15137 Indonesia	Production and trading of construction materials	75,867	75,867	2,437,109	100	25,881	( 464 )		
	ITLS Vietnam Co., Ltd.	No.16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and trading of construction materials	134,174	134,174	-	100	84,182	( 417 )		
	ITLS-Rich (S) Pte. Ltd.	Blk1049,Eunos Avenue 6,#01-132, Singapore 409628	Trading of hardware and construction materials	6,256	6,256	250,000	100	-	-		
	ITLS-SB SDN BHD	Lot 75289, Lebuhraya Pasir Gudang, Mukim Plentong (PermasJaya) , 81750 Masai, Johor, Malaysia	Production and trading of hardware and construction materials	21,126	21,126	2,000,000	100	19,295	( 34 )		
Nan Pao Group Holdings Ltd.	Greatwill Materials (HK) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	38,833	38,833	7,172	67.68	302,615	22,963		

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Investor Company	Investee Company	L o c a t i o n	Main Businesses and Products	I n i t i a l i n v e s t m e n t		Possession by the end of the period			Investee company Profit (loss) for the p e r i o d	Share of Profits/Losses Investment Profit/Loss ( N o t e 1 )	R e m a r k s
				December 31, 2018	March 31, 2019	Number of shares	R a t i o	At book value			
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General investment	58,177 (USD 1,887,627)	58,177 (USD 1,887,627)	350,000	26.25	275,055	11,891		Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	Nan Pao Resins (Holdings) Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	\$ 802,987 (USD 26,054,073)	\$ 802,987 (USD 26,054,073)	10,000	100	\$ 880,224	( \$ 794 )		
	All Saints Enterprises Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	164,365 (USD 5,333,075)	164,365 (USD 5,333,075)	4,547,451	45.47	185,641	( 6,451 )		Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	Mega Victory Ltd.	Visits Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	General investment	72,956 (USD 2,367,154)	72,956 (USD 2,367,154)	2,367,154	100	63,171	1,704		
	ITLS –TWA Australia Pty. Ltd.	Level 4, 147 Collins Street Melbourne Vic 3000	Production and trading of hardware, construction materials, and chemicals	131,130 (AUD 6,000,000)	131,130 (AUD 6,000,000)	6,000,000	100	( 48,446 )	( 9 )		
	NP Australia Pty. Ltd.	Level 4, 147 Collins Street Melbourne Vic 3000	General investment	518,277 (AUD 23,714,354)	518,277 (AUD 23,714,354)	23,714,354	100	619,371	( 3,412 )		
	Ongoing Profits Ltd.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Island	General investment	118,251 (USD 3,836,817)	118,251 (USD 3,836,817)	3,287,546	67.82	715,624	76,980		Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	Treasure Wealth (HK) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	142,080 (USD 4,610,000)	142,080 (USD 4,610,000)	4,610	100	149,094	5,215		
	Goldford Investments Ltd.	Creque Buildin, P.O. Box 116, Road Town, Tortola, British Virgin Islands	General investment	18,025 (USD 584,844)	18,025 (USD 584,844)	486,000	100	82,523	1,767		
	Nan Pao Resins Chemical Philippines, Inc.	Road 22 Phase 11, Cogege Village, Antipolo City, Philippines	Trading of adhesives	6,472 (USD 210,000)	6,472 (USD 210,000)	9,000	100	43,151	3,718		
	Nan Pao Resins International Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Trading of chemical substances and related products	785 (HKD 200,000)	785 (HKD 200,000)	1,000	100	11,197	1,274		
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	246,560 (USD 8,000,000)	246,560 (USD 8,000,000)	10,000	100	945,951	11,891		
Nan Pao Resins (Holdings) Ltd.	Eastlion Enterprises Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	620,718 (USD 20,140,100)	620,718 (USD 20,140,100)	20,240	100	766,034	( 145 )		
	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	1,007	( 77 )		
	Nan Pao Resins Development Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	92,460 (USD 3,000,000)	92,460 (USD 3,000,000)	3,000	100	105,846	( 568 )		
All Saints Enterprises Ltd.	Great Mount Enterprises Ltd.	Unit 2102, 21/F The Broadway, No., 54-62 Lockhart, Road, Wanchai, Hong Kong	General investment	308,200 (USD 10,000,000)	308,200 (USD 10,000,000)	10,000	100	403,802	( 6,451 )		
Mega Victory Ltd.	Progroup Technology Co., Ltd.	No.12, Nanhai, Nanhai Vil., Xigang Dist., Tainan City	Trading of water-based polyurethane resin	75,000	75,000	459,950	91.99	63,142	1,853		
NP Australia Pty Ltd.	RLA Polymers Pty. Ltd.	Level 4, 147 Collins Street Melbourne Vic 3000	Production and trading of construction materials and chemical substances	324,205 (AUD 14,834,344)	324,205 (AUD 14,834,344)	10,052,080	100	478,014	( 2,364 )		
Ongoing Profits Ltd.	Rising Sun Associates Ltd.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Island	General investment	149,401 (USD 4,847,546)	149,401 (USD 4,847,546)	3,000,000	100	1,053,315	76,980		
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	141,464 (USD 4,590,000)	141,464 (USD 4,590,000)	-	50	148,668	10,432		
Goldford Investments Ltd.	PT. Indo Nan Pao Resins Chemical	Jl. Pajajaran Raya No. 44, Jatiuwung Tangerang 15137, Indonesia	Production and trading of adhesives	2,269 (IDR 1,040,625,000)	2,269 (IDR 1,040,625,000)	1,040,625	18.5	78,512	15,326		Nan Pao Resins Chemical Co., Ltd. and related companies hold 67.5% of voting shares
Rising Sun Associates Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Cong ThanhZ, DiAn District, Binh Duong Province	Production and trading of adhesives and coatings	105,041 (USD 3,408,217)	105,041 (USD 3,408,217)	-	100	1,050,279	76,980		
RLA Polymers Pty Ltd.	RLA Polymers (M) SDN BHD	No.5, Lebuhraya Petai, Pandamaran, 42000 Port Klang, Selangor Darul Ehsan, Malaysia	Production and trading of construction materials and chemical substances	130,514 (AUD 5,971,801)	130,514 (AUD 5,971,801)	18,415,500	100	196,568	( 6 )		

