

Nan Pao Resins Chemical Co.,  
Ltd.  
and Subsidiaries

Consolidated Financial Statements  
and CPAs' Report  
Third Quarter of September 30, 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 September 30, 2019 and 2018 the related Consolidated Statements of Comprehensive Income for the three-month and nine-month periods ending on September 30, 2019 and 2018 the Consolidated Shareholders' Equity Statements and Consolidated Cash Flow Statements for the nine -month periods ending on September 30, 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\$3,675,147 thousand and NT\$3,138,533 thousand as of September 30, 2019 and September 30, 2018 and account for 20% and 18% of the respectively of the consolidated assets. Total liabilities are NT\$1,051,380 thousand and NT\$685,491 thousand and account for 14% and 9% of the consolidated liabilities respectively. Its total comprehensive income from July 1 to September 30, 2019 and 2018 and from January 1 to September 30, 2019 and 2018 are profit of NT\$35,864 thousand, profit of NT\$29,602 thousand, profit of NT\$104,713 thousand, and profit of NT\$55,224 thousand and account for 20%, 35%, 13%, 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 September 30, 2019 and 2018 are NT\$310,722 thousand and NT\$289,251 thousand respectively. Income or loss recognized using the equity method from July 1 to September 30, 2019, and 2018 and from January 1 to September 30, 2019 and 2018 are the profit of NT\$10,179 thousand, profit of NT\$5,591 thousand, profit of NT\$21,542 thousand, and profit of NT\$18,300 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 September 30, 2019 and 2018 and their consolidated financial performance and consolidated cash flows for the three-month and nine-month periods ending on September 30, 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\$1,560,292 thousand and NT\$1,258,308 thousand on September 30, 2019 and 2018 accounting for 9% ,and 7% of the respectively of the consolidated assets. The net operating revenues from July 1 to September 30, 2019, and 2018, and from January 1 to September 30, 2019 and 2018 are NT\$524,150 thousand, NT\$516,626 thousand, NT\$1,473,387 thousand, and NT\$1,499,284 thousand respectively, and accounts for 12%, 12%, 12%, and 13% of the consolidated net operating revenue.

Deloitte & Touche Taiwan

CPA Liao, Hung-Ju

CPA Kung, Chun-Chi

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

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

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Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Consolidated Financial Statements  
September 30, 2019, December 31, 2018 and September 30 2018

Unit: NT\$1,000

C o d e	A s s e t s	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)		September 30, 2018 (Reviewed)	
		S u m	%	S u m	%	S u m	%
<b>Current assets</b>							
1100	Cash and cash equivalents (Note 6)	\$ 3,637,512	20	\$ 3,679,348	21	\$ 3,685,648	21
1136	Financial assets at amortized cost - current (Note 8,9, and 35)	384,908	2	196,068	1	274,268	2
1150	Notes receivable (Note 10)	321,599	2	293,405	2	312,066	2
1170	Accounts receivable (Note 10, and 26)	3,194,151	18	3,112,385	18	3,066,149	17
1180	Accounts receivable - related persons (Note 10,26, and 34)	387,836	2	357,724	2	354,569	2
1200	Other receivables (Note 10)	183,701	1	201,967	1	65,042	-
1220	Current income tax assets	31,277	-	13,197	-	26,855	-
130X	Inventory (Note 11)	2,389,500	13	2,347,224	13	2,462,779	14
1412	Prepaid rent (Note 19)	-	-	15,335	-	14,585	-
1470	Other current assets (Note 20)	376,216	2	453,097	3	602,621	4
11XX	Total current assets	<u>10,906,700</u>	<u>60</u>	<u>10,669,750</u>	<u>61</u>	<u>10,864,582</u>	<u>62</u>
<b>Non-current assets</b>							
1517	Financial assets measured at FVTOCI non-current (Note 7)	1,098,102	6	1,210,580	7	1,559,328	9
1535	Financial assets carried at cost - non- (Note 8,9, and 35)	86,638	1	53,194	-	51,744	-
1550	Investments accounted for using the equity method (Note 13)	310,722	2	292,180	2	289,251	2
1600	Property, Plants & Equipment (Note 4, 14, and 35)	4,082,603	22	3,959,992	23	3,710,154	21
1755	Right-of-use asset (Note 4, and 15)	1,163,954	6	-	-	-	-
1760	Investment property (Note 16)	17,760	-	17,760	-	17,760	-
1805	Goodwill (Note 17)	130,926	1	86,766	1	88,151	-
1821	Other intangible assets (Note 18)	61,923	-	43,874	-	47,876	-
1840	Deferred income tax assets	241,159	1	251,359	1	266,160	2
1985	Prepaid rent - non-current (Note 19)	-	-	662,223	4	605,891	3
1990	Other non-current assets (Note 20)	173,985	1	115,775	1	123,899	1
15XX	Total Non-Current Assets	<u>7,367,772</u>	<u>40</u>	<u>6,693,703</u>	<u>39</u>	<u>6,760,214</u>	<u>38</u>
1XXX	Total Assets	<u>\$ 18,274,472</u>	<u>100</u>	<u>\$ 17,363,453</u>	<u>100</u>	<u>\$ 17,624,796</u>	<u>100</u>
<b>Liabilities and Shareholders' Equity</b>							
<b>Current liabilities</b>							
2100	Short-term loans (Note 21 and 35)	\$ 1,251,541	7	\$ 1,295,694	7	\$ 1,989,673	11
2110	Short-term notes payable (Note 21)	-	-	-	-	59,967	-
2130	Contract liabilities - current (Note 26)	20,639	-	41,499	-	51,441	-
2150	Notes payable (Note 22)	38,300	-	35,908	-	39,163	-
2170	Accounts payable (Note 22, and 34)	1,947,670	11	1,923,206	11	2,022,971	12
2280	Lease liabilities-current (Note 4, and 15)	50,448	-	-	-	-	-
2219	Other payables (Note 34)	817,460	4	788,396	5	787,083	5
2230	Current income tax liabilities	177,217	1	169,036	1	97,716	1
2320	Long-term debt maturing within one year (Note 21)	345,865	2	265,273	2	173,597	1
2399	Other current liabilities (Note 23, and 34)	179,300	1	185,889	1	139,500	1
21XX	Total current liabilities	<u>4,828,440</u>	<u>26</u>	<u>4,704,901</u>	<u>27</u>	<u>5,361,111</u>	<u>31</u>
<b>Non-current liabilities</b>							
2580	Lease liabilities-non current (Note 4, and 15)	449,720	2	-	-	-	-
2540	Long-term debt (Note 21)	1,466,172	8	1,392,070	8	1,781,422	10
2570	Deferred income tax liabilities	825,199	5	705,380	4	710,067	4
2640	Net defined benefit liabilities - non-current	123,515	1	149,410	1	165,864	1
2670	Other Non-Current Liabilities (Note 23, and 36)	49,054	-	56,622	-	42,526	-
25XX	Total Non-current Liabilities	<u>2,913,660</u>	<u>16</u>	<u>2,303,482</u>	<u>13</u>	<u>2,699,879</u>	<u>15</u>
2XXX	Total Liabilities	<u>7,742,100</u>	<u>42</u>	<u>7,008,383</u>	<u>40</u>	<u>8,060,990</u>	<u>46</u>
<b>Equity attributable to shareholders of the Company (Note 25)</b>							
3110	Ordinary Shares	1,205,707	7	1,205,707	7	1,086,207	6
3200	Capital reserve	2,108,235	11	2,108,235	12	1,290,212	7
<b>Retained earnings</b>							
3310	Statutory Surplus Reserve	1,056,002	6	988,725	6	988,725	6
3320	Special Surplus Reserve	313,321	2	313,321	2	313,321	2
3350	Undistributed earnings	4,401,877	24	4,207,525	24	4,052,723	23
3300	Total Reserved Earnings	<u>5,771,200</u>	<u>32</u>	<u>5,509,571</u>	<u>32</u>	<u>5,354,769</u>	<u>31</u>
3400	Other equity	668,239	4	804,110	5	1,115,496	6
31XX	Total Owner's Equity	<u>9,753,381</u>	<u>54</u>	<u>9,627,623</u>	<u>56</u>	<u>8,846,684</u>	<u>50</u>
36XX	Non-controlling Interests	778,991	4	727,447	4	717,122	4
3XXX	Total Equity	<u>10,532,372</u>	<u>58</u>	<u>10,355,070</u>	<u>60</u>	<u>9,563,806</u>	<u>54</u>
Total Liabilities and Equity		<u>\$ 18,274,472</u>	<u>100</u>	<u>\$ 17,363,453</u>	<u>100</u>	<u>\$ 17,624,796</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 November 11, 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

July 1 to September 30, 2019 and 2018 and January 1 to September 30, 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\$)

Code		July 1, 2019 to September 30, 2019		July 1, 2018 to September 30, 2018		January 1, 2019 to September 30, 2019		January 1, 2018 to September 30, 2018	
		S	%	S	%	S	%	S	%
4000	Operating revenue (Notes 26, and 34)	\$ 4,489,396	100	\$ 4,175,852	100	\$ 12,588,718	100	\$ 11,755,738	100
5000	Operating cost (Notes 11, 27, and 34)	<u>3,206,945</u>	<u>71</u>	<u>3,133,333</u>	<u>75</u>	<u>9,118,148</u>	<u>72</u>	<u>9,003,634</u>	<u>77</u>
5900	Gross profit	<u>1,282,451</u>	<u>29</u>	<u>1,042,519</u>	<u>25</u>	<u>3,470,570</u>	<u>28</u>	<u>2,752,104</u>	<u>23</u>
	Operating expenses (Note 10, and 27)								
6100	Selling expenses	450,147	10	430,055	10	1,268,108	10	1,229,346	10
6200	General and administrative expenses	220,404	5	195,077	5	639,646	5	575,821	5
6300	Research and development expenses	110,057	3	104,765	3	327,490	3	301,881	3
6450	Estimated credit impairment loss or gain	<u>22,316</u>	-	<u>4,441</u>	-	<u>17,816</u>	-	<u>26,661</u>	-
6000	Total operating expenses	<u>802,924</u>	<u>18</u>	<u>734,338</u>	<u>18</u>	<u>2,253,060</u>	<u>18</u>	<u>2,133,709</u>	<u>18</u>
6900	Net operating profit	<u>479,527</u>	<u>11</u>	<u>308,181</u>	<u>7</u>	<u>1,217,510</u>	<u>10</u>	<u>618,395</u>	<u>5</u>
	Non-operating income and expenses (Notes 13 and 27)								
7010	Other income	43,835	1	9,378	-	120,355	1	138,727	1
7020	Other gains and losses	10,729	-	( 15,818)	-	39,013	-	16,366	-
7050	Financing cost	( 16,709)	-	( 16,535)	-	( 52,178)	-	( 45,782)	-
7060	Share of the profit or loss of associates accounted for using the equity method	<u>10,179</u>	-	<u>5,591</u>	-	<u>21,542</u>	-	<u>18,300</u>	-
7000	Total Non-operating Income and Expenses	<u>48,034</u>	<u>1</u>	<u>( 17,384)</u>	-	<u>128,732</u>	<u>1</u>	<u>127,611</u>	<u>1</u>
7900	Pre-tax profit	527,561	12	290,797	7	1,346,242	11	746,006	6
7950	Income tax expenses (Note 4 and 28)	<u>161,117</u>	<u>4</u>	<u>101,340</u>	<u>2</u>	<u>392,922</u>	<u>3</u>	<u>188,832</u>	<u>1</u>
8200	Net profit of this period	<u>366,444</u>	<u>8</u>	<u>189,457</u>	<u>5</u>	<u>953,320</u>	<u>8</u>	<u>557,174</u>	<u>5</u>
	Other comprehensive gain or loss								
8310	Items that will not be reclassified to profit or loss:								
8316	Unrealized valuation loss (gain) on investments in an equity instrument measured at FVTOCI	( 109,754)	( 2)	( 201)	-	( 127,163)	( 1)	( 748)	-
8349	Income tax relating to items that will not be reclassified (Note 28)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 1,727)</u>	<u>-</u>
		<u>( 109,754)</u>	<u>( 2)</u>	<u>( 201)</u>	<u>-</u>	<u>( 127,163)</u>	<u>( 1)</u>	<u>( 2,475)</u>	<u>-</u>
8360	Items that may be reclassified to profit or loss:								
8361	Foreign currency translation difference	( 100,103)	( 2)	( 127,749)	( 3)	( 526)	-	26,198	-

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Code		July 1, 2019 to September 30, 2019		July 1, 2018 to September 30, 2018		January 1, 2019 to September 30, 2019		January 1, 2018 to September 30, 2018	
		S	u m %	S	u m %	S	u m %	S	u m %
8399	Income tax relating to items that may be reclassified (Notes 28)	<u>19,221</u>	<u>-</u>	<u>23,361</u>	<u>-</u>	<u>1,514</u>	<u>-</u>	<u>5,314</u>	<u>-</u>
		( <u>80,882</u> )	( <u>2</u> )	( <u>104,388</u> )	( <u>3</u> )	<u>988</u>	<u>-</u>	<u>31,512</u>	<u>-</u>
8300	Comprehensive income or loss (net value after tax) in this period	( <u>190,636</u> )	( <u>4</u> )	( <u>104,589</u> )	( <u>3</u> )	( <u>126,175</u> )	( <u>1</u> )	<u>29,037</u>	<u>-</u>
8500	Total Consolidated Profit/Loss for the Current Period	<u>\$ 175,808</u>	<u>4</u>	<u>\$ 84,868</u>	<u>2</u>	<u>\$ 827,145</u>	<u>7</u>	<u>\$ 586,211</u>	<u>5</u>
	Total Consolidated Profit/Loss for the Current Period								
	Profit attributable to:								
8610	Owners	\$ 345,572	8	\$ 173,931	4	\$ 891,856	7	\$ 527,921	5
8620	Non-controlling Interests	<u>20,872</u>	<u>-</u>	<u>15,526</u>	<u>1</u>	<u>61,464</u>	<u>1</u>	<u>29,253</u>	<u>-</u>
8600		<u>\$ 366,444</u>	<u>8</u>	<u>\$ 189,457</u>	<u>5</u>	<u>\$ 953,320</u>	<u>8</u>	<u>\$ 557,174</u>	<u>5</u>
	Total comprehensive income attributable to:								
8710	Owners	\$ 158,935	4	\$ 80,289	2	\$ 758,639	6	\$ 556,911	5
8720	Non-controlling Interests	<u>16,873</u>	<u>-</u>	<u>4,579</u>	<u>-</u>	<u>68,506</u>	<u>1</u>	<u>29,300</u>	<u>-</u>
8700		<u>\$ 175,808</u>	<u>4</u>	<u>\$ 84,868</u>	<u>2</u>	<u>\$ 827,145</u>	<u>7</u>	<u>\$ 586,211</u>	<u>5</u>
	Earnings per share (Note 29)								
9710	Base	\$ 2.87		\$ 1.60		\$ 7.40		\$ 4.86	
9810	Diluted	2.86		1.60		7.38		4.84	

The attached Notes are parts of this set of Consolidated Financial Statements.  
(Please refer to Audit Report of Deloitte & Touche on November 11, 2019.)

