Stock Code: 1305

China General Plastics Corporation

2017 Annual Report

CGPC company website: http://www.cgpc.com.tw

Annual report query website: http://mops.twse.com.tw

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Title: Deputy General Manager
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Title: Special Assistant, General Manager's Office
Telephone: (02) 2650-3716
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II. Contact Information of Head Office and Plant:

Name	Address	Telephone
Head Office	12F, No. 37 Jihu Road, Neihu District, Taipei City 114	(02)8751-6888 (main line)
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III. Contact Information of Share Transfer Agency

Name: Stock Affairs Department, China General Plastics Corporation
Address: 6F, No. 17, Lane 120, Section 1, Neihu Road, Neihu District, Taipei City 114
Joint Stock Affairs Website: http://www.usig.com.tw/USIGStockHome.aspx
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IV. Name of the CPA Auditing the Financial Statements in the Most Recent Year:

Name of CPA: Wu, Shih-Tsung, Kuo, Tzu-Jung
Name of accounting firm: Deloitte & Touche, Taiwan, Republic of China
Address: 12F, No. 156, Section 3, Minsheng East Road, Taipei City 105
Website: http://deloitte.com.tw
Telephone: (02)2541-9977

V. Name of the Stock Exchange for Trading Securities Overseas and the Method of Inquiry on the Overseas Securities: None.

VI. Company Website: http://www.cgpc.com.tw

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Chapter 1Letter to Shareholders

Dear Shareholders,

Thank you for your support to our company over years. The business report is provided here for your reference.

I. 2017 Business Report

The Company's consolidated net revenue in 2017 was NT$14.702 billion, which was an increase of NT$544 million from the same period in the previous year and the budget achievement rate was 100%. The consolidated net operating income was NT$1.651 billion which was a decrease of $224 million from the same period last year. The budget achievement rate was 97%. The consolidated net income after tax was NT$1.339 billion which was a decrease of $204 million from the same period last year. The budget achievement rate was 93%. The consolidated net income after tax attributable to the Company was NT$1.27 billion which was a decrease of $173 million from the same period last year.

Looking back at the 2017 operations: The international crude oil market saw a production cut imposed by OPEC in the first half of the year but increased shale oil production in the United States and a decline in crude oil demand across the world caused the WTI to fall from US$54 per barrel to US$42. With economic growth in Europe, the United States, and Japan in the second half of the year and OPEC's extension of the production cut agreement, WTI continued to rise to US$59 per barrel. Ethylene prices remained high due to high demand for SM and other products and annual overhauls of light cracking plants. EDC prices rose in the first half of the year due to annual overhauls in Middle Eastern producers. The high demand for sodium hydroxide across the world in the second half of the year led to higher output of EDC from chloralkali processing plants and caused prices to decline. Due to new VCM production capacity in Asia, the supply has been relatively sufficient and the price gap with PVC gradually widened when compared to the previous year. PVC demand continued to decline due to China's macroeconomic controls of the housing market, the rain season in India, and Ramadan in Muslim countries in the first half of the year. Despite the new Indian commodity service tax interruptions in the second half of the year, the continuous recovery of the European, American, Japanese, and Brazilian economies and difficulties in American VCM and PVC production caused PVC plants in Asia to replace those in the US in supplying the Middle East market, particularly Iran and Syria. By upholding the spirit of vertical integration of the vinyl chain, the Company actively planned and updated production equipment to enhance production efficiency. The Company's goals included maximizing the production and sale of VCM, PVC and processed products, smooth production and sales in the upstream and downstream and cost control. We also continued to expand the export market for PVC. The annual production of VCM was 440,000 metric tons. After supplying VCM for our own production of PVC resin, we exported 46,000 metric tons of VCM, which was a decrease of 30% and 18% from 2016 and the budget. The annual production of PVC resin was 387,000 metric tons. After supplying PVC for our own production of downstream processed products, we exported 341,000 metric tons of PVC resin, which was an increase of 8% and 4 % from 2016 and the budget. In alkali-chlorine, as sodium hydroxide prices rose across the world and stable domestic alkali-chlorine supply and demand, we produced 64,000 metric tons of alkali-chlorine in 2017 (calculated based on 100% concentration) and sold 59,000 metric tons, an increase of 6% and 5% from 2016 and the budget, respectively. With regard to PVC processed products, the appreciation of the TWD lowered domestic companies' competitiveness in acquiring orders. With low-price competition and tariff barriers in China, Mexico, India, and Southeast Asian countries, sales also weakened but the management team worked hard to increase productivity and lowered costs to improve competitiveness. The annual production of construction products was 16,000 metric tons and we sold 15,000 metric tons, which was a decrease of 5% from 2016 and the budget. The annual production of film/sheet was 39,000 metric tons and we sold 38,000 metric tons, which was a decrease of 10% and 11% from 2016 and the budget. The annual production of leather/sponge leather was 7.45 million yards and we sold 7.97 million yards, which was an increase of 2% and 6% from 2016 and the budget.

II. 2018 Business Plan Outline

2018 business operations: The global economy will continue to recover and the economies of various markets across the world continued to exemplify a positive outlook. Demand for crude oil grows and the international oil market trends toward balanced supply and demand. Spot ethylene prices declined around Chinese New Year but a total of 11 light cracking plants in Asia with a total capacity of more than 8.8 million tons of ethylene is set to undergo annual overhaul from March to June. Ethylene demand will continue to increase. Chinese PVC futures and spot prices hovered at low points around Chinese New Year and are set to increase. Demand for piping materials increased in India due to shortages in PVC supplies and the high season for farming as offers for imported

PVC continued to rise from December last year. The PVC market in Bangladesh continued to improve as processors and materials importers increased their inventory for reserve capacity. The PVC markets in Australia and Brazil have fallen behind but business opportunities for imports are expected to improve in Q2. High PVC demand in emerging markets, continuous economic recovery in Europe and the U.S., as well as the implementation of enhanced environmental audit and reduction of production using calcium carbide method in Mainland China will help increase PVC / VCM prices. The commercial operations of the new high-efficiency fluid bed steam boiler will effectively lower energy cost. Foam door panels have begun production and sales and high-efficiency flexible film/sheet production line were also completed at the end of last year. The subsidiary company Taiwan VCM Corporation updated the second cracking furnace in the Q3 last year. These measures are expected to continue to reduce costs, strengthen productivity, reduce energy consumption, ensure the safety of equipment operations, and increase production. The Company's PVC sales volume is expected to increase from the previous year and the management team shall adopt overall plans for the vinyl industry to maximize profits. We shall also strengthen the implementation of corporate governance strategies, improve the company website, fulfill corporate social responsibilities, establish dialogs with stakeholders, improve the Company's social recognition, and adopt vertical integration mechanisms and conduct active and effective management in order to build and expand our niches in the market and maximize business performance to reach/exceed the annual goal of 530,000 metric tons in sales.

Wu,Yi-Gui, Chairman

Lin,Han-Fu, General Manager

Chapter 2 Company Profile

I. Date of Founding: April 29, 1964

II. Company History

The Company was founded in February 1964. The headquarters were established in Taipei City and a plant was built in Tianliao Village in Toufen City, Miaoli County to produce polyvinyl chloride powder and derived products such as PVC pipe, PVC film/sheet, PVC leather/sponge leather, etc.

In May 1968, Panama Gulf Oil Company invested in the Company and introduced new production technologies and management systems.

In January 1970, the Ministry of Economic Affairs united six public and private companies including the Company, CPC, CPDC, Formosa Plastics, Cathay, and Yeefong to jointly found Taiwan VCM Corporation which began producing vinyl chloride monomer (VCM) at is plants in Kaohsiung and Toufen to supply materials necessary for the domestic production of polyvinyl chloride (PVC) and processing industries.

In March 1973, the Company's stock is listed on the Taiwan Stock Exchange Market.

In May 1982, Panama Gulf Oil Company, due to changes in its business strategy, transferred its shares to the Panamanian Company Asia Private Investment Company.

In November 1986, the Australian Company, BTR Nylex Limited acquired 31% of the Company's shares and transferred all shares to its wholly-owned subsidiary Company, BTRN Asia in December.

In June 1988, the Company established CGPC America Corporation in the United States to strengthen business development in the Americas and promote products across the world.

In December 1991, the Company established C G Europe Limited in the United Kingdom to strengthen business development in Europe and promote products across the world. However, to reduce operating cost, the Company reverted to direct sales to the European market and completed the settlement, dissolution, and registration cancellation procedures on December 17, 2013.

In July 1992, the Company established China General Plastics (Hong Kong) Co., Ltd. in Hong Kong to strengthen business development in Hong Kong and China and to increase export performance. CGPC (Hong Kong) was later dissolved as it no longer provided intermediary trade functions and the procedures were completed on March 17, 2017.

In October 1993, the Company increased investment in Taiwan VCM Corporation and increased the shareholding percentage to 79.71%.

The Company passed the ISO 9002 International Quality Assurance certification in 1994 to effectively increase the quality of products.

In March 1997, BTRN Asia transferred 31% of its shares in the Company to the Bermuda Company Belgravia One Limited, an overseas holding Company with joint investment from USI Corporation and UPC Technology Corporation.

In April 1997, the Company established CGPC (BVI) Holding Co., Ltd. in the British Virgin Islands for foreign investments.

In June 1997, the Investment Commission of the Ministry of Economic Affairs approved the Company's establishment of Continental General Plastics (ZhongShan) Co., Ltd. in Zhongshan City, Guangdong Province, China through a third region. The Board of Directors resolved the dissolution of the Company on October 24, 2011. The dissolution procedures have not been completed as of the publication date of the Annual Report in 2018.

In September 1997, the Company increased investment in Taiwan VCM Corporation and increased the shareholding percentage to 87.22%.

In March 1998, the Company established Krystal Star International Corporation in the British Virgin Islands for international trade businesses.

In June 1998, the Company passed the ISO 14001 Environmental Management System certification to improve the quality of environmental protection and waste reduction.

In June 1998, the major shareholder Bermuda Fiji Guinea Co., Ltd. transferred it shares (31% of total shares) to Taiwan Union International Investment Co., Ltd. which received 4.65% of shares and Union Polymer Int'l Investment Corp. which received 26.35%.