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

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

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Information on investment in Mainland China  
January 1, 2019 to March 31, 2019

Table 7

Unit: NT\$1,000

(Only foreign currency is denoted in dollars)

Investee Company Company name	Main Businesses and Products	Actual paid-in capital (Note 4)	Investor Company (Note 1)	Accumulated Outflow of Investment from Taiwan at the beginning of the period Amount invested (Note 4)	Outflow or recovery during the period		Accumulated Outflow from Taiwan at the end of the period Amount invested (Note 4)	Investee company Profit (loss) for the period	Shareholding ratio of the Company's direct or indirect investments (%)	Profit or loss Investment Profit/Loss (Note 2)	Carrying amount of investment at the end of the period Book value	Remitted as of the end of the current period Investment income
					Outflow	Recovery						
Nan Pao Resins (China) Co., Ltd.	Production and trading of adhesives and coatings	\$ 308,200 (USD 10,000,000)	(2) Great Mount Enterprises Ltd.	\$ 332,546 (USD 10,789,932)	\$ -	\$ -	\$ 332,546 (USD 10,789,932)	( \$ 6,450 )	100	( \$ 6,450 ) (2)B.	\$ 403,652	\$ -
Fuqing Nan Pao Resins Co., Limited	Production and trading of adhesives	140,539 (USD 4,560,000)	(2)Wealth Castle Development Ltd.	153,792 (USD 4,990,000)	-	-	153,792 (USD 4,990,000)	2,139	100	2,139 (2)B.	203,892	112,121
Nan Pao Resins (Dong-Guan) Co., Ltd.	Processing of adhesive products	83,214 (USD 2,700,000)	(2) Eastlion Enterprises Ltd.	78,340 (USD 2,541,860)	-	-	78,340 (USD 2,541,860)	( 952 )	100	( 952 ) (2)B.	122,788	-
Dongguan Jia Chin Electronics Co., Ltd.	Production and trading of coatings and advanced resin	92,460 (USD 3,000,000)	(2) Nan Pao Resins Development Ltd.	94,454 (USD 3,064,683)	-	-	94,454 (USD 3,064,683)	( 568 )	100	( 568 ) (2)B.	105,828	-
Foshan Nan Pao Advanced Materials Co., Ltd.	Production and trading of adhesives	46,230 (USD 1,500,000)	(2) Greatwill Materials (HK) Ltd. and Nan Pao Resins (Fo Shan) Co., Ltd.	-	-	-	-	23,706	68	16,120 (2)B.	303,281	-
Nan Pao Resins (Fo Shan) Co., Ltd.	Production and trading of adhesives	246,560 (USD 8,000,000)	(2) Giant Profit Development Ltd.	240,015 (USD 7,787,627)	-	-	240,015 (USD 7,787,627)	11,901	100	11,901 (2)B.	944,918	128,367
Foshan Nan Pao Cheng Hung Advanced Materials Technology Co., Ltd.	Trading of footwear materials	22,900 (RMB 5,000,000)	(3) Nan Pao Resins (Fo Shan) Co., Ltd.	-	-	-	-	2,440	51	1,244 (2)B.	14,320	-
Gangyi Electronic (Dongguan) Co., Ltd. (Note 5)	Production and trading of magnetic covers, magnetic rings, iron cores and electronic components	-	(2) Qang Yi Electronic Factory Company Ltd.	12,328 (USD 400,000)	-	-	12,328 (USD 400,000)	-	-	-	-	-
Nanpao Advanced Investment Co., Ltd.	General investment	576,334 (USD 18,700,000)	(2) Nan Pao Group Holdings Ltd.	576,334 (USD 18,700,000)	-	-	576,334 (USD 18,700,000)	( 8,736 )	100	( 8,736 ) (2)B.	545,901	-
Nan Pao (Kunshan) E-commerce Ltd.	Agency of online business and general merchandise	154,100 (USD 5,000,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	( 5,676 )	100	( 5,676 ) (2)B.	127,743	-
Nantong Nanpao Resins Materials Co., Ltd.	Production and trading of adhesives	169,510 (USD 5,500,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	( 2,911 )	100	( 2,911 ) (2)B.	160,026	-
Nan Pao Resins (Yunan) Co., Ltd.	Production and trading of adhesives	61,640 (USD 2,000,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	( 1,095 )	100	( 1,095 ) (2)B.	61,740	-