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



Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Consolidated Statement of Changes in Equity  
January 1 to September 30, 2019 and 2018  
(Reviewed only, not audited in accordance with generally accepted auditing standards)

Unit: NT\$1,000

		E q u i t y a t t r i b u t a b l e t o o w n e r s										
		C a p i t a l		R e t a i n e d e a r n i n g s			O t h e r E q u i t y					
C o d e		Capital from common stock	Capital reserve	Statutory Surplus R e s e r v e	Special Surplus R e s e r v e	Undistributed e a r n i n g s	Overseas Operations on translation of foreign operations' financial statements	Financial assets measured at F V T O C I Unrealized gain or l o s s	S u b t o t a l	T o t a l	Non-controlling I n t e r e s t s	Total Equity
A1	Balance as of January 1, 2018	\$ 1,086,207	\$ 1,290,212	\$ 900,538	\$ 313,321	\$ 4,158,679	(\$ 291,717)	\$ 1,376,496	\$ 1,084,779	\$ 8,833,736	\$ 658,555	\$ 9,492,291
	Appropriation of net income in 2017 (Note 25)											
B1	Statutory Surplus Reserve	-	-	88,187	-	( 88,187 )	-	-	-	-	-	-
B5	Cash dividend - NT\$5 per share	-	-	-	-	( 543,104 )	-	-	-	( 543,104 )	-	( 543,104 )
D1	Net profit from January 1, 2018 to September 30, 2018	-	-	-	-	527,921	-	-	-	527,921	29,253	557,174
D3	Other comprehensive income after tax from January 1, 2018 to September 30, 2018	-	-	-	-	( 1,727 )	31,465	( 748 )	30,717	28,990	47	29,037
D5	Total comprehensive income from January 1, 2018 to September 30, 2018	-	-	-	-	526,194	31,465	( 748 )	30,717	556,911	29,300	586,211
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	-	-	-	-	-	-	-	-	-	30,073	30,073
Z1	Balance as of September 30, 2018	\$ 1,086,207	\$ 1,290,212	\$ 988,725	\$ 313,321	\$ 4,052,723	(\$ 260,252)	\$ 1,375,748	\$ 1,115,496	\$ 8,846,684	\$ 717,122	\$ 9,563,806
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	\$ 804,110	\$ 9,627,623	\$ 727,447	\$ 10,355,070
A3	Impact of retrospective application (Note 3)	-	-	-	-	( 27,373 )	( 2,654 )	-	( 2,654 )	( 30,027 )	-	( 30,027 )
A5	Adjusted balance as of January 1, 2019	1,205,707	2,108,235	988,725	313,321	4,180,152	( 225,544 )	1,027,000	801,456	9,597,596	727,447	10,325,043
	Appropriation of net income in 2018 (Note 25)											
B1	Statutory Surplus Reserve	-	-	67,277	-	( 67,277 )	-	-	-	-	-	-
B5	Cash dividend - NT\$5 per share	-	-	-	-	( 602,854 )	-	-	-	( 602,854 )	-	( 602,854 )
D1	Net income from January 1 to September 30, 2019	-	-	-	-	891,856	-	-	-	891,856	61,464	953,320
D3	Other comprehensive income after tax from January 1, 2019 to September 30, 2019	-	-	-	-	-	( 6,054 )	( 127,163 )	( 133,217 )	( 133,217 )	7,042	( 126,175 )
D5	Total comprehensive income from January 1, 2019 to September 30, 2019	-	-	-	-	891,856	( 6,054 )	( 127,163 )	( 133,217 )	758,639	68,506	827,145
O1	Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	( 16,962 )	( 16,962 )
Z1	Balance as of September 30, 2019	\$ 1,205,707	\$ 2,108,235	\$ 1,056,002	\$ 313,321	\$ 4,401,877	(\$ 231,598)	\$ 899,837	\$ 668,239	\$ 9,753,381	\$ 778,991	\$ 10,532,372

The attached Notes are parts of this set of Consolidated Financial Statements.  
(Please refer to Audit Report of Deloitte & Touche on November 11, 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 September 30, 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 September 30, 2019</u>	<u>January 1, 2018 to September 30, 2018</u>
	Cash flow from operating activities		
A10000	Current net profit before tax	\$ 1,346,242	\$ 746,006
A20010	Gains and Losses:		
A20100	Depreciation	274,527	204,686
A20200	Amortization	10,735	21,270
A20400	Estimated credit impairment loss	17,816	26,661
A20900	Financial costs	52,178	45,782
A21200	Interest income	( 25,605 )	( 26,160 )
A21300	Dividend income	( 55,462 )	( 98,176 )
A22300	Share of the profit and loss of associates accounted for using the equity method	( 21,542 )	( 18,300 )
A22500	Loss on disposal of properties, plants, and equipment	176	2,397
A23700	Allowance for inventory valuation and obsolescence loss	11,455	27,950
A30000	Net variable in operational assets/liabilities		
A31130	Notes receivable	( 28,194 )	( 13,570 )
A31150	Accounts receivable	( 63,973 )	( 432,521 )
A31160	Accounts receivable - stakeholders	( 38,561 )	11,048
A31180	Other receivables	23,143	( 24,130 )
A31200	Inventory	( 63,159 )	( 251,775 )
A31240	Other current assets	76,615	( 207,580 )
A31990	Other non-current assets	( 218 )	( 1,981 )
A32125	Contract liabilities	( 20,860 )	28,658
A32130	Notes payable	( 1,132 )	( 21,675 )
A32150	Accounts payable	36,454	91,320
A32180	Other payables	57,201	30,201
A32230	Other Current Liabilities	( 6,693 )	52,446
A32240	Net defined benefit liabilities	( 25,895 )	( 13,177 )
A32990	Other noncurrent liabilities	<u>16,941</u>	<u>( 629 )</u>
A33000	Cash flow from operating activities	1,572,189	178,751
A33100	Interest income received	20,405	23,188
A33300	Interest Paid	( 51,966 )	( 44,650 )
A33500	Income Tax Paid	<u>( 270,625 )</u>	<u>( 378,840 )</u>
AAAA	Net cash inflow (outflow) from operating activities	<u>1,270,003</u>	<u>( 221,551 )</u>

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<u>C o d e</u>		<u>January 1, 2019 to September 30, 2019</u>	<u>January 1, 2018 to September 30, 2018</u>
	Cash flow from investment activities		
B00010	Purchase of financial assets at fair value through other comprehensive income	(\$ 15,000)	-
B00030	Proceeds from Capital Reduction of Investments Accounted for under financial assets at fair value through other comprehensive income	315	-
B00040	Acquisition of financial assets measured at amortized cost	( 455,092)	( 139,220)
B00050	Disposal of financial assets measured at amortized cost	203,880	135,886
B02200	Acquisition of net cash outflow from a business	( 48,195)	-
B02700	Purchase of property, plant and equipment	( 462,952)	( 510,893)
B02800	Disposition of property, plant and equipment	30,318	12,259
B03700	Increases in refundable deposits	( 24,376)	( 3,986)
B03800	Decreases in refundable deposits	49,150	6,071
B04500	Purchased intangible assets	( 29,234)	( 9,840)
B05350	Acquisition of right-of-use asset	( 56,895)	-
B07600	Dividends received	58,462	105,676
B09900	Disposition of right-of-use asset	<u>5,661</u>	<u>-</u>
BBBB	Net cash (outflow) from investing activities	<u>( 743,958)</u>	<u>( 404,047)</u>
	Cash flow from financing activities		
C00100	Increases in short-term loans	3,592,543	3,908,076
C00200	Decreases in short-term loans	( 3,631,056)	( 3,217,567)
C00500	Increases in short-term notes and bills payable	-	259,509
C00600	Decreases in short-term notes and bills payable	-	( 319,465)
C01600	Long-term loans borrowed	1,843,980	2,005,720
C01700	Long-term loans repaid	( 1,691,069)	( 1,693,074)
C03000	Increases in guarantee deposits	2,402	1,651
C03100	Decreases in guarantee deposits	( 495)	( 451)
C04500	Dividends paid	( 619,816)	( 543,508)
C04020	Repayment of the principal portion of lease liabilities	( 32,611)	-
C05400	Acquisition of non-controlling interests	-	( 1,665)
C05800	Changes in non-controlling equity	<u>-</u>	<u>30,477</u>
CCCC	Net cash (outflow) from financing activities	<u>( 536,122)</u>	<u>429,703</u>
DDDD	Impacts on cash and cash equivalents from changes in exchange rates	<u>( 31,759)</u>	<u>14,956</u>
EEEE	Decreases in cash and cash equivalents	( 41,836)	( 180,939)

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<u>C o d e</u>		<u>January 1, 2019 to September 30, 2019</u>	<u>January 1, 2018 to September 30, 2018</u>
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>3,637,512</u>	<u>3,685,648</u>

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

(Please refer to Audit Report of Deloitte & Touche on November 11, 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 September 30, 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 November 11, 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:

IFRS 16 "Leases"

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

Definition of "Leases"

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

The Company is the lessee.

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

rental assets and rent payable on the Consolidated Balance Sheet.

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

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

The Company is expected to adopt the following practical expedients:

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

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

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>



	January 1, 2019 Amount before restatement	Adjustment due to first-time adoption	January 1, 2019 Amount after restatement
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>
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(Note)	<u>\$ -</u>	( <u>\$ 30,027</u> )	( <u>\$ 30,027</u> )

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

(II) FSC-endorsed IFRSs that are applicable from 2020 onwards

<u>Interpretations of amendments</u>	<u>Effective Date of Publication by IASB</u>
IASB amends the definition of a business of IFRS 3	January 1, 2020(Note.1)
IAS 1 and IAS 8 amends the definition of material	January 1, 2020(Note.2)

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

Note.2: 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.

Amendments to IFRS 3 "Definition of a Business"

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

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

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

(III) IFRSs 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 ( N o t e )</u>
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interbank Offered Rates Reform"	January 1, 2020
Amendments to IFRS 10 and IAS 28 in "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS17 "Insurance Contracts"	January 1, 2021

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

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

#### IV. Description of Significant Accounting Policies

##### (I) Statement of Compliance

The Consolidated Financial Report is formulated in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 7 and 8 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

	September 30, 2019	December 31, 2018	September 30, 2018
Cash in hand and petty cash	\$ 13,117	\$ 8,843	\$ 9,054
Bank checks and demand deposit	3,332,989	3,308,965	3,105,386
Cash equivalents (investments with original maturity date of less than three months)			
Bank acceptance bill	-	10,189	-
Bank fixed deposit	<u>291,406</u>	<u>351,351</u>	<u>571,208</u>
	<u>\$ 3,637,512</u>	<u>\$ 3,679,348</u>	<u>\$ 3,685,648</u>

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

	September 30, 2019	December 31, 2018	September 30, 2018
Bank fixed deposit	<u>0.66%~6.6%</u>	<u>0.66%~5.5%</u>	<u>0.63%~5.3%</u>



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

	September 30, 2019	December 31, 2018	September 30, 2018
Domestic investment			
Unlisted equity	<u>\$ 1,098,102</u>	<u>\$ 1,210,850</u>	<u>\$ 1,559,328</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

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Current</u>			
Time deposits with original maturity more than 3 months (1)	\$ 363,759	\$ 187,386	\$ 260,656
Restricted Time deposits (1)	20,247	5,791	10,922
Refundable deposit	<u>902</u>	<u>2,891</u>	<u>2,690</u>
	<u>\$ 384,908</u>	<u>\$ 196,068</u>	<u>\$ 274,268</u>
<u>Non-current</u>			
Time deposits with original maturity more than 3 months (1)	\$ 58,218	\$ -	\$ 330
Restricted Time deposits (1)	5,108	7,134	7,091
Refundable deposit	<u>23,312</u>	<u>46,060</u>	<u>44,323</u>
	<u>\$ 86,638</u>	<u>\$ 53,194</u>	<u>\$ 51,744</u>

(1) As of September 30, 2019, December 31, 2018 and September 30, 2018, the range of time deposit interest rates was 0.94% to 7.5%, 0.66% to 6.75%, and 0.94% to 6.5%, 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 35 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

	September 30, 2019	December 31, 2018	September 30, 2018
At amortized cost — Current	\$ 384,908	\$ 196,068	\$ 274,268
At amortized cost — Non-current	<u>86,638</u>	<u>53,194</u>	<u>51,744</u>
	<u>\$ 471,546</u>	<u>\$ 249,262</u>	<u>\$ 326,012</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 September 30, 2019, December 31, 2018, and September 30, 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

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Notes receivable</u>			
Measured at amortized cost			
Total carrying amount			
Arising from operations	<u>\$ 321,599</u>	<u>\$ 293,405</u>	<u>\$ 312,066</u>
<u>Accounts receivable (including related parties)</u>			
Measured at amortized cost			
Total carrying amount	\$ 3,633,046	\$ 3,516,825	\$ 3,473,929
Less: allowance for impairment/allowance for bad debt	<u>51,059</u>	<u>46,716</u>	<u>53,211</u>
	<u>\$ 3,581,987</u>	<u>\$ 3,470,109</u>	<u>\$ 3,420,718</u>
<u>Other receivables from subsidiaries</u>			
Gross carrying amount	<u>\$ 183,701</u>	<u>\$ 201,967</u>	<u>\$ 65,042</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 September 30, 2019, December 31, 2018, and September 30, 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:

#### September 30, 2019

	Not overdue	Past due 1 to 90 days	Past due 91 to 180 d a y s	Past due 181 to 270 d a y s	Past due 271 to 365 d a y s	Past due over 365 days	T o t a l
Expected credit loss rate	0.01%~0.1%	0.19%~4.57%	2.64%~30.83%	8.14%~67.17%	37.13%~96.97%	100%	
Gross carrying amount	\$ 3,065,389	\$ 466,953	\$ 37,570	\$ 24,526	\$ 10,126	\$ 28,482	\$3,633,046
Loss allowance (full lifetime expected credit losses)	( 554)	( 1,244)	( 3,609)	( 10,020)	( 7311)	( 28,321)	( 51,059)
Amortized cost	<u>\$3,064,835</u>	<u>\$ 465,709</u>	<u>\$ 33,961</u>	<u>\$ 14,506</u>	<u>\$ 2,815</u>	<u>\$ 161</u>	<u>\$3,581,987</u>

## December 31, 2018

	Not overdue 0.01%~0.13%	Past due 1 to 90 days 0.17%~3.80%	Past due 91 to 180 days 2.14%~23.06%	Past due 181 to 270 days 10.75%~51.67%	Past due 271 to 365 days 48.80%~100%	Past due over 365 days 100%	T o t a l
Expected credit loss rate							
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)	( 392)	( 2,040)	( 4,945)	( 5,855)	( 33,448)	( 46,716)
Amortized cost	<u>\$ 2,862,482</u>	<u>\$ 563,054</u>	<u>\$ 37,696</u>	<u>\$ 3,990</u>	<u>\$ 1,212</u>	<u>\$ 1,675</u>	<u>\$ 3,470,109</u>

## September 30, 2018

	Not overdue 0.00%~0.07%	Past due 1 to 90 days 0.06%~3.99%	Past due 91 to 180 days 0.64%~26.44%	Past due 181 to 270 days 2.53%~75.58%	Past due 271 to 365 days 22.18%~100%	Past due over 365 days 100%	T o t a l
Expected credit loss rate							
Gross carrying amount	\$ 2,940,420	\$ 439,378	\$ 30,925	\$ 14,117	\$ 9,906	\$ 39,183	\$ 3,473,929
Loss allowance (full lifetime expected credit losses)	( 402)	( 174)	( 1,617)	( 5,008)	( 6,827)	( 39,183)	( 53,211)
Amortized cost	<u>\$ 2,940,018</u>	<u>\$ 439,204</u>	<u>\$ 29,308</u>	<u>\$ 9,109</u>	<u>\$ 3,079</u>	<u>\$ -</u>	<u>\$ 3,420,718</u>

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

	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Beginning balance	\$ 46,716	\$ 32,480
Recognized	17,816	26,661
Charge off	( 13,761)	( 5,653)
Translation differences of foreign currency	<u>288</u>	<u>( 277 )</u>
Ending balance	<u>\$ 51,059</u>	<u>\$ 53,211</u>

## 11. Inventory

	September 30, 2019	December 31, 2018	September 30, 2018
Product	\$ 174,292	\$ 196,799	\$ 184,883
Finished goods and work-in-process	932,314	873,028	826,101
Work-in-process	53,736	78,174	62,931
Raw material	1,085,667	996,733	1,166,622
Raw materials and supplies in transit	<u>143,491</u>	<u>202,490</u>	<u>222,242</u>
	<u>\$ 2,389,500</u>	<u>\$ 2,347,224</u>	<u>\$ 2,462,779</u>

Cost of goods sold relevant to inventory from July 1 to September 30, 2019 and 2018 and January 1 to September 30, 2019 and 2018 were NT\$3,204,332 thousand, NT\$ 3,132,067 thousand, NT\$9,117,972 thousand and NT\$9,001,237 thousand respectively.

The inventory impairment and obsolescence loss in the cost of goods sold were NT\$3,334 thousand, NT\$ 5,791 thousand, NT\$11,455 thousand, and NT\$27,950 thousand respectively.

## 12. Subsidiaries

The entities of the Consolidated Financial Report are as follows:

Investor Company	Name of subsidiaries	Business activities	Shareholding ratio (%)			Details
			September 30, 2019	December 31, 2018	September 30, 2018	
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Chemical Company Ltd.	Trading of chemical substances	100	100	100	Note 12
	Nan Pao Application Material Co., Ltd.	Trading of chemical substances	100	100	100	Note 12
	Nan Pao Electronic Material Company	Production and trading of electronic materials	100	100	100	Note 12
	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 12
	PHYMED BIO-TEC CO., LTD.	R&D and trading of health food	100	100	100	Note 12
	Biorich Biotechnology Co., Ltd.	R&D, production, and trading of new high protein business and health food	57.1	57.1	57.06	Note 1 and Note 12
	Nan Pao Advanced Materials Co.,LTD.	Trading of adhesives and chemicals	70	70	70	Note 12
	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 12
	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 12
	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 12
	Nan Pao Philippines Export Inc.	Trading of adhesives	-	-	-	Note 10
	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 12

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Investor Company	Name of subsidiaries	Business activities	Shareholding ratio (%)			Details
			September 30, 2019	December 31, 2018	September 30, 2018	
ITLS Holding Pte. Ltd.	ITLS (Malaysia) SDN BHD	Production and trading of construction materials	100	100	100	Note 12
	PT. ITLS Indonesia	Production and trading of construction materials	100	100	100	Note 12
	ITLS Vietnam Co., Ltd.	Production and trading of construction materials	100	100	100	Note 12
	ITLS-Rich (S) Pte. Ltd.	Trading of hardware and construction materials	-	100	100	Note 5,9 and Note 12
	ITLS-SB SDN BHD	Production and trading of hardware and construction materials	100	100	100	Note 12
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 12
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 12
	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 12
	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	
	Nan Pao Resins (HK) Limited	Production and trading of adhesives	-	-	-	Note 8
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
			September 30, 2019	December 31, 2018	September 30, 2018	
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	-	-	80	Note 6
Nan Pao Resins (Holdings) Ltd.	Eastlion Enterprises Ltd.	General investment	100	100	100	
	Eastlion Industrial Ltd.	General investment	-	100	100	Note 11
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 12
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.	Rising Sun Associates Ltd.	General investment	100	100	100	
	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 12
Treasure Wealth (HK) Ltd.	Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	Production and trading of coatings	50	50	50	Note 12
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	100	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: The Company has established Nan Pao Resins (HK) Limited through its investment in Hong Kong in June 2019, and injected USD 1,800 thousands in October 2019.

Note 9: ITLS-Rich(S) Pte. Ltd. was liquidated and retired in June 2019.

Note 10: The company has established Nan Pao Philippines Export Inc. in September 2019, and still not send first Capital yet.

Note 11: Eastlion Industrial Ltd. was liquidated and retired in July 2019.

Note 12: Such companies are immaterial subsidiaries, and their financial statements have not been reviewed by CPA.

### 13. Investment using equity method

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Investment in affiliates</u>			
Individual associates without significance	<u>\$ 310,722</u>	<u>\$ 292,180</u>	<u>\$ 289,251</u>



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

	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2019
Shares from the Company				
Net income (loss) and total comprehensive income for the period	<u>\$ 10,179</u>	<u>\$ 5,591</u>	<u>\$ 21,542</u>	<u>\$ 18,300</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

Please refer to Table 11 for the change of properties, plants, and equipment

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 September 30, 2019 and from January 1, 2018 to September 30, 2018, there were no signs of impairment, so the merged company did not conduct any impairment assessment.

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

15. Lease agreement

(1) Right-of-use assets

	September 30, 2019	
Balance of right-of-use assets		
Land(Note)	\$	820,461
Building		311,942
Machinery equipment		168
Transportation Equipment		29,316
Other Equipment		<u>2,067</u>
		<u>\$ 1,163,954</u>
	July 1, 2019 to September 30, 2019	January 1, 2019 to September 30, 2019
Addition of right-of-use	\$	<u>93,543</u>
Depreciation of right-of-use		
Land(Note)	\$	5,297
Building		9,811
Machinery equipment		36
Transportation Equipment		3,553
Other Equipment		<u>262</u>
	\$	<u>18,959</u>
		<u>\$ 51,973</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

	September 30, 2019	
Balance of lease liabilities		
Current	\$	<u>50,448</u>
Non-current		<u>\$ 449,720</u>

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

	September 30, 2019
Land	1.56%
Building	1.05% ~ 5.37%
Machinery equipment	1.05% ~ 2%
Transportation Equipment	1.3% ~ 5.37%
Other Equipment	5.37% ~ 11.2%

(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

2019

	July 1, 2019 to September 30, 2019	January 1, 2019 to September 30, 2019
Expenses for short-term leases	\$ 11,889	\$ 38,902
Expenses for low-value assets	\$ 183	\$ 828
Net cash (outflow) from lease	\$ 27,273	\$ 81,938

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

2018

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

	December 31, 2018	September 30, 2018
Not later than 1 year	\$ 60,031	\$ 59,334
Later than 1 year and not later than 5 years	134,773	143,959
Later than 5 years	<u>344,291</u>	<u>356,805</u>
	<u>\$ 539,095</u>	<u>\$ 560,098</u>

## 16. Investment Property

	<u>L a n d</u>
Balance on September 30, 2019, December 31, 2018 and September 30, 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 September 30 2019 and 2018.

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

## 17. Goodwill

	July 1, 2019 to September 30, 2019	January 1, 2019 to September 30, 2019
Balance as of January 1, 2019	\$ 86,766	\$ 91,978
Additions (Note 31)	47,503	-
Net exchange differences	( <u>3,343</u> )	( <u>3,827</u> )
Balance as of September 30, 2019	<u>\$ 130,926</u>	<u>\$ 88,151</u>

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 September 30, 2019, and 2018.

#### 18. Other intangible assets

	September 30, 2019	December 31, 2018	September 30, 2018
Customer relations	\$ 29,277	\$ 29,747	\$ 34,790
Computer software	11,482	13,828	12,781
Others	<u>21,164</u>	<u>299</u>	<u>305</u>
	<u>\$ 61,923</u>	<u>\$ 43,874</u>	<u>\$ 47,876</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 September 30, 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

	December 31, 2018	September 30, 2018
Current	\$ 15,335	\$ 14,585
Non-current	<u>662,223</u>	<u>605,891</u>
	<u>\$ 677,558</u>	<u>\$ 620,476</u>

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

	December 31, 2018	September 30, 2018
Vietnam	\$ 414,724	\$ 414,780
China	199,099	198,775
Malaysia	61,608	4,828
Indonesia	<u>2,127</u>	<u>2,093</u>
	<u>\$ 677,558</u>	<u>\$ 620,476</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

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Current</u>			
Input tax amount	\$ 114,846	\$ 160,692	\$ 317,223
Prepaid cost of goods	135,046	208,413	183,341
Prepaid expense	85,113	57,799	74,931
Tax overpaid retained	16,315	15,515	15,115
Others	<u>24,896</u>	<u>10,678</u>	<u>12,011</u>
	<u>\$ 376,216</u>	<u>\$ 453,097</u>	<u>\$ 602,261</u>
<u>Non-current</u>	\$ 165,807	\$ 107,815	\$ 116,467
Prepaid equipment	<u>8,178</u>	<u>7,960</u>	<u>7,432</u>
Others	<u>\$ 173,985</u>	<u>\$ 115,775</u>	<u>\$ 123,899</u>

## 21. Loans

### (1) Short-term borrowings

	September 30, 2019	December 31, 2018	September 30, 2018
Secured loans from banks	\$ 76,912	\$ 88,963	\$ 60,000
Bank credit loans	<u>1,174,629</u>	<u>1,206,731</u>	<u>1,929,673</u>
	<u>\$ 1,251,541</u>	<u>\$ 1,295,694</u>	<u>\$ 1,989,673</u>

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

	September 30, 2019	December 31, 2018	September 30, 2018
Secured loans from banks	1.52%~3.14%	1.52%~3.44%	1.52%
Bank credit loans	0.87%~5.0025%	0.91%~5.39%	0.9%~5.6%

(2) Short-term bills payable

September 30, 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 Corp.	\$ 60,000	\$ 33	\$ 59,967	1.038	None

(3) Long-term debt

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Unsecured loans</u>			
1. Mizuho Bank	\$ 500,000	\$ 500,000	\$ 500,000
2. O-Bank	40,000	60,000	60,000
3. O-Bank	26,600	30,000	120,000
4. Yuanta Commercial Bank	90,000	140,000	140,000
5. Chinatrust Commercial Bank	231,000	181,000	210,000
6. KGI Bank	140,000	140,000	400,000
7. Taipei Fubon Commercial Bank	230,000	230,000	230,000
8. Taiwan Cooperative Bank	288,000	208,000	128,000
9. Mega International Commercial Bank	123,470	155,498	165,575
10. Mega International Commercial Bank	-	-	1,444
11. Mega International Commercial Bank	50,000	-	-
12. Taipei Fubon Commercial Bank	12,967	12,845	-
13. DBS Commercial Bank	<u>80,000</u>	<u>-</u>	<u>-</u>
	1,812,037	1,657,343	1,955,019
Less: portion recognized as maturing within one year	<u>345,865</u>	<u>265,273</u>	<u>173,597</u>
	<u>\$ 1,466,172</u>	<u>\$ 1,392,070</u>	<u>\$ 1,781,422</u>

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 September 30, 2019, December 31, 2018 and September 30, 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 September 30, 2019, December 31, 2018 and September 30, 2018 were all 1.1998%.
  3. The Company signed a loan agreement with O-Bank with a credit line of NT\$300,000 thousand which will be expired in September 2022. The credit term is every three months starting from September 2020, and loan principal repayment will be made in equal portions. Annual rates on September 30, 2019, December 31, 2018 and September 30, 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 2022. The credit will be used cyclically within the credit line. Annual rates on September 30, 2019, December 31, 2018 and September 30, 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 September 30, 2019, December 31, 2018 and September 30, 2018 were 1.0555% - 1.0561%, 1.0493% - 1.0494%, and 1.1863% - 1.1865% respectively.
  6. The Company signed a loan agreement with KGI Bank with a credit line of NT\$500,000 thousand which will be expired in August 2021. The credit will be used cyclically within the credit line. Annual rates on September 30, 2019, December 31, 2018, and September 30, 2018 were 1.04578% - 1.04611%, 1.03778% - 1.03933%, and 1.036% respectively.
  7. The Company signed a loan agreement with Taipei Fubon Commercial Bank with a credit line of NT\$250,000 thousand which will be expired in December 2020. The credit will be used



cyclically within the credit line. Annual rate on September 30, 2019, December 31, 2018 and September 30, 2018 were 1.0900% - 1.09426%, 1.0442% - 1.0571%, and 1.0427% respectively.