In November 1998, the Investment Commission of the Ministry of Economic Affairs approved the Company's establishment of Beijing China General Plastics Corp. in Beijing, China through a third region. The Company moved to Langfang District in Beijing in 2005 and was renamed Langfang China General Plastics Corp. As the Company did not achieve expected investment benefits, it completed settlement and dissolution procedures in the first quarter of 2009 and the registration was canceled.

In December 1998, the Company issued 80,000 thousand shares for cash capital increase with a value of NT$13 per share. A total of NT$1.04 billion was raised.

In April 1997, the Investment Commission of the Ministry of Economic Affairs approved the Company's establishment of Continental General Plastics (Sanhe) Co., Ltd. in Beijing, China through a third region. As the Company did not achieve expected investment benefits,

the Company disposed CGPC (SH) in the fourth quarter of 2011.

In August 2003, the Investment Commission of the Ministry of Economic Affairs approved the Company's establishment of Quanzhou Continental General Plastics Co., Ltd. in Nanan City, Quanzhou, Fujian Province, China through a third region. As the Company faced difficulties in developing customers and poor business environment, it completed settlement and dissolution procedures by the end of 2009 and the registration was canceled.

In March 2004, the Investment Commission of the Ministry of Economic Affairs approved the Company's establishment of Continental General Plastics (Zhuhai) Co., Ltd. in Zhuhai, China through a third region. The Company completed settlement and dissolution and canceled its registration on November 22, 2007.

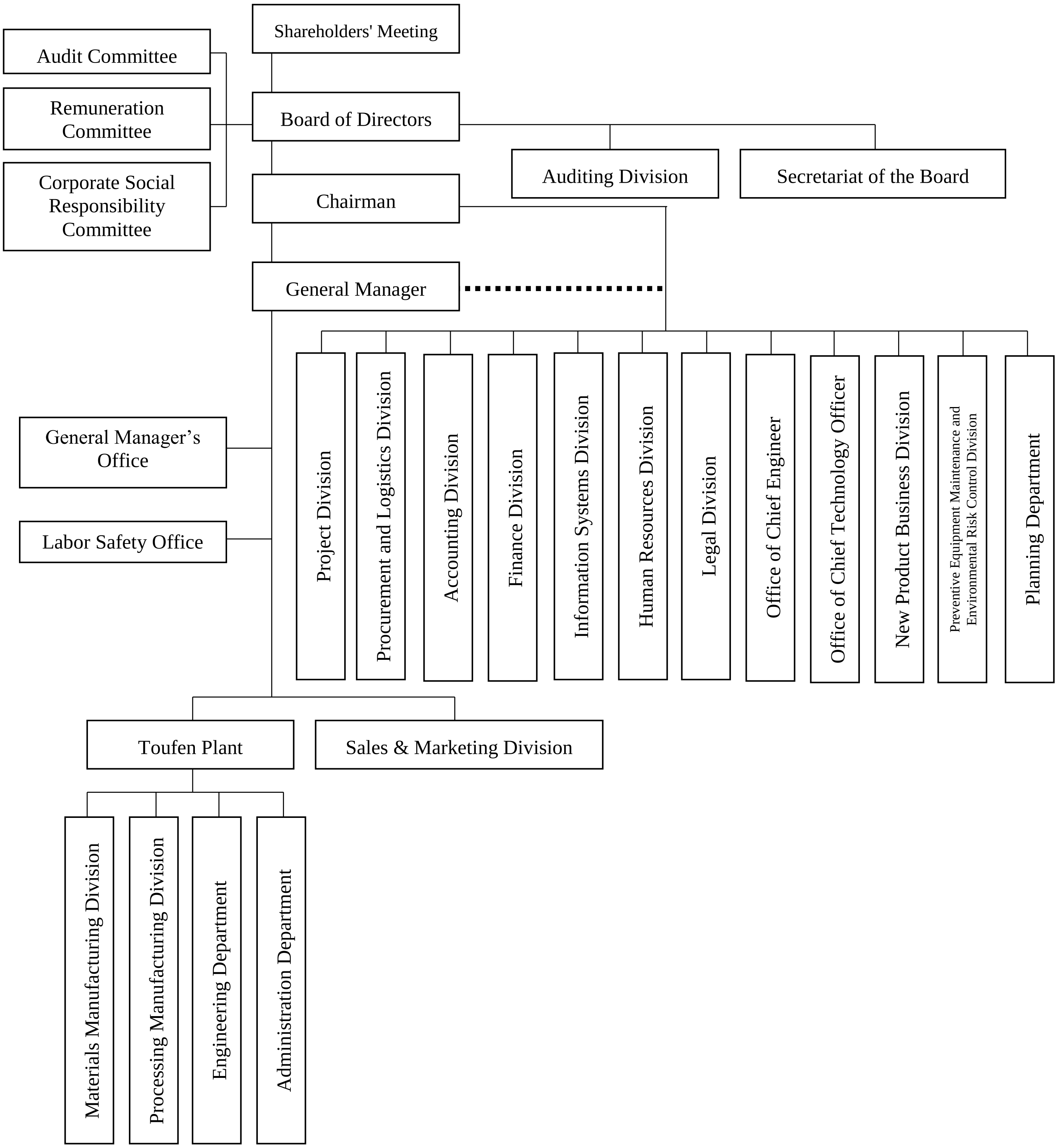
In September 2006, the Investment Commission of the Ministry of Economic Affairs approved the Company's establishment of CGPC Consumer Products Corporation in Zhongshan, China through a third region. The Board of Directors resolved to dissolve the Company on October 24, 2011. The dissolution procedures have not been completed as of the publication date of the Annual Report in 2018.

In May 1999, the Company established the wholly owned subsidiary Company CGPC Polymer Corporation and built the PVC resin plant in the Linyuan Petrochemicals Area in Kaohsiung City.

Chapter 3 Corporate Governance Report

I. Organization System

(I) Organization Chart: As of April 30, 2018



(II) Responsibilities and Functions of Major Departments

Departments	Main Responsibilities and Functions
General Manager	Management of the Company's operations.
General Manager's Office	1. Assist the General Manager in Implementing Its business strategies and management policies. 2. The Office is responsible for the integration of the Company's regulations, systems, forms, and procedures to ensure the effective operations of the management system. It establishes the cost of all products of the Company, the performance evaluation system, operations and management control system, and integration of the enterprise resource planning (ERP) system to ensure the prompt and effective operations of accounting system, production and business operations management. 3. The Office is responsible for the quality management system, procedures planning, and continuous improvement activities of the entire Company and effective management of all related documents. 4. Reduce the number of customer complaints and losses.
Labor Safety Office	The Office establishes safety, health and environmental protection systems, assists units in implementing such systems and controlling hazardous risks, and to ensure the safety of personnel, properties, the community, and the environment.
Materials Manufacturing Division	The Division supervises all its units in achieving production targets for products (hydrochloric acid, sodium hydroxide, bleach, PVC resin, and PVC compound) with economic and effective management strategies in accordance with the Company's annual plans to satisfy customer demands and create reasonable profits for the Company.
Processing Manufacturing Division	The Division supervises all its units in achieving production targets for products (construction products, film/sheet, and leather/sponge leather) with effective use of existing resources and economic and effective management strategies in accordance with the Company's operations policies to satisfy customer demands and create reasonable profits for the Company.
Sales & Marketing Division	Establish targets for domestic and export sales in accordance with the Company's domestic and export sales policies. Complete the sales target for PVC resin, compound, construction products, film/sheet, leather/sponge leather, sodium hydroxide, hydrochloric acid and bleach. Keep abreast of market information and product trends in the domestic and export market as well as market trends at all times.
Engineering Department	The Department is responsible for plans and evaluation of equipment improvement projects and it is also responsible for capital expenditures for construction and improvement projects.
Management Department	Establish and improve the Company's human resources system to implement talent recruitment, cultivation, use, and development as well as promoting employee relations so that tasks can be completed by the right employees and employees can perform their talents to increase work efficiency and accomplish Company goals. The Department is also responsible for the food, clothing, accommodations, transportation, and other general services for each unit. It performs security protection tasks to ensure the safety of the plants. It performs procurement and management of raw materials and it is responsible for the warehouse management, shipping, and transportation of finished products.

Departments	Main Responsibilities and Functions
Remuneration Committee	1. The Committee evaluates the remuneration policy and system of the Directors and managers objectively and make suggestions to the Board of Directors accordingly for policy-making reference. 2. The Committee adopts a comprehensive remuneration management system to encourage managerial officers to perform their duties for business operations, improve management performance, core competitiveness, and short, mid, and long-term profitability and create value for shareholders.
Audit Committee	1. Establishment, amendment, and evaluation of the effectiveness of internal control systems. 2. Stipulate or amend procedures for acquiring or disposing of assets, derivatives trading, provision of capital loans to other parties, the provision of endorsements or guarantees to other parties, and other major financial activities. 3. Major assets or derivative trading. 4. Major loaning of funds, making of endorsements or provision of guarantees. 5. Appointment, dismissal and compensation of CPAs. 6. Audit of annual and semi-annual financial statements. 7. Other major items required by the Company or the competent authority.
Corporate Social Responsibility Committee	1. Review and establish the CSR Policy. 2. Review the operations of the CSR Committee. 3. Review the Company's corporate social responsibility policy, goals, and action plans. Instruct and follow up on the progress of various action plans and performance improvements. 4. Supervise the preparation of the CSR Report. 5. Review and storage of other information related to CSR.
Secretariat of the Board	1. Plan and handle matters related to Board of Directors' meetings 2. Handle matters related to Shareholders' meetings such as convening Shareholders' meetings, dealing with various announcements and reporting associated with Shareholders' meetings, preparing agenda handbooks and keeping information regarding shareholders present at Shareholders' meetings in accordance with the law. 3. Assist in promoting and handling decrees issued by the competent authority
Auditing Division	1. Implement internal audit and improve work flows in the Company 2. Evaluate the soundness and reasonableness of the Company's internal control systems, as well as the effectiveness of their implementations at all departments and divisions
Project Division	Planning, preparation, supervision and implementation of plant construction in overseas investment plans
Planning Department	1. Develop and propose product trees, according to markets for current products and products to be invested in the future, as well as the technical strengths and weaknesses of such products, for future planning and development. 2. Analyze industrial and macroeconomic conditions. 3. Investigate and analyze upstream industries and future competitors. 4. Project coordination and follow-up.
Procurement and Logistics Division	1. Purchase and audit major capital expenditures including bulk raw materials, machinery and equipment. 2. Plan the supervision and execution of trading and transportation, warehousing