Aggregate investment amount remitted from Taiwan to Mainland China at the end of the period (Note 4)	Investment Amounts Authorized by Investment Commission, MOEA (Note 4)	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs (MOEA) (Note 4)
\$ 1,487,808 (USD 48,274,102)	\$ 1,736,684 (USD 56,349,260)	\$ 5,848,085

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

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

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

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

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

$$\$9,746,808 \times 60\% = \$5,848,085$$

Note 4: Relevant amounts were calculated based on the exchange rate of US\$1 = NT\$30.82 at the end of the period.

Relevant amounts were calculated based on the exchange rate of CNY 1 = NT\$4.58 at the end of the period.

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

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

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

January 1, 2019 to March 31, 2019

Table 8

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

Supplier (Buyer) company	Counterparty	Relations	Transaction				Different amounts from normal transactions		Notes and accounts receivable (payable)		Unrealized profit (Note)
			Purchase/sale	Amount (NT\$)	Ratio on total purchases Ratio (%)	Credit Period	Reasons and conditions		Balance (Note)	Ratio on total accounts receivable Notes Payable, Ratio of account (%)	
							Unit Price	Credit Period			
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Fo Shan) Co., Ltd.	Subsidiary	Sales	( \$ 29,114 )	( 2 )	Telegraphic transfer within 90 days	Equivalent	Equivalent	\$ 19,773	2	\$ 6,261
	Nan Pao Resins (China) Co., Ltd.	Subsidiary	Sales	( 14,504 )	( 1 )	Telegraphic transfer within 90 days	Equivalent	Equivalent	19,269	2	-
Foshan Nan Pao Advanced Materials Co., Ltd.	Nan Pao Resins Chemical Co., Ltd.	Ultimate parent company	Sales	( 20,218 )	( 5 )	Telegraphic transfer within 30 days	Equivalent	Equivalent	8,892	2	-
	Greatwill Materials (HK) Ltd.	Same parent company	Sales	( 16,682 )	( 4 )	Telegraphic transfer within 90 days	Equivalent	Equivalent	-	-	-
Nan Pao Resins (Dong-Guan) Co., Ltd.	Eastlion Enterprises Ltd.	Parent company	Net sale of processing	( 77,343 )	( 100 )	Payment within 30 days	No comparable product sales for comparison	No third-party transaction for comparison	-	-	-
Nan Pao Resins (Fo Shan) Co., Ltd.	Fuqing Nan Pao Resins Co., Limited	Same parent company	Sales	( 22,392 )	( 6 )	Payment within 90 days	Equivalent	Equivalent	26,012	8	-