8. 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 September 30, 2019, December 31, 2018 and September 30, 2018 were all 1.6%.
9. 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 September 30, 2019, December 31, 2018 and September 30, 2018 were 2.824% - 3.0201%, 3.336% - 3.695%, and 3.3336% respectively.
10. The Company signed a 4 years loan agreement with Mega International Commercial Bank with a credit line of US\$ 1,000 thousand from December 2014. 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 September 30, 2018 was 7%.
10. The Company signed a loan agreement with Mega International Commercial Bank with a credit line of NT\$100,000 thousand which will be expired in November 2020. The credit will be used cyclically within the credit line. Annual rates on September 30, 2019 was 1.1035%.
12. The Company signed a loan agreement with Taipei Fubon Commercial Bank with a credit line of USD\$10,000 thousand which will be expired in December 2019. The credit will be used

cyclically within the credit line. Annual rate on September 30, 2019 and December 31, 2018 were 3.46% and 3.766% respectively.

13. The Company signed a loan agreement with DBS Commercial Bank with a credit line of USD\$5,000 thousand which will be expired in January 2021. The credit will be used cyclically within the credit line. Annual rate on September 30, 2019 was 0.98%.

## 22. Accounts payable and Notes payable

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Notes payable</u>			
Arising from operations	<u>\$ 38,300</u>	<u>\$ 35,908</u>	<u>\$ 39,163</u>
<u>Accounts payable</u>			
Arising from operations	<u>\$1,947,670</u>	<u>\$1,923,206</u>	<u>\$2,022,971</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

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Current</u>			
Other liabilities			
Refund liability	\$ 90,123	\$ 101,921	\$ 121,856
Others	<u>89,177</u>	<u>83,968</u>	<u>17,644</u>
	<u>\$ 179,300</u>	<u>\$ 185,889</u>	<u>\$ 139,500</u>
<u>Non-current</u>			
Other liabilities			
Guarantee deposits	\$ 3,788	\$ 2,050	\$ 2,297
Others	<u>45,266</u>	<u>54,572</u>	<u>40,299</u>
	<u>\$ 49,054</u>	<u>\$ 56,622</u>	<u>\$ 42,526</u>

## 24. Post-retirement benefit program

Pension expenses such as the defined benefit plan recognized from July 1 to September 30, 2019 and 2018, and January 1 to September 30, 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 2,055 thousand, NT 1,935 thousand, NT\$6,239 thousand and NT\$5,808 thousand respectively.

## 25. Equity

### (1) Capital

#### Ordinary Shares

	September 30, 2019	December 31, 2018	September 30, 2018
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>
Shares issued	<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

	September 30, 2019	December 31, 2018	September 30, 2018
<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	23,811	23,811	23,811

subsidiaries(2)			
Employee stock options	44,083	44,083	43,860
Expired stock options	<u>135</u>	<u>135</u>	<u>-</u>
	<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 、Letter No. 1010047490 and Letter No. 1030006415 from the FSC, and "Q&A of the Application of the Special Capital Reserve After Adopting the International Financial Reporting Standards (IFRSs)."

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

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

(4) Special capital reserve

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

(5) Other equity items

1.Foreign currency translation difference

	A m o u n t	R e l e v a n t	I n c o m e
	b e f o r e - t a x	i n c o m e t a x	a f t e r
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	( 7,568)	1,514	( 6,054)
Balance as of September 30, 2019	(\$ 289,498)	\$ 57,900	(\$ 231,598)

Balance as of January 1, 2018	(\$ 351,467)	\$ 59,750	(\$ 291,717)
Changes in tax rates Arising during the period	-	10,544	10,544
Currency translation differences from overseas operations	26,151	( 5,230)	20,921
Balance as of September 30, 2018	<u>(\$ 325,316)</u>	<u>\$ 65,064</u>	<u>(\$ 260,252)</u>

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

	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Opening Balance	\$ 1,027,000	\$ 1,376,496
Current		
Unrealized profit and loss		
Equity Instrument	( <u>127,163</u> )	( <u>748</u> )
Ending Balance	<u>\$ 899,837</u>	<u>\$ 1,375,748</u>
(6) Non-controlling interests		
	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Beginning balance	\$ 727,447	\$ 658,555
Net profit of this period	61,464	29,253
Other comprehensive income of the year		
Exchange differences on translation of foreign financial statements	7,042	47
Increases in non-controlling interest by acquisition of subsidiaries	-	30,477
Acquisition of non-controlling interest in subsidiaries (Note 30)	-	( 806 )
Dividend payout from subsidiary	( <u>16,962</u> )	( <u>404</u> )
Ending Balance	<u>\$ 778,991</u>	<u>\$ 717,122</u>

## 26. Revenue

### (1) Diaggregation of revenue from customer contracts

	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Adhesives	\$3,311,589	\$3,023,931	\$9,160,783	\$8,299,844
Construction materials	555,776	547,973	1,585,002	1,600,405
Coatings	479,768	448,438	1,319,439	1,298,092
Others	142,263	155,510	523,494	557,397
	<u>\$4,489,396</u>	<u>\$4,175,852</u>	<u>\$12,588,718</u>	<u>\$11,755,738</u>

### (2) Balance on contracts

	September 30, 2019	December 31, 2018	September 30, 2019	January 1, 2018
Accounts receivable (include related party Note 10)	<u>\$ 3,581,987</u>	<u>\$ 3,470,109</u>	<u>\$ 3,420,718</u>	<u>\$ 3,063,274</u>
Provision - Current Product sales	<u>\$ 20,639</u>	<u>\$ 41,499</u>	<u>\$ 51,441</u>	<u>\$ 22,783</u>
Refund liability - current (listed in other current liabilities)				
Product sales	<u>\$ 90,123</u>	<u>\$ 101,921</u>	<u>\$ 121,856</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

	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Dividend income	\$ 79	\$ -	\$ 55,462	\$ 98,176
Government grants income	33,675	247	38,040	14,112
Interest income	9,691	8,934	25,605	26,160
Rental income	390	197	1,248	279
	<u>\$ 43,835</u>	<u>\$ 9,378</u>	<u>\$ 120,355</u>	<u>\$ 138,727</u>

### (2) Other gain and loss

	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Foreign exchange gain or loss, net	\$ 14,100	(\$ 4,232)	\$ 32,525	\$ 18,319
Others	( 3,371)	( 11,586)	6,488	( 1,953)
	<u>\$ 10,729</u>	<u>(\$15,818)</u>	<u>\$ 39,013</u>	<u>\$ 16,366</u>

### (3) Financial costs

	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Interest of bank loans	\$ 12,999	\$ 16,620	\$ 40,616	\$ 45,386
Loan interest payable	-	279	-	838
Interest of lease liabilities	4,820	-	14,691	-
Less: amounts included in the cost of the required assets	( 1,110)	( 364)	( 3,129)	( 442)
	<u>\$ 16,709</u>	<u>\$ 16,535</u>	<u>\$ 52,178</u>	<u>\$ 45,782</u>

Information on the capitalization of interest is as follows:

	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Amount of capitalization of interest	\$ 1,110	\$ 364	\$ 3,129	\$ 442
Interest rate of capitalization of interest	1.6%	1.6%	1.6%	1.6%

### (4) Depreciation and amortization

	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Properties, plants, and equipment	\$ 75,813	\$ 72,248	\$ 222,554	\$ 204,686
Right-of-use asset	18,959	-	51,973	-
Intangible assets and prepaid rent	3,829	7,270	10,735	21,270
	<u>\$ 98,601</u>	<u>\$ 79,518</u>	<u>\$ 285,262</u>	<u>\$ 225,956</u>
Depreciation summarized by functions				
Operating costs	\$ 68,028	\$ 54,248	\$ 193,389	\$ 154,162
Operating expenses	26,744	18,000	81,138	50,524
	<u>\$ 94,772</u>	<u>\$ 72,248</u>	<u>\$ 274,527</u>	<u>\$ 204,686</u>
Amortization summarized by functions				
Operating costs	\$ 27	\$ 511	\$ 82	\$ 1,519
Operating expenses	3,802	6,759	10,653	19,751
	<u>\$ 3,829</u>	<u>\$ 7,270</u>	<u>\$ 10,735</u>	<u>\$ 21,270</u>



## (5) Employee benefit expenses

	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Short-term employee benefits				
Salaries	\$ 484,473	\$ 442,704	\$ 1,386,375	\$ 1,321,681
Labor and health insurance	31,918	25,015	92,808	77,146
Others	<u>32,576</u>	<u>31,039</u>	<u>102,360</u>	<u>86,719</u>
	<u>548,967</u>	<u>498,758</u>	<u>1,581,543</u>	<u>1,485,546</u>
Benefits after retirement				
Defined contribution plans	22,625	20,410	64,626	61,090
Defined benefit plan (Note 24)	<u>2,055</u>	<u>1,935</u>	<u>6,239</u>	<u>5,808</u>
	<u>24,680</u>	<u>22,345</u>	<u>70,865</u>	<u>66,898</u>
	<u>\$ 573,647</u>	<u>\$ 521,103</u>	<u>\$ 1,652,408</u>	<u>\$ 1,552,444</u>
Summarized by functions				
Operating costs	\$ 190,165	\$ 174,064	\$ 551,772	\$ 527,836
Operating expenses	<u>383,482</u>	<u>347,039</u>	<u>1,100,636</u>	<u>1,024,608</u>
	<u>\$ 573,647</u>	<u>\$ 521,103</u>	<u>\$ 1,652,408</u>	<u>\$ 1,552,444</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 July 1 to September 30, 2019 and 2018, January 1 to September 30, 2019 and 2018 the estimated ratio of employee and directoral remuneration is as follows:

### Estimated ratio

	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Employee remuneration	2.79%	4.1%
Director's compensations	1.41%	1.4%

### Amounts

	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Employee remuneration	\$ 15,000	\$ 12,000	\$ 33,000	\$ 27,000
Remuneration to directors and supervisors	6,273	3,053	16,725	9,385

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				2017			
	C	a	s	h	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

	July 1, 2019 to September 30 2019	July 1, 2018 to September 30 2018	January 1, 2019 to September 30 2019	January 1, 2018 to September 30 2018
Total currency exchange gain	\$ 43,248	\$ 42,645	\$ 178,782	\$ 149,693
Total currency exchange loss	( 29,148)	( 46,877)	( 146,257)	( 131,374)
Net gain (loss)	<u>\$ 14,100</u>	<u>(\$ 4,232)</u>	<u>\$ 32,525</u>	<u>\$ 18,319</u>

28. Income tax

(1) Income tax reconigzed in profit or loss

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

	July 1, 2019 to September 30 2019	July 1, 2018 to September 30 2018	January 1, 2019 to September 30 2019	January 1, 2018 to September 30 2018
Current income tax				
Generated in the current year	\$ 105,703	\$ 63,741	\$ 254,593	\$ 196,459
Additional income tax on unappropriated earnings			543	29,110
Adjustments from previous years	( 1,724)	25,063	11,060	26,899
	<u>103,979</u>	<u>88,804</u>	<u>266,196</u>	<u>252,468</u>
Deferred income tax				
Generated in the current year	57,138	12,536	126,726	( 140,180)
Changes in tax rates	-	-	-	76,544
	<u>57,138</u>	<u>12,536</u>	<u>126,726</u>	<u>( 63,636)</u>
	<u>\$ 161,117</u>	<u>\$ 101,340</u>	<u>\$ 392,922</u>	<u>\$ 188,832</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

	July 1, 2019 to September 30 2019	July 1, 2018 to September 30 2018	January 1, 2019 to September 30 2019	January 1, 2018 to September 30 2018
<u>Deferred income tax</u>	\$ -	\$ -	\$ -	\$ 8,817
Changes in tax rates				
Arising during the period	<u>19,221</u>	<u>23,361</u>	<u>1,514</u>	<u>( 5,230)</u>
Translations from overseas operations	<u>\$ 19,221</u>	<u>\$ 23,361</u>	<u>\$ 1,514</u>	<u>\$ 3,587</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

	July 1, 2019 to September 30 2019	July 1, 2018 to September 30 2018	January 1, 2019 to September 30 2019	January 1, 2018 to September 30 2018
Equity attributable to owners of the Company	<u>\$ 345,572</u>	<u>\$ 173,931</u>	<u>\$ 891,856</u>	<u>\$ 527,921</u>

## Shares

Unit: 1,000 shares

	July 1, 2019 to September 30 2019	July 1, 2018 to September 30 2018	January 1, 2019 to September 30 2019	January 1, 2018 to September 30 2018
Weighted average number of common stocks used for the calculation of basic EPS	120,571	108,621	120,571	108,621
Effect of dilutive potential common stocks:				
Employee remuneration	<u>99</u>	<u>214</u>	<u>293</u>	<u>371</u>
Weighted average number of common stocks used for the calculation of diluted EPS	<u>120,670</u>	<u>108,835</u>	<u>120,864</u>	<u>108,992</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	<u>\$ 859</u>
<u>Equity transaction balance</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. Business combinations

(1) Acquisition of subsidiaries

	<u>Main Business A c t i v i t i e s</u>	<u>Acquisition Date</u>	<u>T r a n s f e r Consideration</u>
Morgan Ceramic Tile Adhesives Business Unit	Production and sales of adhesives, additives and putty	July 31, 2019	<u>\$ 48,195</u>

The consolidated company acquired the construction and production equipment of Morgan Ceramic Tile Adhesives in July 2019 and obtained the lease renewal rights of its real estate, customer relationship, and employees equipped with necessary skills and experience. The acquisition included inputs and process that handles inputs, and had the ability to create outputs, thus fulfilling the definition of a business and is processed in accordance with IFRS 3 Business Combination. The objective of the acquisition is to expand the combined business and strengthen the product portfolio of the combined business.