Departments	Main Responsibilities and Functions
	and customs-related operations.
Accounting Division	1. Preparation and analysis of financial statements and budgets to be used by decision-making units for the management and formulation of strategies 2. Establishment, evaluation and implementation of accounting systems 3. Planning and reporting of various taxes 4. Regular announcement or reporting of financial performance
Finance Division	1. Fund management, and planning and scheduling of fundraising activities 2. Short-term financing and long-term investments 3. Property insurance 4. Credit control operations. 5. Collection of delayed payments 6. Handling of various shares-related matters
Information Systems Division	Plan, build, develop and manage various information systems and facilities at the Company
Human Resources Division	1. Plan human resources strategies and systems 2. Plan training and organizational development strategies 3. Plan and handle salary and benefits 4. Provide employee services and handle general affairs 5. Assist overseas branches in organizational planning, as well as dispatch and training of personnel
Legal Division	Provide legal advice, handle legal cases and affairs
Office of Chief Engineer	1. Assist and participate in the construction of new plants, or deal with such constructions entirely 2. Assist and participate in the improvement of equipment and local manufacturing processes in operation, or deal with such cases entirely 3. Integration of engineering personnel and engineering specifications
Office of Chief Technology Officer	Responsible for integrating product R&D and innovation at each petrochemical-related affiliated Company
New Product Business Division	1. Assist in formulating marketing strategies for new businesses, and establish appropriate business models 2. Responsible for developing new products or acquiring new customers to increase revenue 3. Integrate Company resources and generate synergy so as to enhance the successful development of new businesses
Preventive Maintenance and Environmental Risk Control Division	1. Assist the Group in establishing preventive maintenance systems at all plants 2. Improve and enhance existing equipment 3. Equipment fault management and prevention 4. Routine/non-routine audit, counseling and training 5. Environment risk management planning and technical supervision 6. Plan and promote compliance with laws related to energy conservation and carbon reduction, and establish related systems

II. Directors, General Manager, Deputy General Manager, Senior Managers, and Managerial Officers of various departments or branches

(I) Members of the Board (1)

April 24, 2018

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date Elected (Appointed)	Term	Date First Elected (Note 2)	Shares Held When Elected		Shares Currently Held		Current Shares Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Education and Work Experience (Note 3)	Current Position Held in the Company and Other Companies	Executive Officers, Directors or Supervisors Who Are Spouses or Relatives within the Second Degree of Kinship		
							Number of Shares	Percentage of Shares Held	Number of Shares	Percentage of Shares Held	Number of Shares	Percentage of Shares Held	Number of Shares	Percentage of Shares Held			Title	Name	Relationship
Chairman and CEO	Republic of China	Union Polymer Int'l Investment Corp. Representative: Wu,Yi-Gui	Male	2016.6.13	3 years	2001.6.12	115,620,207	24.69%	122,844,609	24.97%	–	–	0	0%	Chairman of USI	(Note 4)	None		
						1997.2.27	–	–	0	0%	–	–	0	0%					
Director	Republic of China	Union Polymer Int'l Investment Corp. Representative: Zhang,Ji-Zhong	Male	2016.6.13	3 years	2001.6.12	115,620,207	24.69%	122,844,609	24.97%	–	–	0	0%	PhD in Chemical Engineering, Massachusetts Institute of Technology (U.S.A.) Vice President of Operations, Powerchip Semiconductor; Vice President of Operations, Vanguard International Semiconductor Corporation; General Manager of USI	(Note 5)	None		
						2007.6.13	–	–	0	0%	0	0%	0	0%					
Director and General Manager	Republic of China	Union Polymer Int'l Investment Corp. Representative: Lin,Han-Fu	Male	2016.6.13	3 years	2001.6.12	115,620,207	24.69%	122,844,609	24.97%	–	–	0	0%	Graduated from Dept. of Chemical Engineering of Chung Yuan Christian University. General Manager of Taiwan VCM Corporation; Deputy General Manager of the Plastics Division of Formosa Plastics; Manager and Consultant of the Polypropylene Division of Formosa Plastics	(Note 6)	None		
						2010.6.18	–	–	0	0%	35,300	0.01%	0	0%					
Director	Republic of China	Union Polymer Int'l Investment Corp. Representative: Ying,Bao-Luo	Male	2016.6.13	3 years	2001.6.12	115,620,207	24.69%	122,844,609	24.97%	–	–	0	0%	Master of Business Administration, University of Chicago (U.S.A.)	Director: TTC, CGTD	None		
						2013.6.13	–	–	0	0%	0	0	0	0%					
Director	Republic of China	Union Polymer Int'l Investment Corp. Representative: Liu,Han-Tai	Male	2016.6.13	3 years	2001.6.12	115,620,207	24.69%	122,844,609	24.97%	–	–	0	0%	PhD in Chemical Engineering, Pennsylvania State University (U.S.A.)	(Note 7)	None		
						2010.6.18	–	–	0	0%	–	–	0	0%					

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date Elected (Appointed)	Term	Date First Elected (Note 2)	Shares Held When Elected		Shares Currently Held		Current Shares Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Education and Work Experience (Note 3)	Current Position Held in the Company and Other Companies	Executive Officers, Directors or Supervisors Who Are Spouses or Relatives within the Second Degree of Kinship		
							Number of Shares	Percentage of Shares Held	Number of Shares	Percentage of Shares Held	Number of Shares	Percentage of Shares Held	Number of Shares	Percentage of Shares Held			Title	Name	Relationship
Director	Republic of China	Union Polymer Int'l Investment Corp.	Male	2016. 6.13	3 years	2001.6.12	115,620,207	24.69%	122,844,609	24.97%	–	–	0	0%	PhD in Business Administration, Nova Southeastern University (U.S.A.)	(Note 8)	None		
		Representative: Liu,Zhen-Tu				2001.6.12	–	–	0	0%	0	0%	0	0%					
Independent Director	Republic of China	Li,Zu-De	Male	2016. 6.13	3 years	2016.6.13	0	0%	0	0%	0	0%	0	0%	Bachelor from the Department of Dentistry of Taipei Medical University. Chairman of the Board: Taipei Medical University, Beijing Meida Starbucks Coffee Limited Company, and Shandong Kexing Bioproducts; Director: Beijing Yansha Department Store; Independent Director: Hsu Fu Chi International Limited (Singapore); General Manager: H&Q Asia Pacific (China) and Hong Kong China Dynamic Growth Fund Management	(Note 9)	None		
Independent Director	Republic of China	Zheng,Ying-Bin	Male	2016. 6.13	3 years	2016.6.13	0	0%	0	0%	0	0%	0	0%	MBA, National Taiwan University. Chairman of Long Chen Paper Co., Ltd.	(Note 10)	None		
Independent Director	Republic of China	Li,Liang-Xian	Male	2016. 6.13	3 years	2016.6.13	0	0%	0	0%	0	0%	0	0%	Department of Chemistry of Fu Jen Catholic University. General Manager of the Alkali-chlorine and Special Alkali-chlorine Department in Greater China of Dow Chemical (U.S.A.); Asia Region President of Styron; Marketing Manager of the Pacific Region Alkali-chlorine Department of Dow Chemical (U.S.A.)	None	None		

Note 1: For corporate shareholders, their names and representatives shall be stated (for representatives, the names of corporate shareholders they represent shall be indicated respectively) and filled in Table 1.

Note 2: Any disruption of duty as a Director or Supervisor after the date he/she is elected shall be included in a separate note.

Note 3: Work experiences of anyone in the table above that are related to their current roles, such as previous employment at CPA firms or employment in affiliated companies, shall be disclosed along with job titles and responsibilities.

Note 4: Chairman: USI, APC, TTC, Acme Electronics Corporation, United Polymers Corporation, USI Optronics Corporation, Swanson Plastics Corporation, Swanson Technologies Corporation, Chong Loong Trading Co., Ltd., USI Investment Co., Ltd., CGPC Polymer Corporation, Asia Polymer Investment Corporation , Taiwan United Venture Capital Corporation, USI Management Consulting Corporation, Taiwan United Venture Management Corporation, Thintec Materials Corporation, Acme Electronics (Cayman) Corporation, USI Education Foundation and Fujian Gulei Petrochemical.

Director: Taiwan VCM Corporation, INOMA Corporation, USI (Hong Kong), Swanlake, USI International Corporation, Acme Components (Malaysia) Sdn. Bhd., Forever Young Co., Ltd., Curtana Co., Ltd., Swanson Plastics (Singapore) Pte. Ltd., Swanson Plastics (Malaysia) Sdn. Bhd., Swanson International, Swanson Plastics (India) Private Limited, Swanson Plastics (Nantong) Corp., Swanson Plastics (Kunshan) Co., Ltd., Golden Amber Enterprises, ACME Electronics (BVI) Corporation, Acme Electronics (Kunshan) Co., Ltd., Acme Electronics (Guangzhou) Co., Ltd., Forum Pacific Trading Ltd., Taita (BVI) Holding Co., APC (BVI) Holding Co. Ltd., CGPC (BVI) Holding Co., Ltd., CGPC America Corporation, Krystal Star International Corporation, A.S. Holdings (UK) Limited, ASK-Swanson (Kunshan) Co., Ltd., Acme Ferrite Products Sdn. Bhd., Swanson Plastics (Tianjin) Co., Ltd., Cypress Epoch Limited, Ever Conquest Global Limited, Ever Victory Global Limited, Dynamic Ever Investments Limited, USIG (Shanghai) Co., Ltd., PT. Swanson Plastics Indonesia, Emerald Investment Corporation, KHL Venture Capital Co., Ltd., KHL IB Venture Capital Co., Ltd. and CTCI Group.