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

January 1, 2019 to March 31, 2019

Table 9

Unit: NT\$1,000

No	Company Name	Counterparty	Relationship with Counterparty (Note 1)	Transaction Status			
				Item	Amount (Note 2)	Term	Percentage of Consolidated Net Revenue or Total asset (%)
0	Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (China) Co., Ltd.	1	Accounts receivable - related parties	\$ 19,269	Payment term is telegraphic transfer within 90 days based on average transaction price	-
				Sales revenue	14,504		1
		Nan Pao Resins (Vietnam) Enterprise Ltd.	1	Accounts receivable - related parties	205,130		2
				Sales revenue	204,826		6
		Nan Pao Resins (Fo Shan) Co., Ltd.	1	Accounts receivable - related parties	19,773		-
				Sales revenue	29,114		1
		PT. Indo Nan Pao Resins Chemical	1	Accounts receivable - related parties	84,032		-
				Sales revenue	65,136		2
		RLA Polymers (M) SDN BHD	1	Other accounts receivable - related parties	92,818		-
		Eastlion Enterprises Ltd.	1	Accounts receivable - related parties	74,695		-
Sales revenue	74,581			2			
Foshan Nan Pao Advanced Materials Co., Ltd.	1	Purchase	20,218	-			
Nan Pao Materials Vietnam Co., Ltd.	1	Accounts receivable - related parties	62,481	-			
		Sales revenue	40,332	1			
1	Nan Pao Resins (Vietnam) Enterprise Ltd.	PT. Indo Nan Pao Resins Chemical	3	Accounts receivable - related parties	32,094	-	
				Sales revenue	21,597	1	
		Nan Pao Resins International Ltd.	3	Accounts receivable - related parties	66,043	1	
				Sales revenue	70,676	2	
		Progroups Technology co. Ltd.	3	Accounts payable - related parties	19,985	-	
Purchase	19,991			-			
Eastlion Enterprises Ltd.	3	Accounts payable - related parties	15,406	-			
Purchase	15,411	Receipt through telegraphic transfer of 90 days based on average transaction price	1				
2	Nan Pao Resins (Fo Shan) Co., Ltd.	Fuqing Nan Pao Resins Co., Limited	3	Accounts receivable - related parties	26,012	-	
				Sales revenue	22,392	1	
		Foshan Nan Pao Advanced Materials Co., Ltd.	3	Accounts payable - related parties	18,130	-	
				Other accounts payable - related parties	19,110	1	
3	Eastlion Enterprises Ltd.	Nan Pao Resins (Dong-Guan) Co., Ltd.	3	Processing fee	76,328	2	
				Accounts receivable - related parties	30,382	-	
		Nan Pao Resins Chemical Philippines, Inc.	3	Sales revenue	19,231	-	

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No	Company Name	Counterparty	Relationship with Counterparty (Note 1)	Transaction Status			
				Item	Amount (Note 2)	Term	Percentage of Consolidated Net Revenue or Total asset (%)
4	Nan Pao Resins (China) Co., Ltd.	Nan Pao (Kunshan) E-commerce Ltd.	3	Other accounts receivable--related parties	117,444		1
5	Foshan Nan Pao Advanced Materials Co., Ltd.	Fuqing Nan Pao Resins Co., Limited	3	Accounts payable - related parties	12,247		-
		Nan Pao Resins India Pvt Ltd.	3	Accounts receivable - related parties	13,122		-
6	Nan Pao Materials Vietnam Co., Ltd.	Nan Pao Resins International Ltd.	3	Sales revenue	11,880	Receipt through telegraphic transfer of 90 days based on average transaction price	-
				Accounts receivable - related parties	41,071		-
		Nan Pao Chemical Company Ltd.	3	Sales revenue	33,615	Receipt through telegraphic transfer of 60-90 days based on average transaction price	1
				Accounts payable - related parties	16,467		-
				Purchase	16,472	Receipt through telegraphic transfer of 90 days based on average transaction price	-
PT. Indo Nan Pao Resins Chemical	3	Accounts receivable - related parties	12,768		-		
				Sales revenue	12,771	Receipt through telegraphic transfer of 90 days based on average transaction price	-

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

- (1) Parent company to subsidiaries.
- (2) Subsidiaries to the parent company.
- (3) Between subsidiaries

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