(2) Assets acquired on the acquisition date

Non-current assets

Property, plant and equipment	<u>\$ 692</u>
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The initial accounting of the acquisition of Morgan Ceramic Tile Adhesives business unit is merely temporary on the balance sheet date. As the required market valuation and other calculations for the business combination have not been completed as of the publication date of this consolidated financial report, the amount reported is temporary. Retrospective adjustments shall be made to such temporary amount during the measurement period, or additional assets or liabilities shall be recognized to reflect the latest information of the existing facts and conditions related to the acquisition date obtained during the measurement period. The measurement period is no more than one year from the acquisition date.

(3) Goodwill arising from the acquisition	
Transfer consideration	\$ 48,195
Minus: Fair value of the obtained identifiable net assets	( 692 )
	<hr/>
Goodwill arising from the acquisition	<u>\$ 47,503</u>

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

### 32. Capital Risk Management

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

### 33 Financial instruments

#### (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

Septembere 30, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>T o t a l</u>
<u>Financial assets measured at FVTOCI</u>				
Domestic unlisted stocks:	\$ _____ -	\$ _____ -	\$1,098,102	\$1,098,102

December 31.2018

Financial assets measured at FVTOCI

Domestic unlisted stocks:	\$ _____ -	\$ _____ -	\$1,210,580	\$1,210,580
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Septembere 30.2018

Financial assets measured at FVTOCI

Domestic unlisted stocks:	\$ _____ -	\$ _____ -	\$1,559,328	\$1,559,528
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## 2. Reconciliation of financial instruments by Level 3 of the fair value hierarchy

<u>Financial assets measured at FVTOCI</u>	<u>July 1, 2019 to September 30 2019</u>	<u>July 1, 2018 to September 30 2018</u>
Beginning balance	\$ 1,210,580	\$ 1,560,076
Recognized in other comprehensive income (unrealized gain or loss from financial assets measured at FVTOCI)	( 127,163 )	(748 )
Acquisition	15,000	
Dispose and return capital	(315)	
Ending balance	<u>\$ 1,098,102</u>	<u>\$ 1,559,328</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>September 30, 2018</u>
Achievement rate of revenue growth rate and operating profit rate	50%
Weighted average cost of capital (WACC)	18.47%

- (4) 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>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Financial assets			
Financial assets at amortized cost (Note 1)	\$ 8,196,345	\$ 7,894,091	\$ 7,809,486
Financial assets measured at FVTOCI	1,098,102	1,210,580	1,559,328
Financial liabilities			
Measurement of amortized cost (Note 2)	5,870,912	5,702,609	6,856,185

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>		
	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018	
Profit or loss	\$ 14,778	\$ 10,228	A

	<u>I n f l u e n c e f r o m V N D</u>		
	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018	
Profit or loss	\$ 7,423	\$ 6,572	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:

	September 30, 2019	December 31, 2018	September 30, 2018
Possess fair value interest rate risk			
Financial assets	\$ 748,926	\$ 610,802	\$ 897,220
Financial liabilities	500,168	-	59,967
Interest rate risks with cash flow			
Financial assets	3,112,048	3,183,724	2,971,629
Financial liabilities	3,063,578	2,953,037	3,944,692

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 September 30, 2019, and 2018 will decrease/increase by NT\$22,977 thousand and NT\$29,585 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:

	September 30, 2019		December 31, 2018		September 30, 2018	
	S	%	S	%	S	%
Group A	<u>\$387,836</u>	11	<u>\$ 357,724</u>	10	<u>\$ 354,569</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.

#### September 30, 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	\$2,803,546	\$ 3,788	\$ -
Lease liabilities	68,790	169,982	433,244
Floating interest rate instruments	<u>1,611,711</u>	<u>1,490,588</u>	<u>                    </u>
	<u>\$4,484,047</u>	<u>\$1,664,358</u>	<u>\$ 433,244</u>

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

	<u>Less than 1 year</u>	<u>1 year to 5 years</u>	<u>5 years to 10 years</u>	<u>10 years to 20 years</u>	<u>Over 20 years</u>
Lease liabilities	<u>\$ 68,790</u>	<u>\$ 169,982</u>	<u>\$ 161,134</u>	<u>\$ 212,450</u>	<u>\$ 59,660</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>

September 30, 2018

	Less than 1 year	1 to 5 years	More than 5 years
<u>Non-derivative</u>			
<u>financial</u>			
<u>liabilities</u>			
Non-interest-bearing liabilities	\$2,849,229	\$ 2,297	\$ -
Fixed interest rate instruments	60,000	-	-
Floating interest rate instruments	<u>2,185,694</u>	<u>1,825,813</u>	<u>-</u>
	<u>\$ 5,094,923</u>	<u>\$ 1,828,110</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

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Unsecured bank</u>			
<u>borrowing credit</u>			
<u>(to be reviewed in</u>			
<u>each year)</u>			
Amount used	\$ 3,079,886	\$ 2,970,489	\$ 4,070,603
Amount available	<u>4,570,779</u>	<u>4,531,805</u>	<u>3,386,203</u>
	<u>\$ 7,650,665</u>	<u>\$ 7,502,294</u>	<u>\$ 7,456,806</u>
<u>Secured bank</u>			
<u>borrowing</u>			
Amount used	\$ 76,912	\$ 88,963	\$ 60,000
Amount available	<u>100,688</u>	<u>87,825</u>	<u>40,000</u>
	<u>\$ 177,600</u>	<u>\$ 176,788</u>	<u>\$ 100,000</u>

34. Related party transactions

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

(I) The names and relations of related parties

<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

Category of related parties / Name	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Investors with significant influence	\$ 384,040	\$ 370,127	\$1,082,799	\$ 992,010
Other affiliates	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,624</u>
	<u>\$ 384,040</u>	<u>\$ 370,127</u>	<u>\$1,082,799</u>	<u>\$1,011,634</u>

There is no significant difference between the Company's selling price to related parties and from average customers. Payment term is 30 to 90 days, which shows no significant difference between non-related parties.

(3) Purchase inventories

Category of related parties	July 1, 2019 to September 30, 2019	July 1, 2018 to September 30, 2018	January 1, 2019 to September 30, 2019	January 1, 2018 to September 30, 2018
Affiliate enterprises	<u>\$ 11,219</u>	<u>\$ 11,168</u>	<u>\$ 18,375</u>	<u>\$18,300</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

Accounting item	Category of related parties	September 30, 2019	December 31, 2018	September 30, 2018
Accounts receivable -related parties	Investors with significant influence			
	Pou Chen Group and subsidiaries	<u>\$ 387,836</u>	<u>\$ 357,724</u>	<u>\$ 354,569</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>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Accounts payable	Affiliate enterprises	<u>\$ 5,976</u>	<u>\$ 2,643</u>	<u>\$ 9,250</u>
Other payables	Investors with significant influence	<u>\$ 130</u>	<u>\$ 132</u>	<u>\$ 131</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>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Other current liabilities	Investors with significant influence			
	Pou Chen Group and subsidiaries	<u>\$ 68,566</u>	<u>\$ 78,443</u>	<u>\$ 83,950</u>

(7) Managerial remuneration

	<u>July 1, 2019 to September 30, 2019</u>	<u>July 1, 2018 to September 30, 2018</u>	<u>January 1, 2019 to September 30, 2019</u>	<u>January 1, 2018 to September 30, 2018</u>
Short-term employee benefits	<u>\$ 19,580</u>	<u>\$ 10,127</u>	<u>\$ 47,993</u>	<u>\$ 40,079</u>
Benefits after retirement	<u>482</u>	<u>380</u>	<u>6,704</u>	<u>1,404</u>
	<u>\$ 20,062</u>	<u>\$ 10,507</u>	<u>\$ 54,697</u>	<u>\$ 41,483</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.

35. Assets pledged as collateral

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Property, plant and equipment	<u>\$ 110,016</u>	<u>\$ 111,040</u>	<u>\$ 111,382</u>
Time deposits (Financial assets measured at amortized cost)	<u>25,355</u>	<u>12,925</u>	<u>18,013</u>
	<u>\$ 135,371</u>	<u>\$ 123,965</u>	<u>\$ 129,395</u>



### 36. Significant contingent liability and unrecognized contract commitments

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

(1) As of September 30, 2019, December 31, 2018, and September 30, 2018, the number of unused credits issued by the Company for procurement of raw material and machinery and equipment are NT\$90,610 thousand, NT\$106,415 thousand, and NT\$116,545 thousand respectively.

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

	September 30, 2019	December 31, 2018	September 30, 2018
Purchase of property, plant, and equipment	\$ 761,689	\$ 89,288	\$ 133,373
Procurement of raw material	<u>35,485</u>	<u>46,080</u>	<u>52,448</u>
	<u>\$ 797,174</u>	<u>\$ 135,368</u>	<u>\$ 185,821</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.

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

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

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

September 30, 2019

<u>Financial assets</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>At book value</u>
<u>Monetary items</u>			
USD	\$ 47,299	31.04 (USD:NTD)	\$ 1,468,154
USD	10,962	7.0729 (USD:CNY)	340,259
USD	7,631	13.919 (USD:IDR)	236,864
USD	6,035	7.84 (USD:HKD)	187,323
VND	662,307,459	0.00004304 (VND:USD)	884,727
MYR	8,161	0.3538 (MYR:AUD)	60,530
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	5,614	31.016 (USD:NTD)	174,139
USD	2,698	7.0621 (USD:CNY)	83,628
USD	4,588	7.8383 (USD:HKD)	142,350
USD	6,766	13,919 (USD:IDR)	210,002
USD	4,660	1.4806 (USD:AUD)	144,641
VND	106,230,112	0.000043 (VND:USD)	142,423

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
HKD	13,127	0.1277 (HKD:USD)	51,472
VND	526,224,183	0.000043 (VND:USD)	693,419
MYR	6,880	0.3411 (MYR:AUD)	50,846

Financial liabilitiesMonetary items

USD	4,428	30.6468	135,697
		(USD:NTD)	
USD	2,796	6.8632	85,894
		(USD:CNY)	
USD	4,256	7.833	130,729
		(USD:HKD)	
USD	7,046	14,420	216,406
		(USD:IDR)	
USD	2,185	23,250	67,005
		(USD:VND)	
USD	4,765	1.4177	146,353
		(USD:AUD)	
VND	99,863,300	0.000043	131,755
		(VND:USD)	

September 30, 2018Financial assets   Foreign currency   Exchange rate   At book valueMonetary items

USD	\$ 39,946	30.53	\$ 1,219,362
		(USD:NTD)	
USD	13,973	6.8792	426,541
		(USD:CNY)	
USD	6,790	14,675	207,257
		(USD:IDR)	
USD	5,360	7.82	163,617
		(USD: HKD)	
VND	596,074,958	0.000043	783,670
		(VND:USD)	
MYR	28,836	0.3345	212,544
		(MYR:AUD)	

Financial liabilitiesMonetary items

USD	\$ 6,978	30.46	\$ 212,551
		(USD:NTD)	
USD	7,108	6.8792	216,967
		(USD:CNY)	
USD	4,073	7.8249	124,319
		(USD:HKD)	
USD	5,294	14,675	161,605
		(USD:IDR)	
USD	4,124	23,127	124,933
		(USD:VND)	
USD	5,030	1.3853	153,553
		(USD: AUD)	
VND	96,557,831	0.000043	126,485
		(VND:USD)	

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 currency	July 1, 2019 to September 30, 2019		July 1, 2018 to September 30, 2018	
	Functional currency and presentation	Net exchange profit or loss	Functional currency and presentation	Net exchange profit or loss
USD	31.197 (USD:NTD)	\$ 3,736	30.672 (USD:NTD)	(\$ 13,194)
NTD	1 (NTD:NTD)	2,347	1 (NTD:NTD)	6,943
CNY	4.441 (CNY:NTD)	8,291	4.501 (CNY:NTD)	5,619
SGD	22.69 (SGD:NTD)	108	22.43 (SGD:NTD)	13
AUD	21.38 (AUD:NTD)	( 2,821)	22.42 (AUD:NTD)	( 5,075)
IDR	0.00223 (IDR:NTD)	( 113)	0.00211 (IDR:NTD)	2,843
VND	0.00122 (VND:NTD)	348	0.00120 (VND:NTD)	( 1,015)
Others		<u>2,204</u>		<u>( 366)</u>
		<u>\$ 14,100</u>		<u>(\$ 4,232)</u>

Functional currency	January 1, 2019 to September 30, 2019		January 1, 2018 to September 30, 2018	
	Functional currency and presentation	Net exchange profit or loss	Functional currency and presentation	Net exchange profit or loss
USD	31.054 (USD:NTD)	(\$ 2,339)	29.915 (USD:NTD)	(\$ 17,408)
NTD	1 (NTD:NTD)	24,153	1 (NTD:NTD)	33,649
CNY	4.52 (CNY:NTD)	9,240	4.594 (CNY:NTD)	2,807
SGD	22.76 (SGD:NTD)	56	22.32 (SGD:NTD)	83
AUD	21.71 (AUD:NTD)	( 3,670)	22.67 (AUD:NTD)	( 8,454)
IDR	0.00221 (IDR:NTD)	( 1,829)	0.00214 (IDR:NTD)	7,612
VND	0.00134 (VND:NTD)	( 238)	0.00118 (VND:NTD)	( 1,110)
Others		<u>7,152</u>		<u>1,140</u>
		<u>\$ 32,525</u>		<u>\$ 18,319</u>

### 38. Other disclosures

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

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

#### (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 8)
2. Significant transactions with China investee company through direct or indirect third region, and their prices, terms of payment, unrealized gains and losses: (Table 9)
  - (1) Purchase amount and percentage, and the ending balance and percentage of payables.
  - (2) Sales amount and percentage, and the ending balance and

percentage of receivables.

- (3) Property transaction amount and the resulting gain or loss
- (4) Ending balance of endorsement, guarantee or collateral provided and purposes.
- (5) The maximum balance, ending balance, interest rate range and the total amount of current interest in financing.
- (6) Other transactions having a significant impact on profit or loss or financial status of the period, such as providing or receiving services.