General Manager: Union Polymer International Investment Corp. and USI Management Consulting Corporation

Chief Executive Officer: USI, APC, CGPC, TTC, Acme Electronics Corporation and USI Optronics Corporation

Executive Director: Chinese National Federation of Industries

Note 5: Director: Taiwan United Venture Capital Corp., USIFE Investment Co., Ltd., Acme Electronics (Kunshan) Co., Ltd. Swanson Technologies Corporation, Thintec Materials Corporation, USI, USI Optronics Corporation, Cypress Epoch, Ever Victory Global, USIG (Shanghai) Co., Ltd., Dynamic Ever Investments Ltd., Ever Conquest Global Limited, USI Education Foundation, and Fujian Gulei Petrochemical

Note 6: Chairman: CGPC Consumer Products Corporation, Continental General Plastics (ZhongShan) Co., Ltd., Plastics Industry Development Center, Taiwan VCM Corporation

Director: CGPC (BVI), CGPC America, Forum Pacific, Krystal Star, CGPC Polymer Corporation, and CGTD

General Manager: CGPC, Taiwan VCM Corporation, CGPC Polymer Corporation, CGPC Consumer Products Corporation, and Continental General Plastics (ZhongShan) Co., Ltd.

Note 7: Director: Ever Victory Global Ltd., Dynamic Ever Investments Ltd., TTC, Thintec Materials Corporation, Taiwan VCM Corporation, Swanson Plastics Corp., APC, and INOMA Corporation

Supervisor: China General Terminal and Distribution Corporation

Deputy General Manager: USI

Note 8: Director: APC(BVI) Holding Co. Ltd., CGPC (BVI) Holding Co., Ltd., Forever Young Co., Ltd., Forum Pacific, Swanlake, Taita (BVI) Holding Co., USI International Corporation, Ever Victory Global Limited, Dynamic Ever Investments Limited, CGPC Consumer Products Corporation, Taita Chemical (ZhongShan) Co., Ltd., Taita Chemical Co., Ltd., USI Optronics Corporation, USI Management Consulting Corp., APC, Chong Loong Trading Co., Ltd., Continental General Plastics (ZhongShan) Co., Ltd., China General Terminal & Distribution Co., Acme Electronics (Kunshan) Co., Ltd., Swanson Technologies Corporation, Swanson Plastics Corp., Taiwan United Venture Capital Corp., Taiwan United Venture Management Corporation, Union Polymer International Investment Corp., Wafer Works Corporation (Note A) and USI Education Foundation (Note B)

Note A: Served as Director of Wafer Works Corporation whose main business operations are: Research, development, design, manufacture, import/export, agency, and distribution of semiconductors and materials

Note B: Served as Director of the USI Education Foundation which was founded to perform public welfare and education operations. The foundation has carried out the following activities in accordance with the relevant laws:

1. Sponsor education in rural areas
2. Establish scholarships
3. Hold talks, seminars or other education-related charitable activities
4. Sponsor schools at various levels or educational groups to engage in activities such as literature, sports, music, dance, arts and drama
5. Industry-academia collaboration
6. Other education-related charitable services that are consistent with the objectives of the foundation

Supervisor: USIFE Investment Co., Ltd., APC Investment Corporation, USIG (Shanghai) Co., Ltd. and Fujian Gulei Petrochemical

Deputy General Manager: USI Management Consulting Corp.

Note 9: Advisory Committee Member of the BioTaiwan Committee of the Executive Yuan, Advisory Committee Member of the Industry Advancement Committee of the Ministry of Science and Technology of the Executive Yuan, Advisory Committee Member of the National Health Research Institutes

Chairman: Shanghai Taivex Health Management, Shanghai Taivex Health Management Consultancy, Handing Medical Electronics Biotechnology Management Consultancy Co., Ltd.

Director: Swissray Global Healthcare Holding Ltd., Taipei Medical University, Institute for Biotechnology and Medicine Industry, Swissray Asia Healthcare Company Limited, Handing, Diamond Capital, Diamond Biotechnology, ONYX Healthcare Inc., MICROBIO, SMTH AG, Swissray Medical AG, Dermai Int. Co., Ltd., Digivideo International. Co., Ltd., USI Education Foundation, and Allied Biotech Corp.

Independent Director: Machvision Inc.

Note 10: Chairman: Long Chen Paper Co., Ltd.

Director: Long Chen Investment, Baolong International, Qianjiang Investment, Long Chen Paper (China) Holding, Jiangsu Long Chen Environmental Protection, Wuxi Long Chen Environmental Protection, Pinghu Long Chen Environmental Protection, Suzhou Long Chen Paper, Zhejiang Xiasha Long Chen, Shanghai Minhang Long Chen, and L&C Co., Ltd. (BVI).

Table 1: Major shareholders of corporate shareholders April 24, 2018

Name of corporate shareholder (Note 1)	Major Shareholders of Corporate Shareholders (Note 2)	Shareholding Percentage
Union Polymer Int'l Investment Corp.	USI Corporation	100%

Note 1: For Directors and Supervisors who are the representatives of corporate shareholders, the names of the corporate shareholders shall be disclosed.

Note 2: Fill in the name of the major shareholders of these corporate shareholders (include top 10 major shareholders by shareholding percentage) and their shareholding percentages. If the major shareholder is a juristic person, the shareholder's name shall be filled in Table 2 below.

Table 2: Main shareholders of corporate shareholders in Table 1 April 24, 2018

Name of Juristic Person (Note 1)	Major Shareholders of Corporate Shareholders (Note 2)	Shareholding Percentage
USI Corporation	Shing Lee Enterprise (Hong Kong) Limited	25.28%
	Asia Polymer Corporation	8.53%
	Citibank (Taiwan) Limited as custodian of Norges Bank Investment Account	1.75%
	Yueh Hsing Hua Investment Co., Ltd.	1.73%
	Lin Su, Shan-Shan	1.67%
	Taita Chemical Company, Ltd.	1.27%
	Wu,Hsiao-Chun	1.04%
	JP Morgan Chase Bank Taipei Branch as custodian of Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds Investment Account	1.00%
	Standard Chartered Bank (Taiwan) Limited as custodian of Vanguard Group's Vanguard Emerging Markets Stock Index Fund Investment Account	1.00%
	Yu,Wen-Hsuan	0.94%
	Yu,Wen-Tsung	0.94%
	Yu,Wen-Yu	0.94%

Note 1: If the major shareholder as shown in Table 1 is a juristic person, the name of the juristic person should be filled.

Note 2: Fill in the name of the major shareholders of these juristic person (include top 10 major shareholders by shareholding percentage.)

(I) Board of Directors (2)

April 30, 2018

Criteria / Name (Note 1)	Does the individual have over 5 years of professional experience and the following professional qualifications?			Status of Independence (Note 2)										Number of companies in which the Directors also serves concurrently as an Independent Director
	Serve as an instructor or higher positions in a private or public college or university in the field of business, law, finance, accounting, or other departments relevant to the business of the Company	Serve as a judge, prosecutor, lawyer, certified public accountant or other professional or technical specialists who have passed the relevant national examinations and successfully obtained certificates in professions necessary for the business of the Company	Have work experience in business, law, finance, accounting or other areas relevant to the business of the Company	1	2	3	4	5	6	7	8	9	10	
Wu,Yi-Gui			✓			✓					✓	✓		0
Zhang,Ji-Zhong			✓	✓		✓	✓	✓	✓		✓	✓		0
Lin,Han-Fu			✓			✓	✓	✓		✓	✓	✓		0
Ying,Bao-Luo			✓	✓		✓	✓				✓	✓		0
Liu,Han-Tai			✓			✓	✓			✓	✓	✓		0
Liu,Zhen-Tu			✓			✓	✓		✓		✓	✓		0
Li,Zu-De			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Zheng,Ying-Bin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Li,Liang-Xian			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: Adjust the number of rows where necessary.

Note 2: Insert "V " in the box if a Director or Supervisor meets the following criteria during his/her term of office and two (2) years prior to the date elected.✓

（1） Not employed by the Company or any of its affiliated companies.

（2） Not serving as a Director or Supervisor of any of the Company's affiliated companies (this restriction does not apply to independent Directors in the Company or its parent company or subsidiaries, which have been appointed in accordance with local laws or laws of the registered country)

（3） Not a natural person shareholder who holds more than one (1) percent of total shares issued by the Company or is ranked top 10 in terms of number of shares held, including shares held in the name of the person’s spouse and minors, or in the name of others.

（4） Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship to the individuals listed in the three preceding criteria.

（5） Not a Director, Supervisor, or employee of a corporate shareholder that directly holds more than five (5) percent of the total number of shares issued by the Company or is one of the top 5 shareholders in terms of number of shares held.

（6） Not a Director (member of the governing board), Supervisor (member of the supervising board), managerial officer or shareholder who holds more than five (5) percent of the number of shares of companies or institutions that have financial or business dealings with the Company.

（7） Neither a professional nor an owner, partner, Director (member of the governing board) and Supervisor (member of the supervising board) or managerial officer of a sole proprietorship, partnership, Company, or institution who provides commercial, legal, financial, accounting, or consultation services to the

Company or to any of its affiliated companies, or spouse thereof. However, this restriction does not apply to any member of the Remuneration Committee who exercises powers pursuant to Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

(8) Not a spouse or a relative within the second degree of kinship with any Director.

(9) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

(10) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.

(II) Directors, General Manager, Deputy General Manager, Senior Managers, and Managerial Officers of Various Departments or Branches

April 24, 2018 Unit: share; %

Title (Note 1)	Nationality	Name	Gender	Date Elected (Appointed)	Shares Held		Shares Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Education and Work Experience (Note 2)	Current Position Held in Other Companies	Managerial officers who are spouses or relatives within the second degree of kinship		
					Number of Shares	Percentage of Shares Held	Number of Shares	Percentage of Shares Held	Number of Shares	Percentage of Shares Held			Title	Name	Relationship
Chief Executive Officer	Republic of China	Wu,Yi-Gui	Male	2009.09.01	0	0%	—	—	0	0%	Chairman of USI	(Note 3)	None		
General Manager	Republic of China	Lin,Han-Fu	Male	2013.02.27	0	0%	35,300	0.01%	0	0%	Bachelor of Chemical Engineering, Chung Yuan Christian University. Manager of the Polypropylene Division of Formosa Plastics	(Note 4)	None		
Deputy General Manager	Republic of China	Hu,Chi-Hong	Male	2016.08.19	0	0%	0	0%	0	0%	Department of Business Administration, Fu Jen Catholic University	(Note 5)	None		
Senior Manager	Republic of China	Chen,Wan-Ta	Male	2017.03.16	0	0%	210	0%	0	0%	Department of Chemistry, Fu Jen Catholic University	Director: Taita Chemical (ZhongShan)	None		
Director of the Materials Manufacturing Division	Republic of China	Shen, Tzu-Hen	Male	2007.12.01	0	0%	0	0%	0	0%	MS in Chemical Engineering, National Tsing Hua University	None	None		
Accounting Manager	Republic of China	Kuo, Chien-Chou	Male	1999.11.01	694	0%	0	0%	0	0%	Department of Accounting, Tunghai University	Accounting Manager: CGPC Polymer Corporation	None		
Finance Manager	Republic of China	Chan, Chin-Ho	Male	2014.06.23	0	0%	0	0%	0	0%	EMBA, National Chengchi University	None	None		

Note 1: Information regarding General Manager, Deputy General Manager, senior managers, managerial officers of departments and branches shall be included, whereas information regarding positions equivalent to General Manager, Deputy General Manager or senior managers shall be disclosed regardless of job title.