### 39. Segment Information

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

#### Segment revenue and operations

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

	<u>T a i w a n</u>	<u>M a i n l a n d C h i n a</u>	<u>V i e t n a m</u>	<u>A u s t r a l i a</u>	<u>Other Regions</u>	<u>Adjustments and charge off</u>	<u>T o t a l</u>
<u>January 1, 2019 to September 30, 2019</u>							
Revenue							
Revenue from external customers	\$ 2,516,829	\$ 4,619,057	\$ 2,886,829	\$ 1,457,117	\$ 1,108,886	\$ -	\$ 12,588,718
Revenue between segments	<u>1,950,618</u>	<u>928,694</u>	<u>490,464</u>	<u>13,472</u>	<u>24,284</u>	<u>( 3,407,532)</u>	<u>-</u>
Total revenue	<u>\$ 4,467,447</u>	<u>\$ 5,547,751</u>	<u>\$ 3,377,293</u>	<u>\$ 1,470,589</u>	<u>\$ 1,133,170</u>	<u>( \$ 3,407,532)</u>	<u>\$ 12,588,718</u>
Segment profit (loss)	<u>\$ 371,788</u>	<u>\$ 273,305</u>	<u>\$ 462,365</u>	<u>\$ 14,426</u>	<u>\$ 98,648</u>	<u>( \$ 3,222)</u>	<u>\$ 1,217,510</u>
Interest income							25,605
Other income							94,750
Other gain and loss							39,013
Financial costs							( 52,178)
Share of profit (loss) of associates accounted for using the equity method							<u>21,542</u>
Pre-tax profit							<u>\$ 1,346,242</u>
<u>January 1, 2018, to September 30, 2018</u>							
Revenue							
Revenue from external customers	\$ 2,606,569	\$ 4,334,032	\$ 2,353,870	\$ 1,499,282	\$ 961,985	\$ -	\$ 11,755,738
Revenue between segments	<u>1,861,978</u>	<u>779,319</u>	<u>464,393</u>	<u>19,034</u>	<u>26,851</u>	<u>( 3,151,575)</u>	<u>-</u>
Total revenue	<u>\$ 4,468,547</u>	<u>\$ 5,113,351</u>	<u>\$ 2,818,263</u>	<u>\$ 1,518,316</u>	<u>\$ 988,836</u>	<u>( \$ 3,151,575)</u>	<u>\$ 11,755,738</u>
Segment profit	<u>\$ 253,954</u>	<u>\$ 84,603</u>	<u>\$ 137,659</u>	<u>\$ 37,654</u>	<u>\$ 71,039</u>	<u>\$ 33,486</u>	<u>\$ 618,395</u>
Interest income							26,160
Other income							112,567
Other gain and loss							16,366
Financial costs							( 45,782)
Share of profit (loss) of associates accounted for using the equity method							<u>18,300</u>
Pre-tax profit							<u>\$ 746,006</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  
 Financings Provided  
 January 1, 2019 to September 30, 2019

Table 1

Unit: NT\$1,000

No	Financing Company	Counter Party	Financial Statement Account	Whether being Related parties	Maximum Balance	Balance of Period End	Amount Actually Drawn (Note 4)	Interest rate range (%)	Capital financing feature (Note 1)	Amount of Transaction	Short-term financing Reason for financing	Amount of Allowance for Doubtful Account	Collateral		Limitation on financing to specific entities for specific entities	Limitation on financing to specific entities
													T i t l e	V a l u e		
0	Nan Pao Resins Chemical Co., Ltd.	RLA Polymers (M) Sdn Bhd	Other accounts receivable--related parties	Yes	\$ 94,800	\$ 93,120	\$ 93,120	4.2	2	\$ -	Operating turnover	\$ -	-	\$ -	\$ 1,950,676	\$ 3,901,352
1	Nan Pao Group Holdings Ltd.	RLA Polymers (M) Sdn Bhd	Other accounts receivable--related parties	Yes	5,056	-	-	3.25	2	-	Operating turnover	-	-	-	3,902,276	3,902,276
2	Progroups Technology co. Ltd.	Biorich Biotechnology Co., Ltd.	Other accounts receivable--related parties	Yes	900	-	-	2	2	-	Operating turnover	-	-	-	15,469	30,937
3	Nan Pao Resins (China) Co., Ltd.	Nan Pao (Kunshan) E-commerce Ltd.	Other accounts receivable--related parties	Yes	115,075	-	-	4.5675~5	2	-	Operating turnover	-	-	-	393,979	393,979

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 September 30, 2019

Table 2

Unit: NT\$1,000

No	Endorsement/Guarantee Provider	Guaranteed Party		Ceiling limit on endorsements and guarantees for a single enterprise (Note 2)	Highest endorsement or guarantee amount for current period	Endorsement or guarantee amount at end of the Period	Amount Actually Drawn	Property-guaranteed	Aggregated endorsement or guarantee amount	Endorsement/ Guarantee	Endorsement guarantee for the subsidiary by the parent company	Endorsement guarantee for the parent company by the subsidiary	for
	Company name	Company name	Relation (Note 1)					Guarantee amount	Ratio of which on the financial statements	Maximum Amount	For subsidiaries	For the parent company	Mainland China
									Ratio on net value (%)	(Note 2&Note 3)	Endorsement/ Guarantee	Endorsement/ Guarantee	Endorsement/ Guarantee
0	Nan Pao Resins Chemical Co., Ltd.	ITLS-SB SDN BHD	2	\$ 1,950,676	\$ 9,246	\$ -	\$ -	\$ -	-	\$ 6,827,367	Y	N	N
		Phytomed Bio-tec Co., Ltd.	2	1,950,676	10,000	10,000	2,400	-	0.10	6,827,367	Y	N	N
		Nan Pao Resins Chemical Philippines, Inc.	2	1,950,676	31,600	31,040	1,974	-	0.32	6,827,367	Y	N	N
		ITLS International Development Co., Ltd.	2	1,950,676	50,000	20,000	3,423	-	0.21	6,827,367	Y	N	N
		Nan Pao Advanced Materials Vietnam Co., Ltd.	2	1,950,676	31,600	31,040	-	-	0.32	6,827,367	Y	N	N
		Nan Pao Materials Vietnam Co., Ltd.	2	1,950,676	126,400	-	-	-	-	6,827,367	Y	N	N
		RLA Polymers (M) SDN BHD	2	1,950,676	92,460	-	-	-	-	6,827,367	Y	N	N
		RLA Polymers Pty Ltd.	2	1,950,676	158,000	155,200	100,632	-	1.59	6,827,367	Y	N	N
		Nan Pao Resins International Ltd.	2	1,950,676	316,000	93,120	13,037	-	0.95	6,827,367	Y	N	N
		Nan Pao Group Holdings Ltd.	2	1,950,676	158,000	93,120	-	-	0.95	6,827,367	Y	N	N
		Progroups Technology co. Ltd.	2	1,950,676	10,000	10,000	-	-	0.10	6,827,367	Y	N	N
		PT. Indo Nan Pao Resins Chemical	2	1,950,676	61,790	-	-	-	-	6,827,367	Y	N	N
		Nan Pao Philippines Export, Inc	2	1,950,676	31,390	31,040	-	-	0.32	6,827,367	Y	N	N
		Nan Pao Resins (HK) Limited	2	1,950,676	219,730	217,280	-	-	2.23	6,827,367	Y	N	N
1	NP Australia Pty Ltd.	RLA Polymers Pty Ltd.	2	125,739	108,266	102,729	-	-	16.34	440,085	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  
September 30, 2019

Table 3

Unit: NT\$1,000

Company holding shares	Type and name of securities	Relationship with the Relationship with the issuer	Accounting item	At end of the Period				Remarks
				Number of shares	At book value	Percentage of shares (%)	Fair value	
Nan Pao Resins Chemical Co., Ltd.	Dairen Chemical Corp. - publicly owned company	None	The financial asset in other comprehensive income measured at fair value through profit and loss - non-current	6,515,606	\$ 1,067,256	2	\$ 1,067,256	
	Hua Chi Venture Capital Co., Ltd. - privately-issued equity	.	.	126,316	3,724	2	3,724	
	Hsin Sheng Photovoltaic Co., Ltd. - privately-issued equity	.	.	1,600,000	4,480	10	4,480	
	Revivegen Environmental Technology Co., Ltd. - publicly owned company	.	.	375,000	15,000	-	15,000	
					<u>\$ 1,090,460</u>		<u>\$ 1,090,460</u>	
Nan Pao Chemical Company Ltd.	Ace Chemical Corp. - privately-issued equity	None	The financial asset in other comprehensive income measured at fair value through profit and loss - non-current	893,265	<u>\$ 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 7 and Table 8 for information on investments in subsidiaries and affiliated companies.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Acquisition of real estate at price in excess of NT\$300 million or 20% of the paid-in capital  
January 1, 2019 to September 30, 2019

Table 4

Unit: NT\$1,000

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-Party	Nature of Relationship	Prior Transaction of Realated Counter-Party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	A m o u n t			
Nan Pao Resins Chemical Co., Ltd.	Building	(Note)	\$ 690,000	Monthly ettlement by the onstruction progress and acceptance	Kong Chou Construction Co ., LTD.	-	-	-	-	\$ -	Not applicable for the case of engaging others to construct on its own land	The Company's R&D and Administrati on building	-

Note : The Board of Directors, which approved the proposal to engage others to build a factory on its own land on May 18, 2010, has signed a contract with contractors on June 14, 2019.

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries

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

January 1, 2019 to September 30, 2019

Table 5

Unit: NT\$1,000

Supplier (Buyer) company	Related Party	Relations	Transaction				Unusual trade conditions and its reasons		Notes and accounts receivable (payable)		Remarks
			Purchase/sale	Amount (NT\$)	Ratio of total procurement (sales)	Credit Period	Unit Price	Credit Period	Balance (Note)	Ratio on total accounts receivable or payable (%)	
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Subsidiary	Sales	( \$ 818,003 )	21	Telegraphic transfer within 90 days	Equivalent	Equivalent	\$ 310,837	27	
	Nan Pao Materials Vietnam Co., Ltd.	Subsidiary	Sales	( \$ 117,808 )	3	Telegraphic transfer within 90 days	Equivalent	Equivalent	63,162	6	
	PT. Indo Nan Pao Resins Chemical	Subsidiary	Sales	( 237,310 )	6	Telegraphic transfer within 90 days	Equivalent	Equivalent	87,525	8	
	Eastlion Enterprises Ltd.	Subsidiary	Sales	( 190,957 )	5	Telegraphic transfer within 90 days	Equivalent	Equivalent	62,883	6	
	Nan Pao Resins (Fo Shan) Co., Ltd.	Subsidiary	Sales	( 122,611 )	3	Telegraphic transfer within 90 days	Equivalent	Equivalent	18,441	2	
Nan Pao Resins (Vietnam) Enterprise Ltd.	Nan Pao Resins International Ltd.	Same ultimate company	Sales	( 234,304 )	11	Telegraphic transfer within 90 days	Equivalent	Equivalent	84,389	13	
	Pou Chen Group and subsidiaries	Investors with significant influence	Sales	( 114,914 )	5	Payment within 45~60 days	Equivalent	Equivalent	30,078	5	
Nan Pao Resins (Dong-Guan) Co., Ltd.	Eastlion Enterprises Ltd.	Same ultimate company	Net sale of processing	( 272,165 )	100	Payment within 30 days	No comparable product sales for comparison	No third-party transaction for comparison	-	-	
Nan Pao Materials Vietnam Co., Ltd.	Nan Pao Resins International Ltd.	Same ultimate company	Sales	( 105,930 )	14	Telegraphic transfer within 60~90 days	No comparable product sales for comparison	No third-party transaction for comparison	42,501	18	
Nan Pao Resins International Ltd.	Pou Chen Group and subsidiaries	Investors with significant influence	Sales	( 343,763 )	97	Payment within 60 days	Equivalent	Equivalent	113,738	98	
PT. Tndo Nan Pao Resins Chemical	Pou Chen Group and subsidiaries	Investors with significant influence	Sales	( 350,308 )	44	Telegraphic transfer within 90 days	Equivalent	Equivalent	158,373	52	
Eastlion Enterprises Ltd.	Pou Chen Group and subsidiaries	Investors with significant influence	Sales	( 120,327 )	13	Telegraphic transfer within 45 days	Equivalent	Equivalent	36,735	10	

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 the paid-in capital  
September 30, 2019

Table 6

Unit: NT\$1,000

Company with accounts receivable	Related Party	Relations	Related party of account receivable Account balance (Note )	Turnover ratio%	Overdue accounts receivable from related party		Accounts receivable from related party Amount recoverable after period	Listed deductibles Bad debt
					Sum	Handling Method		
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Vietnam) Enterprise Ltd.	Subsidiary	\$ 310,837	3.72	\$ -	Not applicable	\$ 109,757	\$ -
	Nan Pao Overseas Holdings Ltd.	Subsidiary	105,257	- (Note 1)	-	Not applicable	-	-
Nan Pao Overseas Holdings Ltd.	Nan Pao Group Holdings Ltd.	Subsidiary	105,257	- (Note 1)	-	Not applicable	-	-
PT. Indo Nan Pao Resins Chemical	Pou Chen Group and subsidiaries	Investors with significant influence	158,373	2.87	-	Not applicable	18,584	-
Nan Pao Resins International Ltd.	Pou Chen Group and subsidiaries	Investors with significant influence	113,738	4.57	-	Not applicable	51,157	-