Note 2: Work experiences of anyone in the table above that are related to their current roles, such as previous employment at CPA firms or employment in affiliated companies, shall be disclosed along with job titles and responsibilities.

Note 3: Chairman: USI, APC, TTC, Acme Electronics Corporation, United Polymers Corporation, USI Optronics Corporation, Swanson Plastics Corporation, Swanson Technologies Corporation, Chong Loong Trading Co., Ltd., USI Investment Co., Ltd., CGPC Polymer Corporation, Asia Polymer Investment Corporation , Taiwan United Venture Capital Corporation, USI Management Consulting Corporation, Taiwan United Venture Management Corporation, Thintec Materials Corporation, Acme Electronics (Cayman) Corporation, USI Education Foundation and Fujian Gulei Petrochemical.

Director: Taiwan VCM Corporation, INOMA Corporation, USI (Hong Kong), Swanlake, USI International Corporation, Acme Components (Malaysia) Sdn. Bhd., Forever Young Co., Ltd., Curtana Co., Ltd., Swanson Plastics (Singapore) Pte. Ltd., Swanson Plastics (Malaysia) Sdn. Bhd., Swanson International, Swanson Plastics (India) Private Limited, Swanson Plastics (Nantong) Corp., Swanson Plastics (Kunshan) Co., Ltd., Golden Amber Enterprises, ACME Electronics (BVI) Corporation, Acme Electronics (Kunshan) Co., Ltd., Acme Electronics (Guangzhou) Co., Ltd., Forum Pacific Trading Ltd., Taita (BVI) Holding Co., APC (BVI) Holding Co. Ltd., CGPC (BVI) Holding Co., Ltd., CGPC America Corporation, Krystal Star International Corporation, A.S. Holdings (UK) Limited, ASK-Swanson (Kunshan) Co., Ltd., Acme Ferrite Products Sdn. Bhd., Swanson Plastics (Tianjin) Co., Ltd., Cypress Epoch Limited, Ever Conquest Global Limited, Ever Victory Global Limited, Dynamic Ever Investments Limited, USIG (Shanghai) Co., Ltd., PT. Swanson Plastics Indonesia, Emerald Investment Corporation, KHL Venture Capital Co., Ltd., KHL IB Venture Capital Co., Ltd. and CTCI Group.

General Manager: Union Polymer International Investment Corp. and USI Management Consulting Corporation

Chief Executive Officer: USI, APC, TTC, Acme Electronics Corporation and USI Optronics Corporation

Executive Director: Chinese National Federation of Industries

Note 4: Chairman: Taiwan VCM Corporation, CGPC Consumer Products Corporation, Continental General Plastics (ZhongShan) Co., Ltd., Plastics Industry Development Center

Director: CGPC Polymer Corporation, China General Terminal & Distribution Co., CGPC (BVI), CGPC America, Krystal Star, Forum Pacific Trading

General Manager: Taiwan VCM Corporation, CGPC Polymer Corporation, CGPC Consumer Products Corporation, and Continental General Plastics (ZhongShan) Co., Ltd.

Note 5: Director: Taiwan VCM Corporation, CGPC Consumer Products Corporation, Continental General Plastics (ZhongShan) Co., Ltd., CGPC (BVI), CGPC America, and Krystal Star

General Manager: CGPC America

III. Remuneration paid to Directors (including Independent Directors), Supervisors, General Manager and Deputy General Manager for the most recent year

If any of the following applies to a Company, the name of the Director or Supervisor involved and the remuneration paid to him/her shall be disclosed. For the remaining Directors or Supervisors, the Company may opt to either disclose information in aggregate remuneration with their names indicated in each numerical range or disclose their names and method of remuneration individually (If the latter is chosen, please fill their positions, names and remuneration amounts individually. The Company shall not need to fill the table for ranges of remuneration):

1. If post-tax losses have been recorded in a Company's financial statements in the most recent two (2) fiscal years, the name and remuneration of the "Directors and Supervisors" should be disclosed individually. However, the preceding sentence shall not apply if the Company's financial statements in the most recent fiscal year indicates a net income after taxes which is sufficient to cover cumulative losses. Where International Financial Reporting Standards (IFRS) is adopted, the name and remuneration of the "Directors and Supervisors" should be disclosed individually if pre-tax losses have been recorded in its parent company-only or individual financial statements in the most recent two (2) fiscal years. However, the preceding sentence shall not apply if the Company's parent company-only or individual financial statements in the most recent fiscal year indicates a net income after taxes which is sufficient to cover cumulative losses [Note 1].
2. A Company with Directors whose shareholding percentages have been insufficient for three (3) or more consecutive months during the most recent fiscal year shall disclose the remuneration of individual Directors. A Company with Supervisors whose shareholding percentages have been insufficient for three (3) or more consecutive months during the most recent fiscal year shall disclose the remuneration of individual Supervisors. [Note 2]
3. A Company with an average ratio of shares pledged by Directors or Supervisors that exceeds 50 percent in any three (3) months during the most recent fiscal year shall disclose the remuneration paid to each individual Director or Supervisor who owns a ratio of shares pledged that exceeds 50 percent for each of these three months. [Note 3]
4. If the total amount of remuneration received by all the Directors and Supervisors of a Company from all the companies listed in its financial statements exceeds two (2) percent of its net income after taxes, and the amount of remuneration received by any individual Director or Supervisor exceeds NT$15 million, the Company shall disclose the amount of remuneration paid to individual Directors or Supervisors.

Note 1: Example: Suppose the 2014 Annual Report was prepared by the Shareholders' Meeting in 2015. The Company should opt for individual disclosure of remuneration information if post-tax loss was recorded in its parent company-only or individual financial statements either in 2013 or in 2014. However, although post-tax loss was recorded in the Company's parent company-only or individual financial statements in 2013, its parent company-only or individual financial statements in 2014 recorded a net income after taxes which was sufficient to cover cumulative losses; therefore, the Company should not opt for individual disclosure of remuneration information.

Note 2: Example: Suppose the 2009 Annual Report was prepared by the Shareholders' Meeting in 2010. The Company should opt for individual disclosure of remuneration information if its Directors or Supervisors were found to have insufficient shareholding percentages for three (3) or more consecutive months between January 2009 and December 2009. In another example, if the Company's Directors or Supervisors were found to have insufficient shareholding percentages in January 2009 for three (3) or more consecutive months (i.e. three consecutive months including November 2008, December 2008 and January 2009), the Company should opt for individual disclosure of remuneration information.

Note 3: Example: Suppose the 2009 Annual Report was prepared by the Shareholders' Meeting in 2010. If the average ratio of shares pledged by all the Directors of a Company exceeded 50 percent in three separate months within 2009 (e.g. February, May and August 2009), the Company should disclose the amount of remuneration paid to each Director for the months when the ratio of shares pledged exceeded 50 percent, namely February, May and August 2009. In another example, if the average ratio of shares pledged by the Supervisors of a Company exceeded 50 percent in any three months, the Company should disclose the amount of remuneration paid to each Supervisor for the months when the ratio of shares pledged exceeded 50 percent. (The average ratio of share pledging by all Directors per month: Share pledging by all Directors/shares held by all Directors (including retained decision-making trust shares). The average ratio of share pledging by all Supervisors per month: Share pledging by all Supervisors/shares held by all Supervisors (including retained decision-making trust shares).

(I) Distribution of the Remuneration of Directors, Supervisors, General Manager and Deputy General Manager and Rewards for Employees and Managers:

1. Remuneration paid to Directors (including independent Directors) (range of remuneration with name disclosure)

Unit: NT$ thousands

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name (Note 1)</th><th colspan="8">Remuneration of Directors</th><th colspan="2" rowspan="2">Percentage of the total sums of A, B, C, and D on the net profit after tax (Note 10)</th><th colspan="8">Relevant remuneration received by Directors who also serve as employees</th><th colspan="2" rowspan="2">Percentage of the total sums of A, B, C, D, E, F, and G on the net profit after tax (Note 10)</th><th rowspan="4">Whether or not the person receives remuneration from other non-subsidiary companies that this Company has invested in (Note 11)</th></tr>
<tr><th colspan="2">Remuneration (A) (Note 2)</th><th colspan="2">Severance Pay and Pension (B)</th><th colspan="2">Director Compensation (C) (Note 3)</th><th colspan="2">Business Execution Allowances (D) (Note 4)</th><th colspan="2">Salaries, Bonuses and Special Allowances (E) (Note 5)</th><th colspan="2">Severance Pay and Pension (F)</th><th colspan="4">Employee Rewards (G) (Note 6)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All the Companies Included in the Financial Statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All the Companies Included in the Financial Statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All the Companies Included in the Financial Statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All the Companies Included in the Financial Statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All the Companies Included in the Financial Statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All the Companies Included in the Financial Statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All the Companies Included in the Financial Statements (Note 7)</th><th colspan="2">The Company</th><th colspan="2">All the Companies Included in the Financial Statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All the Companies Included in the Financial Statements (Note 7)</th></tr>
<tr><th></th><th></th><th>Cash Amount</th><th>Stock Amount</th><th>Cash Amount</th><th>Stock Amount</th></tr>
<tr><td>Chairman</td><td>Wu,Yi-Gui
Representative of Union Polym
International Investment Co., L</td><td rowspan="9">3,600</td><td rowspan="9">3,600</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">1,896</td><td rowspan="9">2,129</td><td rowspan="9">0.43</td><td rowspan="9">0.45</td><td rowspan="9">9,255</td><td rowspan="9">15,390</td><td rowspan="9">65 (Note 13)</td><td rowspan="9">108 (Note 13)</td><td rowspan="9">19</td><td rowspan="9">0</td><td rowspan="9">196</td><td rowspan="9">0</td><td rowspan="9">1.17</td><td rowspan="9">1.69</td><td rowspan="9">2,265</td></tr>
<tr><td>Director</td><td>Zhang,Ji-Zhong
Representative of Union Polymer Int'l Investment Corp.</td></tr>
<tr><td>Director</td><td>Ying,Bao-Luo
Representative of Union Polymer Int'l Investment Corp.</td></tr>
<tr><td>Director</td><td>Lin,Han-Fu (Note 12)
Representative of Union Polymer Int'l Investment Corp.</td></tr>
<tr><td>Director</td><td>Liu,Han-Tai
Representative of Union Polymer Int'l Investment Corp.</td></tr>
<tr><td>Director</td><td>Liu,Zhen-Tu
Representative of Union Polymer Int'l Investment Corp.</td></tr>
<tr><td>Independent Director</td><td>Li,Zu-De</td></tr>
<tr><td>Independent Director</td><td>Zheng,Ying-Bin</td></tr>
<tr><td>Independent Director</td><td>Li,Liang-Xian</td></tr>
<tr><td colspan="23">* In addition to the information disclosed in the table above, remuneration paid to any Director who has provided his/her services (such as consulting services in a non-employee capacity) to all the companies listed in the Company's financial statements in the most recent fiscal year: No such occurrences.</td></tr>
</table>

Range of Remuneration

Remuneration Range Paid to Directors of the Company	Names of Director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company (Note 8)	All the Companies Included in the Financial Statements (Note 9) H	The Company (Note 8)	All investees (Note 9) I
Less than NT$2,000,000	Wu,Yi-Gui , Zhang,Ji-Zhong , Lin,Han-Fu , Liu,Han-Tai , Liu,Zhen-Tu , Ying,Bao-Luo , Li,Zu-De , Zheng,Ying-Bin , Li,Liang-Xian	Wu,Yi-Gui , Zhang,Ji-Zhong , Lin,Han-Fu , Liu,Han-Tai , Liu,Zhen-Tu , Ying,Bao-Luo , Li,Zu-De , Zheng,Ying-Bin , Li,Liang-Xian	Zhang,Ji-Zhong , Liu,Zhen-Tu , Ying,Bao-Luo , Liu,Han-Tai , Li,Zu-De , Zheng,Ying-Bin , Li,Liang-Xian	Zhang,Ji-Zhong , Liu,Zhen-Tu , Ying,Bao-Luo , Liu,Han-Tai , Li,Zu-De , Zheng,Ying-Bin , Li,Liang-Xian
NT$2,000,000 (inclusive) to NT$5,000,000 (exclusive)			Wu,Yi-Gui	
NT$5,000,000 (inclusive)～NT$10,000,000 (exclusive)			Lin,Han-Fu	Wu,Yi-Gui
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)				Lin,Han-Fu
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)				
NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)				
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)				
More than NT$100,000,000				
Total	5,496 thousand	5,729 thousand	14,835 thousand	23,688 thousand

Note 1: Name of Directors shall be listed separately (for corporate shareholders, their names and the name of their representatives shall be listed separately) and the amount of remuneration paid to them shall be disclosed collectively. Director(s), who is also the General Manager or Deputy General Managers, is/are already listed in this table and the Table below.

Note 2: Remuneration received by a Director in the most recent fiscal year (including Director's salary, job-related allowances, separation pay, various bonuses and incentives).

Note 3: Fill the amount of rewards approved by the Board of Directors and distributed to the Directors in the most recent fiscal year.

Note 4: Business expenses paid to the Directors in the most recent fiscal year (including services and goods provided such as transportation allowances, special allowances, various allowances, accommodation and vehicle). If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please indicate the amount of compensation paid to the driver by the Company, excluding remuneration, in a separate note.

Note 5: Salary, job-related allowances, separation pay, various bonuses, incentives, transportation allowance, special allowance, various allowances, accommodation allowance and vehicle received by Directors who concurrently serve as employees (including general manager, deputy general manager, other managerial officers and employees) in the most recent fiscal year. If housing, vehicle and other modes of transportation or personal expenses are provided, the nature and cost of the assets provided, the rent fees and fuel costs calculated based on the actual amount or fair market value, and other payments shall be disclosed. If a driver is provided, please indicate the amount of compensation paid to the driver by the Company, excluding remuneration, in a separate note. Furthermore, any salary expenses recognized in the IFRS 2 “Share-Based Payment” section, including issuance of employee stock options, new restricted employee shares and capital increase by stock subscription, shall be included in the calculation of remuneration.

Note 6: For Directors concurrently serving as employees (including general manager, deputy general manager, other managerial officers and employees) who receive employee rewards (including shares and cash), the amount of employee rewards that have been approved by the Board of Directors and are distributed to them in the most recent fiscal year shall be disclosed. If the amount of rewards cannot be estimated, the amount of rewards in the current fiscal year shall be calculated based on the ratio of the amount of rewards distributed in the previous fiscal year, and this amount shall also be filled in Table 1-3.

Note 7: Total remuneration in the various items paid out to the Company's Directors by all companies (including this Company) listed in the consolidated statement shall be disclosed.

Note 8: The name of each Director shall be disclosed in the range of remuneration corresponding to the amount of all the remuneration paid to the Director by the Company.

Note 9: The total amount of all the remuneration paid to each Director of the Company by all the companies (including the Company) listed in its consolidated financial statements shall be disclosed. The name of each Director shall be disclosed in the range of remuneration corresponding to the total amount mentioned in the preceding sentence.

Note 10: Net profit after tax means the net profit after tax in the most recent year. for companies that have adopted IFRSs, the after-tax net profit refers to the after-tax net profit in the parent company only or individual financial report in the most recent year.

Note 11: a. The amount of remuneration received from subsidiaries other than investment companies by the Company's Directors shall be stated clearly in this column.

b. If a Director of the Company receives remuneration from investment companies other than subsidiaries, the amount of remuneration received by the Director from investment companies other than subsidiaries shall be combined into Column I of the table for ranges of remuneration, and this column shall be renamed as "All Investment Companies".

c. Remuneration refers to the compensation, rewards (including compensation distributed to employees, Directors and Supervisors) and remuneration related to business expenses that are received by the Company's Directors who serve as Directors, Supervisors or managerial officers at investee companies other than subsidiaries.

Note 12: The remuneration received as General Manager (including salary and bonuses). The General Manager is provided with a car with an original cost of NT$2,145 thousand and a nominal value of NT$1,108 thousand as of December 31, 2017. He is also provided with a leased house with a rent of NT$213 thousand in 2017. The fuel expenses in 2017 amounted to NT$54 thousand. He is also provided with a driver and the remuneration paid to the driver totaled NT$561 thousand.

Note 13: The cost of the pension appropriated in 2017 in accordance with laws

＊A different concept is used for the content of remuneration disclosed in this table compared to that in the Income Tax Act. This table is used for information disclosure, but not for taxation.

2. Remuneration Paid to Supervisors: Not applicable.
3. Remuneration paid to General Manager and Deputy General Manager (range of remuneration with name disclosure)

Unit: NT$ thousands

Title	Name (Note 1)	Salary (A) (Note 2)		Severance Pay and Pension (B)		Bonus and Special Allowance (C) (Note 3)		Amount of Employee Rewards (D) (Note 4)				Percentage of the total of 4 items A, B, C and D on net income after tax (%) (Note 8)		Whether or not the Director receives remuneration from investment companies other than the Company's subsidiaries (Note 9)
		The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company		All companies included in the financial statements (Note 5)		The Company	All companies included in the financial statements (Note 5)	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Chief Executive Officer	Wu,Yi-Gui	6,090	8,975	194 (Note 11)	301 (Note 11)	6,750 (Note 10)	10,000 (Note 10)	38	0	215	0	1.03	1.53	2,001
General Manager	Lin,Han-Fu													
Deputy General Manager	Hu,Chi-Hong													

＊Regardless of job titles, positions that are equivalent to General Manager, Deputy General Manager (such as president, chief executive Director and Director) shall be disclosed.

Range of Remuneration

Range of Remuneration Paid to the General Manager and Deputy General Manager of the Company	Name of General Manager and Deputy General Manager	
	The Company (Note 6)	All investees (Note 7) E
Less than NT$2,000,000		
NT$2,000,000 (inclusive) to NT$5,000,000 (exclusive)	Wu,Yi-Gui/Hu,Chi-Hong	Hu,Chi-Hong
NT$5,000,000 (inclusive)～NT$10,000,000 (exclusive)	Lin,Han-Fu	Wu,Yi-Gui
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)		Lin,Han-Fu
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)		
NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)		
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)		
More than NT$100,000,000		
Total	13,072 thousand	21,492 thousand

Note 1: The name of the General Manager and Deputy General Manager shall be listed separately, and the amount of remuneration paid to them shall be disclosed collectively.

Note 2: Fill the salary, job-related allowances and separation pay received by the General Manager and Deputy General Manager in the most recent fiscal year.

Note 3: Fill the amount of various bonuses, incentives, transportation allowance, special allowance, various allowances, accommodation and vehicle received by the General Manager and Deputy General Manager in the most recent fiscal year. If housing, vehicle and other modes of transportation or personal expenses are provided, the nature and cost of the assets provided, the rent fees and fuel costs calculated based on the actual amount or fair market value, and other payments shall be disclosed. If a driver is provided, please indicate the amount of compensation paid to the driver by the Company, excluding remuneration, in a separate note. Furthermore, any salary expenses recognized in the IFRS 2 “Share-Based Payment” section, including issuance of employee stock options, new restricted employee shares and capital increase by stock subscription, shall be included in the calculation of remuneration.