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 September 30, 2019

Table 7

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
				September 30, 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	\$ 147,901	\$ 4,720	\$ 2,913	
	Nan Pao Application Material Co., Ltd.	No.12, Nanhai, Nanhai Vil., Xigang Dist., Tainan City	Trading of chemical substances	60,000	60,000	200,000	100	9,441	( 200 )	( 200 )	
	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	50,312	5,215	5,215	
	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	301,068	1,865	1,865	
	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	49.9	299,606	( 6,701 )	( 3,344 )	
	Phytomed 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	4,059	62	62	
	Biorich Biotechnology Co., Ltd.	3F, No.356, Sec.1, NeiHu Rd., Taipei	R&D, production, and trading of new high protein business and health food	64,121	64,121	391,462	57.1	5,677	765	437	
	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	6,076	3,216	2,251	
	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	310,722	71,807	21,542	
	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	187,413	16,540	16,540	
	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	197,077	11,030	11,030	
	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	30,167	3,485	3,485	
	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	848,397	122,277	119,291	
	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	429,008	( 12,418 )	( 12,418 )	
	Nan Pao Overseas Holdings Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	2,103,010	2,071,057	68,300,502	100	3,834,672	356,423	345,945	
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General investment	186,588	186,588	983,333	73.75	771,536	113,378	78,822	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	213,198	731	399	Nan Pao Resins Chemical Co., Ltd. and related companies hold 100% of voting shares
	Ongoing Profits Ltd.	Vistra Corporate Serrices Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	46,426	46,426	1,560,000	32.18	340,352	279,761	89,591	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	215,069	56,462	27,666	Nan Pao Resins Chemical Co., Ltd. and related companies hold 67.5% of voting shares
	Nan Pao Philippines Export Inc.	Lot IL-2 Subic Bay Gateway Park Phase II, Subic Bay Freeport Zone	Trading of adhesives	-	-	-	-	-	-	-	-
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	158,442	( 117 )		
	Aftek Materials Vietnam Co., Ltd.	No. 16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and trading of construction materials	49,172	-	-	70	39,820	( 6,649 )		
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	141,542 ( USD 4,560,000 )	141,542 ( USD 4,560,000 )	10,000	100	187,043	16,598		
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	173,167 ( USD 5,578,821 )	173,167 ( USD 5,578,821 )	21,197,000	100	131,792	11,003		
Nan Pao Overseas Holdings Ltd.	Nan Pao Group Holdings Ltd.	4th Floor, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Islands	General investment	2,120,048 ( USD 68,300,502 )	2,088,506 ( USD 67,284,333 )	68,300,502	100	3,902,276	356,485		
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	31,881 ( USD 1,027,092 )	31,881 ( USD 1,027,092 )	3,250,000	100	22,572	4,585		

(Continued on the next page)

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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
				September 30, 2019	March 31, 2019	Number of shares	Ratio	At book value			
Nan Pao Group Holdings Ltd.	PT. ITLS Indonesia	Jl. Pajajaran Raya No. 44, Kel. Gandasari, Kec. Jatiuwung, Tangerang-15137 Indonesia	Production and trading of construction materials	76,409 ( USD 2,461,620 )	76,409 ( USD 2,461,620 )	2,437,109	100	26,419	( 522 )		
	ITLS Vietnam Co., Ltd.	No.16 Kim Dong Street, Ninh Xa Ward, Bac Ninh City, Bac Ninh Province	Production and trading of construction materials	135,132 ( USD 4,353,487 )	135,132 ( USD 4,353,487 )	-	100	80,999	( 4,205 )		
	ITLS-Rich ( S ) Pte. Ltd.	Blk1049,Eunos Avenue 6,#01-132, Singapore 409628	Trading of hardware and construction materials	-	6,317 ( SGD 275,000 )	-	-	-	-	Completed liquidation and cancellation in June 2019	
	ITLS-SB SDN BHD	Lot 75289, Lebuhraya Pasir Gudang, Mukim Plentong (PermasJaya) , 81750 Masai, Johor, Malaysia	Production and trading of hardware and construction materials	\$ 20,866 ( SGD 928,632 )	\$ 20,866 ( SGD 928,632 )	2,000,000	100	\$ 19,135	\$ 172		
	Greatwill Materials ( HK ) Ltd.	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	General investment	39,110 ( USD 1,260,000 )	39,110 ( USD 1,260,000 )	7,172	67.68	333,009	87,893		
	Profit Land Ltd.	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	General investment	58,592 ( USD 1,887,627 )	58,592 ( USD 1,887,627 )	350,000	26.25	279,330	113,378	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	808,718 ( USD 26,054,073 )	808,718 ( USD 26,054,073 )	10,000	100	935,836	58,904		
	All Saints Enterprises Ltd.	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	165,539 ( USD 5,333,075 )	165,539 ( USD 5,333,075 )	4,547,451	45.47	181,233	731	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	73,476 ( USD 2,367,154 )	73,476 ( USD 2,367,154 )	2,367,154	100	71,169	9,701		
	ITLS –TWA Australia Pty. Ltd.	Level 4, 147 Collins Street Melbourne Vic 3000	Production and trading of hardware, construction materials, and chemicals	125,790 ( AUD 6,000,000 )	125,790 ( AUD 6,000,000 )	6,000,000	100	( 44,365 )	( 10 )		
	NP Australia Pty. Ltd.	Level 4, 147 Collins Street Melbourne Vic 3000	General investment	528,619 ( AUD 25,214,354 )	497,171 ( AUD 23,714,354 )	25,214,354	100	628,677	( 4,532 )		
	Ongoing Profits Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.	General investment	119,095 ( USD 3,836,817 )	119,095 ( USD 3,836,817 )	3,287,546	67.82	752,558	279,761	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	143,094 ( USD 4,610,000 )	143,094 ( USD 4,610,000 )	4,610	100	160,202	15,275		
	Goldford Investments Ltd.	Creque Buildin, P.O. Box 116, Road Town, Tortola, British Virgin Islands	General investment	18,154 ( USD 584,844 )	18,154 ( USD 584,844 )	486,000	100	88,748	9,358		
	Nan Pao Resins Chemical Philippines, Inc.	Road 22 Phase 11, Cogevo Village, Antipolo City, Philippines	Trading of adhesives	6,518 ( USD 210,000 )	6,518 ( USD 210,000 )	9,000	100	51,141	10,795		
	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	792 ( HKD 200,000 )	792 ( HKD 200,000 )	1,000	100	16,946	6,949		
	Nan Pao Resins ( HK ) Limited	Flat 13, 10F., Building B Tong-li Industrial Center, 19 Lam Hing Street, Kowloon Bay, Hong Kong	Production and trading of adhesives	-	-	-	-	-	-		
	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	248,320 ( USD 8,000,000 )	248,320 ( USD 8,000,000 )	10,000	100	961,422	113,291	
	Nan Pao Resins ( Holdings ) Ltd.	Eastlion Enterprises Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	625,149 ( USD 20,140,100 )	625,149 ( USD 20,140,100 )	20,240	100	823,689	57,186	
	Eastlion Industrial Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	-	3 ( USD 100 )	-	100	-	( 1,089 )	Completed liquidation and cancellation in July 2019	
	Nan Pao Resins Development Ltd.	P.O.Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	General investment	93,120 ( USD 3,000,000 )	93,120 ( USD 3,000,000 )	3,000	100	104,755	2,812		
All Saints Enterprises Ltd.	Great Mount Enterprises Ltd.	Unit 2102, 21/F The Broadway, No., 54-62 Lockhart, Road, Wanchai, Hong Kong	General investment	310,400 ( USD 10,000,000 )	310,400 ( USD 10,000,000 )	10,000	100	394,129	783		
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	71,148	10,555		
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	342,450 ( AUD 16,334,344 )	311,002 ( AUD 14,834,344 )	11,152,080	100	458,115	288		
Ongoing Profits Ltd.	Rising Sun Associates Ltd.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Island	General investment	150,468 ( USD 4,847,546 )	150,468 ( USD 4,847,546 )	3,000,000	100	1,107,817	279,816		
Treasure Wealth ( HK ) Ltd.	Noroo-Nan Pao Paints & Coatings ( Vietnam ) Co., Ltd.	Ken Nhon Trach II, Xa Hiep Phuoc, Huyen Nhon Trach, Tinh Dong Nai, Vietnam	Production and trading of coatings	142,474 ( USD 4,590,000 )	142,474 ( USD 4,590,000 )	-	50	152,824	30,553		

(Continued on the next page)



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Investor Company	Investee Company	Location	Main Businesses and Products	Initial investment	Possession by the end of the period	Investee company Number of shares	Share of Profits/Losses Investment Profit/Loss	At book value	Profit (loss) for the period	(Note 1)	Remarks
				September 30, 2019	March 31, 2019		Ratio				
Goldford Investments Ltd.	PT. Indo Nan Pao Resins Chemical	Jl. Pajajaran Raya No. 44, Jatiuwung Tangerang 15137, Indonesia	Production and trading of adhesives	2,321 ( IDR 1,040,625,000 )	2,321 ( IDR 1,040,625,000 )	1,040,625	18.5	87,980	34,059		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 Thanlilz, DiAn District, Binh Duong Province	Production and trading of adhesives and coatings	105,791 ( USD 3,408,217 )	105,791 ( USD 3,408,217 )	-	100	1,104,806	279,864		
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	125,196 ( AUD 5,971,801 )	125,196 ( AUD 5,971,801 )	18,415,500	100	185,601	( 206 )		

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 8 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 September 30, 2019

Table 8

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
					O u t f l o w	R e c o v e r y						
Nan Pao Resins (China) Co., Ltd.	Production and trading of adhesives and coatings	\$ 310,400 (USD 10,000,000)	(2) Great Mount Enterprises Ltd.	\$ 334,919 (USD 10,789,932)	\$ -	\$ -	\$ 334,919 (USD 10,789,932)	\$ 785	100	\$ 785 (2)B.	\$ 393,979	\$ -
Fuqing Nan Pao Resins Co., Limited	Production and trading of adhesives	141,542 (USD 4,560,000)	(2) Wealth Castle Development Ltd.	154,890 (USD 4,990,000)	-	-	154,890 (USD 4,990,000)	16,718	100	16,718 (2)B.	185,945	134,553
Nan Pao Resins (Dong-Guan) Co., Ltd.	Processing of adhesive products	83,808 (USD 2,700,000)	(2) Eastlion Enterprises Ltd.	78,899 (USD 2,541,860)	-	-	78,899 (USD 2,541,860)	( 27,422 )	100	( 27,422 ) (2)B.	92,094	-
Dongguan Jia Chin Electronics Co., Ltd.	Production and trading of coatings and advanced resin	93,120 (USD 3,000,000)	(2) Nan Pao Resins Development Ltd.	95,128 (USD 3,064,683)	-	-	95,128 (USD 3,064,683)	2,813	100	2,813 (2)B.	104,737	-
Foshan Nan Pao Advanced Materials Co., Ltd.	Production and trading of adhesives	46,560 (USD 1,500,000)	(2) Greatwill Materials (HK) Ltd. and Nan Pao Resins (Fo Shan) Co., Ltd.	-	-	-	-	89,389	68	60,787 (2)B.	334,164	-
Nan Pao Resins (Fo Shan) Co., Ltd.	Production and trading of adhesives	248,320 (USD 8,000,000)	(2) Giant Profit Development Ltd.	241,728 (USD 7,787,627)	-	-	241,728 (USD 7,787,627)	113,304	100	113,304 (2)B.	960,385	161,021
Foshan Nan Pao Cheng Hung Advanced Materials Technology Co., Ltd.	Trading of footwear materials	21,750 (RMB 5,000,000)	(3) Nan Pao Resins (Fo Shan) Co., Ltd.	-	-	-	-	5,396	51	2,752 (2)B.	15,200	-
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.	12,416 (USD 400,000)	-	-	12,416 (USD 400,000)	-	-	-	-	-
Nanpao Advanced Investment Co., Ltd.	General investment	580,448 (USD 18,700,000)	(2) Nan Pao Group Holdings Ltd.	580,448 (USD 18,700,000)	-	-	580,448 (USD 18,700,000)	( 10,195 )	100	( 10,195 ) (2)B.	521,933	-
Nan Pao (Kunshan) E-commerce Ltd.	Agency of online business and general merchandise	155,200 (USD 5,000,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	( 25,261 )	100	( 25,261 ) (2)B.	103,474	-
Nantong Nanpao Resins Materials Co., Ltd.	Production and trading of adhesives	170,720 (USD 5,500,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	( 3,011 )	100	( 3,011 ) (2)B.	153,314	-
Nan Pao Resins (Yunan) Co., Ltd.	Production and trading of adhesives	139,680 (USD 4,500,000)	(3) Nanpao Advanced Investment Co., Ltd.	-	-	-	-	( 1,753 )	100	( 1,753 ) (2)B.	134,189	-

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 3)
\$ 1,498,428 (USD 48,274,102)	\$ 1,753,737 (USD 56,499,260)	\$ 5,852,029

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:

$$\$9,753,381 \times 60\% = \$5,852,029$$

Note 4: Relevant amounts were calculated based on the exchange rate of US\$1 = NT\$31.04 at the end of the period.

Relevant amounts were calculated based on the exchange rate of CNY 1 = NT\$4.35 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 September 30, 2019

Table 9

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,	
							Unit Price	Credit Period		Ratio of account (%)	
Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (Fo Shan) Co., Ltd.	Subsidiary	Sales	( \$ 122,611 )	( 3 )	Telegraphic transfer within 90 days	Equivalent	Equivalent	\$ 18,441	-	\$ 8,369
	Nan Pao Resins (China) Co., Ltd.	Subsidiary	Sales	( 68,750 )	( 2 )	Telegraphic transfer within 90 days	Equivalent	Equivalent	36,970	1	7,604
	Dongguan Jia Chin Electronics Co., Ltd.	Subsidiary	Sales	( 10,500 )	-	Telegraphic transfer within 90 days	Equivalent	Equivalent	10,319	-	
Foshan Nan Pao Advanced Materials Co., Ltd.	Nan Pao Resins Chemical Co., Ltd.	Ultimate parent company	Sales	( 41,333 )	( 3 )	Telegraphic transfer within 30 days	Equivalent	Equivalent	7,632	2	-
	Greatwill Materials (HK) Ltd.	Same parent company	Sales	( 63,513 )	( 5 )	Telegraphic transfer within 90 days	Equivalent	Equivalent	-	-	-
	Nan Pao Resins (Fo Shan) Co., Ltd.	Same parent company	Sales	( 40,416 )	( 3 )	Payment within 90 days	Equivalent	Equivalent	18,967	4	-
	Nan Pao Resins India Pvt Ltd.	Same parent company	Sales	( 31,723 )	( 2 )	Telegraphic transfer within 90 days	Equivalent	Equivalent	14,195	3	-
Nan Pao Resins (Dong-Guan) Co., Ltd.	Eastlion Enterprises Ltd.	Parent company	Net sale of processing	( 272,165 )	( 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	( 82,809 )	( 9 )	Payment within 90 days	Equivalent	Equivalent	33,799	7	-
	Nan Pao Resins (China) Co., Ltd.	Same parent company	Sales	( 25,949 )	( 3 )	Payment within 90 days	Equivalent	Equivalent	10,543	2	-
	Eastlion Enterprises Ltd.	Same parent company	Sales	( 21,301 )	( 2 )	Telegraphic transfer within 90 days	Equivalent	Equivalent	8,503	2	-
Fuqing Nan Pao Resins Co., Limited	Nan Pao Resins (China) Co., Ltd.	Same parent company	Sales	( 54,375 )	( 18 )	Telegraphic transfer within 90 days	Equivalent	Equivalent	28,741	25	-