Note 4: Fill the amount of employee rewards (including shares and cash) that have been approved by the Board of Directors and are distributed to the General Manager and Deputy General Manager in the most recent fiscal year. If the amount of rewards cannot be estimated, the amount of rewards in the current fiscal year shall be calculated based on the ratio of the amount of rewards distributed in the previous fiscal year, and this amount shall also be filled in Table 1-3. Net income after taxes refers to net income after taxes in the most recent fiscal year. Where IFRS is adopted, net income after taxes refers to net income after taxes recorded in the parent company only or individual financial statements in the most recent fiscal year.

Note 5: The total amount of all the remuneration paid to the Company's General Manager and Deputy General Manager by all the companies (including the Company) listed in its consolidated financial statements shall be disclosed.

Note 6: The name of each General Manager and Deputy General Manager should be disclosed in the range of remuneration corresponding to the amount of all the remuneration paid to the General Manager and Deputy General Manager by the Company.

Note 7: The total amount of all the remuneration paid to each General Manager and Deputy General Manager of the Company by all the companies (including the Company) listed in its consolidated financial statements shall be disclosed. The name of each General Manager and Deputy General Manager shall be disclosed in the range of remuneration corresponding to the total amount mentioned in the preceding sentence.

Note 8: Net profit after tax means the net profit after tax in the most recent year. For companies that have adopted IFRSs, the after-tax net profit refers to the after-tax net profit in the parent company only or individual financial report in the most recent year.

Note 9: a. The amount of remuneration received from investment companies other than subsidiaries by the Company's General Manager and Deputy General Manager shall be stated clearly in this column.

b. If the General Manager and Deputy General Manager of the Company receives remuneration from investment companies other than subsidiaries, the amount of remuneration received by the General Manager and Deputy General Manager from investee companies other than subsidiaries should be combined into Column E of the table for ranges of remuneration, and this column should be renamed as "All Investee Companies".

c. Remuneration refers to the compensation, rewards (including rewards distributed to employees, Directors and Supervisors) and remuneration related to business expenses that are received by the Company's General Manager and Deputy General Manager who serve as Directors, Supervisors or managerial officers at investee companies other than the Company's subsidiaries.

Note 10: The remuneration received as General Manager (including salary and bonuses). The General Manager is provided with a car with an original cost of NT$2,145 thousand and a nominal value of NT$1,108 thousand as of December 31, 2017. He is also provided with a leased house with a rent of NT$213 thousand in 2017. The fuel expenses in 2017 amounted to NT$54 thousand. He is also provided with a driver and the remuneration paid to the driver totaled NT$561 thousand.

Note 11: The cost of the pension appropriated in 2017 in accordance with laws

＊A different concept is used for the content of remuneration disclosed in this table compared to that in the Income Tax Act. This table is used for information disclosure, but not for taxation.

4. Name of managerial officers to which employee rewards are distributed, and the status of distribution:

Unit: NT$ thousands

	Title (Note 1)	Name (Note 1)	Stock	Cash	Total	Percentage of total compensations on NIAT (%)
Managerial Officer	Chief Executive Officer	Wu,Yi-Gui	0	133	133	0.01
	General Manager	Lin,Han-Fu				
	Deputy General Manager	Hu,Chi-Hong				
	Senior Manager	Chen,Wan-Ta				
	Director of the Materials Manufacturing Division	Shen,Tzu-Hen				
	Manager of Accounting Department	Kuo,Chien-Chou				
	Manager of the Finance Department	Chan,Chin-Ho				

Note 1: Names and positions shall be listed individually, and the amount of profit distributed shall be disclosed collectively.

Note 2: Fill the amount of employee rewards (including shares and cash) that have been approved by the Board of Directors and are distributed to the managerial officers in the most recent fiscal year. If this amount of rewards cannot be estimated, the amount of rewards in the current fiscal year shall be calculated based on the ratio of the amount of rewards distributed in the previous fiscal year. Net income after tax refers to net income after taxes in the most recent fiscal year. Where IFRS is adopted, net income after taxes refers to net income after taxes recorded in the parent company-only or individual financial statements in the most recent fiscal year.

Note 3: The applicable scope of managerial officers according to the Financial Supervisory Commission's Tai Tsai Cheng 3 No. 0920001301 Order dated March 27, 2003 is as follows: (1) general managers or their equivalents; (2) deputy general managers or their equivalents; (3) senior managers or their equivalents; (3) managers of the finance department; (5) manager of accounting department; (6) other persons authorized to manage affairs and sign documents on behalf of the Company.

Note 4: Directors, General Manager and Deputy General Manager who receive employee rewards (including shares and cash) shall be listed not only in Table 1-2, but also in this table.

(II) Comparison and analysis of the total remuneration paid to each of the Company's Directors, Supervisors, General Managers, and Deputy General Managers over the past two years by the Companies and all companies listed in the consolidated financial statement as a percentage of total NIAT, and descriptions of the policies, standards, and packages for payment of remuneration, the procedures for determining remuneration, and its linkage to business performance and future risk exposure:

1. Analysis of total remuneration paid to this Company’s Directors, General Manager, and Deputy General Managers as a percentage of NIAT:

	2016		2017	
	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements
After-tax net profit of current year (NT$ thousand)	1,443,125	1,443,125	1,269,808	1,269,808
Directors' remuneration as a percentage of NIAT (%) (excluding those who concurrently serve as employees and receive related remuneration)	0.26	0.27	0.43	0.45
Directors' remuneration as a percentage of NIAT (%) (including those who concurrently serve as employees and receive related remuneration)	0.91	1.30	1.17	1.69
Supervisors' remuneration as a percentage of NIAT (%)	0.01	0.02	0	0
General Manager and Deputy General Manager's remuneration as a percentage of NIAT (%)	0.79	1.16	1.03	1.53

Note 1: If the total amount of remuneration received by all the Directors and Supervisors of a Company from all the companies listed in its financial statements exceeds two (2) percent of its net income after taxes, and the amount of remuneration received by any individual Director or Supervisor exceeds NT$15 million, the Company shall disclose the amount of remuneration paid to individual Directors or Supervisors.

2. Remuneration policies, standards and packages, the procedures for determining remuneration and their correlations with the Company's business performance and future risk exposure:

(1) The Company's annual general meeting in 1997 passed the proposal for payment of transportation allowance to Directors and Supervisors. The Chairman is provided with NT$60,000 per month and other Directors and Supervisors are provided with NT$10,000 per month. In addition, each Director and Supervisor is paid NT$4,000 in attendance fees for their attendance in each meeting of the Board of Directors. Directors and Supervisors do not receive any remuneration except for the aforementioned expenses.

(2) The appointment of the CEO and the General Manager is passed by the Board. Their salaries and bonuses are determined by their positions and their respective responsibilities based on the Company's related human resources policies.

(3) Article 33 of the Company's Articles of Incorporation stipulates: Where the shareholders' meeting resolves to distribute earnings, the remuneration for Directors shall not exceed one percent of the distributable earnings of the year. On March 12, 2018, the Board of Directors resolved not to distribute remuneration for Directors for the year 2017.

(4) The correlation with the Company's business performance and future risk exposure: The Remuneration Committee references the Company's overall business performance, outlook of the industry, business risks, and development trends and evaluates the performance targets of the Company's Directors, Supervisors and managerial officers to establish the content and amount of their remuneration individually. The Committee forms recommendations and submits them to the Board of Directors for passage.

IV.Implementation of Corporate Governance

(I) Operation of the Board of Directors:

A total of six (6) meetings (A) were held by the Board of Directors in the most recent fiscal year (2017). The attendance of the members of the Board was as follows:

Title	Name	1st meeting February 22, 2017	2nd meeting March 14, 2017	3rd meeting May 8, 2017	4th meeting June 19, 2017	5th meeting August 9, 2017	6th meeting November 9, 2017	Number of Attendance in Person (B)	Number of Attendance by Proxy	Rate of Attendance in Person (%) [B/A] (Note 2)	Remark(s)
Chairman	Wu,Yi-Gui (representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	◎	◎	◎	6	0	100.00	Re-elected
Director	Zhang,Ji-Zhong (representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	◎	◎	◎	6	0	100.00	Re-elected
Director	Lin,Han-Fu (representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	◎	◎	◎	6	0	100.00	Re-elected
Director	Ying,Bao-Luo (representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	◎	◎	◎	6	0	100.00	Re-elected
Director	Liu,Han-Tai (representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	◎	◎	☆	5	1	83.33	Re-elected
Director	Liu,Zhen-Tu (representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	◎	◎	◎	6	0	100.00	Re-elected
Independent Director	Li,Zu-De	◎	◎	◎	◎	◎	◎	6	0	100.00	Re-elected
Independent Director	Zheng,Ying-Bin	◎	☆	◎	◎	◎	◎	5	1	83.33	Re-elected
Independent Director	Li,Liang-Xian	◎	◎	◎	◎	◎	◎	6	0	100.00	Re-elected

Note: Attendance in person: ◎; attendance by proxy:☆; absent: ✻.

Other matters to be noted:

I. If any of the following applies to the operations of the Board of Directors, the date and session of the Board of Directors' Meeting, as well as the resolutions, opinions of independent Directors and the Company's actions in response to the opinions of independent Directors shall be stated:

(I) Items listed in Section 3, Article 14 of Securities and Exchange Act:

Board of Directors Term Start Date	Resolution and Follow-up Actions	Items listed under Article 14-3 of the Securities and Exchange Act	Dissenting opinion or qualified opinion by independent Directors
2017 1st Meeting 2017.02.22	Approved the purchase of the Toufen Plant and parts of the auxiliary electrical and mechanical facilities from USI Optronics Corporation.	Yes	None
	Opinions of independent Directors: None.		
	The Company's actions in response to the opinions of independent Directors: None.		
	Resolution: With the exception of the recusals of the Chairman, Directors in attendance, Zhang,Ji-Zhong and Liu,Zhen-Tu who serve as Directors of USI Optronics Corporation and a Director in attendance, Ying,Bao-Luo who serves as Supervisor of USI due to conflicts of interest, the acting chairman Director Lin,Han-Fu asked for the opinions of other Directors in attendance and the proposal was passed unanimously.		
2017 2nd Meeting 2017.03.14	1. Ratify the endorsement guarantee for the subsidiary Company CGPC Polymer Corporation.	Yes	None
	2. Approve the amendment of certain articles in the Regulations Governing the Acquisition and Disposal of Assets	Yes	None
	3. Approve the amendment of certain articles in the Procedures for Loaning of Funds to Others	Yes	None
	4. Approve remuneration of CPAs for year 2016	Yes	None
	5. Approve the appointment of CPAs for year 2017	Yes	None
	Opinions of independent Directors: None.		
	The Company's actions in response to the opinions of independent Directors: None.		
	Resolution: All the Directors present voted in favor of the resolution without any dissenting opinion.		
	6. Approve the recommendation to lift competition restrictions against Directors at the annual general meeting	Yes	None
	Opinions of independent Directors: None.		
	The Company's actions in response to the opinions of independent Directors: None.		
	Resolution: With the exception of the recusals of the Chairman and Directors in attendance, Zhang,Ji-Zhong , Lin,Han-Fu , Liu,Han-Tai, and Liu,Zhen-Tu due to conflicts of interest, the acting chairman Director Li,Zu-De asked for the opinions of other Directors in attendance and the proposal was passed unanimously.		