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

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
Business relationships, important transactions, and amounts between the parent company and subsidiaries  
January 1, 2019 to September 30, 2019

Table 10

Unit: NT\$1,000

No	Company Name	Counter party	Relationship with Counterparty (Note 1)	Transaction Status				
				Account Name	Amount (Note 2)	Terms	Percentage of Consolidated Net Revenue or Total asset (%)	
0	Nan Pao Resins Chemical Co., Ltd.	Nan Pao Resins (China) Co., Ltd.	1	Accounts receivable - related parties	\$ 36,970	Receipt through telegraphic transfer of 90 days based on average transaction price	-	
				Sales revenue	68,750		-	
			Nan Pao Resins (Vietnam) Enterprise Ltd.	1	Accounts receivable - related parties	310,837	Receipt through telegraphic transfer of 90 days based on average transaction price	2
					Sales revenue	818,003		4
					Purchase	20,996	Payment term is telegraphic transfer within 90 days based on average transaction price	-
			Nan Pao Resins (Fo Shan) Co., Ltd.	1	Accounts receivable - related parties	18,441	Receipt through telegraphic transfer of 90 days based on average transaction price	-
					Sales revenue	122,611		1
			PT. Indo Nan Pao Resins Chemical	1	Accounts receivable - related parties	87,525	Receipt through telegraphic transfer of 90 days based on average transaction price	-
					Sales revenue	237,310		1
			RLA Polymers (M) SDN BHD	1	Other accounts receivable - related parties	94,119		1
			Eastlion Enterprises Ltd.	1	Accounts receivable - related parties	62,883	Receipt through telegraphic transfer of 90 days based on average transaction price	-
					Sales revenue	190,957		1
					Purchase	29,411	No comparable product sales for comparison; Payment term is telegraphic transfer within 90 days	-
			Foshan Nan Pao Advanced Materials Co., Ltd.	1	Purchase	41,333	Payment term is telegraphic transfer within 30 days based on average transaction price	-
			Nan Pao Materials Vietnam Co., Ltd.	1	Accounts receivable - related parties	63,162	Receipt through telegraphic transfer of 90 days based on average transaction price	-
					Sales revenue	117,808		1
			ITLS International Development Co., Ltd.	1	Sales revenue	30,748	Receipt through credit term of 90 days based on average transaction price	-
			Nan Pao Advanced Materials Co.,LTD	1	Sales revenue	22,277	Receipt through credit term of 90 days based on average transaction price	-
			Noroo-Nan Pao Paints & Coatings (Vietnam) Co., Ltd.	1	Sales revenue	22,610	Receipt through telegraphic transfer of 90 days based on average transaction price	-
			Nan Pao Overseas Holdings Ltd.	1	Other accounts receivable - related parties	105,257		1
	Ongoing Profits Ltd.	1	Other accounts receivable - related parties	29,966		-		
	Nan Pao Chemical Company Ltd.	1	Purchase	14,110	Payment through debit term of 90 days based on average transaction price	-		
	Thai Nanpao Resins Chemical Co., Ltd.	1	Sales revenue	16,260	Receipt through telegraphic transfer of 90 days based on average transaction price	-		
	Dongguan Jia Chin Electronics Co., Ltd.	1	Accounts receivable - related parties	10,319		-		
			Sales revenue	10,500		-		

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No	Company Name	Counter party	Relationship with Counterparty (Note 1)	Transaction Status			Percentage of Consolidated Net Revenue or Total asset (%)
				Account Name	Amount (Note 2)	Terms	
1	Nan Pao Resins (Vietnam) Enterprise Ltd.	Nan Pao Resins Chemical Philippines, Inc.	1	Sales revenue	16,068	Receipt through telegraphic transfer of 90 days based on average transaction price	-
		PT. Indo Nan Pao Resins Chemical	3	Accounts receivable - related parties	30,487		-
				Sales revenue	69,327	Receipt through telegraphic transfer of 90 days based on average transaction price	-
		Nan Pao Resins International Ltd.	3	Accounts receivable - related parties	84,389		-
				Sales revenue	234,304	Receipt through telegraphic transfer of 90 days based on average transaction price	1
		Progroups Technology co. Ltd.	3	Accounts payable - related parties	32,706		-
				Purchase	77,988	No comparable product sales for comparison; Payment term is telegraphic transfer within 90 days	-
2	Nan Pao Resins (Fo Shan) Co., Ltd.	Eastlion Enterprises Ltd.	3	Accounts payable - related parties	23,883		-
				Purchase	66,120	Payment term is telegraphic transfer within 90 days based on average transaction price	-
		Rising Sun Associates Ltd.	3	Other accounts payable - related parties	93,120		1
		Fuqing Nan Pao Resins Co., Limited	3	Accounts receivable - related parties	33,799		-
				Sales revenue	82,809	Receipt through credit term of 90 days based on average transaction price	1
		Foshan Nan Pao Advanced Materials Co., Ltd.	3	Accounts payable - related parties	18,967		-
				Purchase	40,416	Payment term is debit term of 90 days based on average transaction price	-
3	Eastlion Enterprises Ltd.			Other accounts receivable - related parties	15,455		-
		Nan Pao Resins (China) Co., Ltd.	3	Accounts receivable - related parties	10,543		-
				Sales revenue	25,949	Receipt through credit term of 90 days based on average transaction price	-
		Eastlion Enterprises Ltd.	3	Sales revenue	21,301	Receipt through credit term of 90 days based on average transaction price	-
		Nan Pao Resins (Dongguan) Co., Ltd.	3	Processing fee	272,165	No comparable product sales for comparison; Payment term is credit term of 30 days.	1
		Nan Pao Resins Chemical Philippines, Inc.	3	Accounts receivable - related parties	38,978		-
				Sales revenue	55,652	Receipt through telegraphic transfer of 90 days based on average transaction price	-
4	Nan Pao Resins (China) Co., Limited	PT. Indo Nan Pao Resins Chemical	3	Accounts receivable - related parties	16,686		-
				Sales revenue	46,867	Receipt through telegraphic transfer of 90 days based on average transaction price	-
		Nan Pao Materials Vietnam Co., Ltd.	3	Sales revenue	20,643	Receipt through telegraphic transfer of 90 days based on average transaction price	-
		Nan Pao Resins International Ltd.	3	Management fee	14,332	No comparable product sales for comparison; Payment term is telegraphic transfer within 15 days	-
		Fuqing Nan Pao Resins Co., Limited	3	Accounts payable - related parties	28,741		-
				Purchase	54,375	No comparable product sales for comparison; Payment term is telegraphic transfer within 90 days	-
		Foshan Nan Pao Advanced Materials Co., Ltd.	3	Accounts receivable - related parties	14,195		-

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No	Company Name	Counter party	Relationship with Counterparty (Note 1)	Transaction Status			Percentage of Consolidated Net Revenue or Total asset (%)
				Account Name	Amount (Note 2)	Terms	
		Greatwill Materials (HK) Ltd.	3	Sales revenue	31,723	Receipt through telegraphic transfer of 90 days based on average transaction price	-
		Nan Pao Materials Vietnam Co., Ltd.		Sales revenue	63,513	Receipt through telegraphic transfer of 90 days based on average transaction price	-
		Nan Pao Resins International Ltd.	3	Accounts receivable - related parties	42,501		-
		Nan Pao Chemical Company Ltd.	3	Sales revenue	105,930	Receipt through telegraphic transfer between 60 and 90 days based on average transaction price	1
			3	Accounts payable - related parties	28,465		-
			3	Purchase	84,816	Payment term is telegraphic transfer within 90 days based on average transaction price	-
		PT. Indo Nan Pao Resins Chemical	3	Accounts receivable - related parties	13,181		-
			3	Sales revenue	41,313	Receipt through telegraphic transfer of 90 days based on average transaction price	-
7	Progroups Technology Co. Ltd	PT. Indo Nan Pao Resins Chemical	3	Sales revenue	23,009	Receipt through telegraphic transfer of 90 days based on average transaction price	-
8	Nan Pao Overseas Holdings Ltd.	Nan Pao Group Holdings Ltd.	1	Other accounts receivable - related parties	105,257		1
9	Nan Pao Group Holdings Ltd.	Ongoing Profits Ltd.	1	Other accounts receivable - related parties	63,154		-
10	Ongoing Profits Ltd.	Rising Sun Associates Ltd.	1	Other accounts receivable - related parties	93,120		1
11	Thai Nanpao Resins Chemical Co., Ltd.	RLA Polymers Pty Ltd.	3	Sales revenue	12,366	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

Nan Pao Resins Chemical Co., Ltd. and Subsidiaries  
 Properties, Plants, and Equipments  
 January 1, 2019 to September 30, 2019

Table 11

Unit: NT\$1,000

	Land	Land Improvent	Building	Machinery Equipment	Transportation Equipment	Other Equipment	Equipment under Installation and Construction in Progress	Total
<u>Cost</u>								
Balance at January 1, 2019	\$ 1,179,441	\$ 6,434	\$ 1,910,042	\$ 2,520,538	\$ 234,160	\$ 745,751	\$ 390,361	\$ 6,986,727
Adjust for IFRS16	-	-	-	-	( 4,830 )	( 7,603 )	-	( 12,433 )
Balance at January 1, 2019 (Adjusted)	1,179,441	6,434	1,910,042	2,520,538	229,330	738,148	390,361	6,974,294
Additions	6,549	1,200	80,439	128,941	19,499	53,334	89,681	379,643
Disposals or retirements	-	-	( 11,327 )	( 56,916 )	( 10,954 )	( 28,952 )	-	( 108,149 )
Addition from acquire business	-	-	-	692	-	-	-	692
Effect of exchange rate changes	786	61	6,826	( 12,988 )	738	( 1,309 )	87	( 5,799 )
Balance at September 30, 2019	<u>\$ 1,186,776</u>	<u>\$ 7,695</u>	<u>\$ 1,985,980</u>	<u>\$ 2,580,267</u>	<u>\$ 238,613</u>	<u>\$ 761,221</u>	<u>\$ 480,129</u>	<u>\$ 7,240,681</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2019	\$ -	\$ 5,645	\$ 680,901	\$ 1,638,207	\$ 156,699	\$ 545,283	\$ -	\$ 3,026,735
Adjust for IFRS16	-	-	-	-	( 2,643 )	( 1,592 )	-	( 4,235 )
Balance at January 1, 2019 (Adjusted)	-	5,645	680,901	1,638,207	154,056	543,691	-	3,022,500
Additions	-	52	46,984	121,210	14,340	39,968	-	222,554
Disposals or retirements	-	-	( 1,711 )	( 42,774 )	( 8,205 )	( 24,965 )	-	( 77,655 )
Effect of exchange rate changes	-	24	1,868	( 10,543 )	351	( 1,021 )	-	( 9,321 )
Balance at September 30, 2019	<u>\$ -</u>	<u>\$ 5,721</u>	<u>\$ 728,042</u>	<u>\$ 1,706,100</u>	<u>\$ 160,542</u>	<u>\$ 557,673</u>	<u>\$ -</u>	<u>\$ 3,158,078</u>
Carrying amounts at December 31, 2018	<u>\$ 1,179,441</u>	<u>\$ 789</u>	<u>\$ 1,229,141</u>	<u>\$ 882,331</u>	<u>\$ 77,461</u>	<u>\$ 200,468</u>	<u>\$ 390,361</u>	<u>\$ 3,959,992</u>
Carrying amounts at January 1, 2019 (Adjusted)	<u>\$ 1,179,441</u>	<u>\$ 789</u>	<u>\$ 1,229,141</u>	<u>\$ 882,331</u>	<u>\$ 75,274</u>	<u>\$ 194,457</u>	<u>\$ 390,361</u>	<u>\$ 3,951,794</u>
Carrying amounts at September 30, 2019	<u>\$ 1,186,776</u>	<u>\$ 1,974</u>	<u>\$ 1,257,938</u>	<u>\$ 874,167</u>	<u>\$ 78,071</u>	<u>\$ 203,548</u>	<u>\$ 480,129</u>	<u>\$ 4,082,603</u>
<u>Cost</u>								
Balance at January 1, 2018	\$ 1,179,025	\$ 5,625	\$ 1,621,156	\$ 2,334,664	\$ 204,299	\$ 694,247	\$ 170,477	\$ 6,209,493
Additions	-	835	10,080	78,109	8,912	27,948	245,970	371,854
Disposals or retirements	-	-	( 5,553 )	( 47,333 )	( 6,700 )	( 11,547 )	-	( 71,133 )
Reclassification	-	-	83,861	161,568	5,147	42,151	( 106,267 )	186,460
Effect of exchange rate changes	361	( 56 )	15,498	( 18,589 )	( 1,323 )	( 1,349 )	11,799	6,341
Balance at September 30, 2018	<u>\$ 1,179,386</u>	<u>\$ 6,404</u>	<u>\$ 1,725,042</u>	<u>\$ 2,508,419</u>	<u>\$ 210,335</u>	<u>\$ 751,450</u>	<u>\$ 321,979</u>	<u>\$ 6,703,015</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2019	\$ -	\$ 5,625	\$ 626,257	\$ 1,568,788	\$ 146,487	\$ 515,607	\$ -	\$ 2,862,764
Additions	-	167	40,600	110,958	12,593	40,368	-	204,686
Disposals or retirements	-	-	( 3,268 )	( 36,824 )	( 5,002 )	( 11,383 )	-	( 56,477 )
Reclassification	-	-	( 494 )	( 161 )	( 129 )	1,156	-	372
Effect of exchange rate changes	-	( 36 )	214	( 15,976 )	( 1,180 )	( 1,506 )	-	( 18,484 )
Balance at September 30, 2018	<u>\$ -</u>	<u>\$ 5,756</u>	<u>\$ 663,309</u>	<u>\$ 1,626,785</u>	<u>\$ 152,769</u>	<u>\$ 544,242</u>	<u>\$ -</u>	<u>\$ 2,992,861</u>
Carrying amounts at September 30, 2019	<u>\$ 1,179,386</u>	<u>\$ 648</u>	<u>\$ 1,061,733</u>	<u>\$ 881,634</u>	<u>\$ 57,566</u>	<u>\$ 207,208</u>	<u>\$ 321,979</u>	<u>\$ 3,710,154</u>