<table>
<tr><th>Board of Directors Term Start Date</th><th>Resolution and Follow-up Actions</th><th>Items listed under Article 14-3 of the Securities and Exchange Act</th><th>Dissenting opinion or qualified opinion by independent Directors</th></tr>
<tr><td rowspan="5">2017
3rd
Meeting
2017.05.08</td><td>1. Ratify the endorsement guarantee for the subsidiary Company CGPC Polymer Corporation.</td><td>Yes</td><td>None</td></tr>
<tr><td>2. Approve the amendment of internal control system</td><td>Yes</td><td>None</td></tr>
<tr><td colspan="3">Opinions of independent Directors: None.</td></tr>
<tr><td colspan="3">The Company's actions in response to the opinions of independent Directors: None.</td></tr>
<tr><td colspan="3">Resolution: All the Directors present voted in favor of the resolution without any dissenting opinion.</td></tr>
<tr><td rowspan="4">2017
5th
Meeting
2017.08.09</td><td>Amend clauses of the "Audit Committee Charter".</td><td>Yes</td><td>None</td></tr>
<tr><td colspan="3">Opinions of independent Directors: None.</td></tr>
<tr><td colspan="3">The Company's actions in response to the opinions of independent Directors: None.</td></tr>
<tr><td colspan="3">Resolution: All the Directors present voted in favor of the resolution without any dissenting opinion.</td></tr>
<tr><td rowspan="4">2017
6th
Meeting
2017.11.09</td><td>Ratify the endorsement guarantee for the subsidiary Company CGPC Polymer Corporation.</td><td>Yes</td><td>None</td></tr>
<tr><td colspan="3">Opinions of independent Directors: None.</td></tr>
<tr><td colspan="3">The Company's actions in response to the opinions of independent Directors: None.</td></tr>
<tr><td colspan="3">Resolution: All the Directors present voted in favor of the resolution without any dissenting opinion.</td></tr>
</table>

(II) Other than the matters mentioned above, other resolutions that are objected and reserved by the Independent Directors and are documented or stated: None.

II. In regards the recusal of independent Directors from voting due to conflict of interests, the name of the independent Directors, the resolutions, reasons for recusal due to conflict of interests and voting outcomes shall be stated:

Names of Director	Proposal	Reason for Recusal	Participation in Voting	Remarks
Wu,Yi-Gui Zhang,Ji-Zhong Liu,Zhen-Tu Ying,Bao-Luo	Purchase of the Toufen Plant and parts of the auxiliary electrical and mechanical facilities from USI Optronics Corporation.	They recused themselves due to conflict of interest as they serve Directors of USI Optronics Corporation.	They did not participate in voting.	1st Meeting in 2017
Wu,Yi-Gui Zhang,Ji-Zhong Lin,Han-Fu Liu,Han-Tai Liu,Zhen-Tu	Lift competition restrictions against Directors.	The Directors had interest in the matter.	They did not participate in voting.	2nd Meeting in 2017
Wu,Yi-Gui Zhang,Ji-Zhong Liu,Zhen-Tu Li,Zu-De	Donations to the USI Education Foundation	They recused themselves due to conflict of interest as they serve as a Director in the foundation.	They did not participate in voting.	2nd Meeting in 2017

III. The target of strengthening the function of the Board of Directors in the current year and recent years (such as the establishment of Audit Committee and enhancement of information transparency) and the assessment of implementation:

1. Targets for strengthening the functions of the Board of Directors:

In order to enhance corporate governance and the functions of the Board of Directors, the Company passed the resolution on the amendment of Article 23-1 and Article 23-2 of the Company's Articles of Incorporation at the annual general meeting held on June 9, 2015, where these articles stipulate the appointment of independent Directors and the establishment of an Audit Committee in due course according to the law. Related measures for the establishment of the Audit Committee was passed in the board meeting on March 11, 2016 and the Audit Committee Charter was passed in the board meeting on April 25, 2016.

The Company constantly pays attention to changes in laws and regulations of the competent authority, reviews its "Rules of Procedure for Board of Directors' Meetings" and "Rules Governing the Scope of Powers of Independent Directors", and evaluates its "Audit Committee Charter" in due course. The Company really seeks to improve information transparency in accordance with the amended laws, and the implementation of these regulations has been favorable.

Implementation of Performance Appraisal on the Board of Directors (Audit Committee) in 2017

(1) Appraisal Period: January 1, 2017 to December 31, 2017

(2) The Company has established a set of regulations governing the evaluation of performance of the Board of Directors and performance appraisal methods, proposing the self-evaluation of the performance of the Board of Directors (Audit Committee) on a regular basis every year based on the implementation of assessment indicators, including degree of participation in the Company's operation, improvement of the quality of decision-making of the Board of Directors, composition and structure of the Board of Directors, election and continuous education of members of the Board of Directors, internal control and communications with the Audit Committee. The 2017 internal self-evaluation performance on the Board of Directors

(Audit Committee) has already been submitted to the first meeting of the Board of Directors in 2018. The result of the overall evaluation was as follows:

Appraisal Item	Results
Degree of participation in the Company's operations	Good
Improvement in the quality of decision-making of the Board of Directors	Good
Composition and structure of the Board of Directors	Good
Election and continuous education of Directors	Good
Internal control and communications with the Audit Committee	Good

2. Evaluation of target implementation:
The Audit Committee was established after the appointment of independent Directors during the 2016 Annual General Meeting. The results of performance appraisal performed on the Board of Directors (Audit Committee) in 2017 has been disclosed on the Company's website on January 5, 2018 and has been reported in the first Board of Directors' Meeting in 2018 (March 12, 2018).

3. Hold training courses for Directors and Supervisors, as well as encourage Directors and Supervisors to attend corporate governance-related courses The status of continuing education among the Directors of the Company is as follows:

Title	Name	Date of Training	Organizer	Course Title	Number of Hours
Chairman of the Board	Wu, Yi-Gui	July 4, 2017	Securities & Futures Institute	How Enterprises Respond to White Collar Crime	3
		October 30, 2017	Securities & Futures Institute	Information Disclosure and Prevention of Insider Trading	3
Director	Zhang, Ji-Zhong	July 4, 2017	Securities & Futures Institute	How Enterprises Respond to White Collar Crime	3
		October 30, 2017	Securities & Futures Institute	Information Disclosure and Prevention of Insider Trading	3
Director	Lin, Han-Fu	July 4, 2017	Securities & Futures Institute	How Enterprises Respond to White Collar Crime	3
		September 28, 2017	Yuan-Tung Hsu Cultural Foundation	2017 Mr. Yuan-Tung Hsu Commemorative Finance Seminar	3
		October 30, 2017	Securities & Futures Institute	Information Disclosure and Prevention of Insider Trading	3
Director	Ying, Bao-Luo	July 4, 2017	Securities & Futures Institute	How Enterprises Respond to White Collar Crime	3
		October 30, 2017	Securities & Futures Institute	Information Disclosure and Prevention of Insider Trading	3
Director	Liu, Han-Tai	July 4, 2017	Securities & Futures Institute	How Enterprises Respond to White Collar Crime	3
		October 30, 2017	Securities & Futures Institute	Information Disclosure and Prevention of Insider Trading	3
Director	Liu, Zhen-Tu	May 11, 2017	Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	Risk Management Trends and Implementation Analysis	3
		May 18, 2017	Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	Corporate Governance Theory and Practice from a Legal Perspective	3
		July 4, 2017	Securities & Futures Institute	How Enterprises Respond to White Collar Crime	3
		July 25, 2017	Taiwan Corporate Governance Association	How Directors Perform Fiduciary Duties, Commercial Courts, and International Trends	1
		August 29, 2017	Taiwan Corporate Governance Association	The Promoter of Corporate Governance - Unveiling the "Company Secretary"	1

Title	Name	Date of Training	Organizer	Course Title	Number of Hours
		October 30, 2017	Securities & Futures Institute	Information Disclosure and Prevention of Insider Trading	3
Independent Director	Li,Zu-De	April 26, 2017	Taiwan Academy of Banking and Finance	Corporate Governance Forum: Family Business Succession	3
		October 30, 2017	Securities & Futures Institute	Information Disclosure and Prevention of Insider Trading	3
Independent Director	Zheng, Ying-Bin	July 26, 2017	Taiwan Institute of Directors	10 Year Retrospection and Outlook of Major Decisions of Boards of Directors	3
		September 29, 2017	Taiwan Institute of Directors	Major Decisions of Boards of Directors Part 5: Merger Strategies for Corporate Growth and Experience Sharing	3
Independent Director	Li, Liang-Xian	July 4, 2017	Securities & Futures Institute	How Enterprises Respond to White Collar Crime	3
		October 30, 2017	Securities & Futures Institute	Information Disclosure and Prevention of Insider Trading	3
Accounting Department Manager	Kuo, Chien-Chou	November 20, 2017 -November 21, 2017	Accounting Research and Development Foundation	Continuing Training Class for Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12
Finance Department Manager	Chan, Chin-Ho	July 4, 2017	Securities & Futures Institute	How Enterprises Respond to White Collar Crime	3
		October 30, 2017	Securities & Futures Institute	Information Disclosure and Prevention of Insider Trading	3
Audit Supervisor	Chang, Li-Ping	March 24, 2017	The Institute of Internal Auditors, R.O.C.	Auditing Skills	6
		April 25, 2017	Accounting Research and Development Foundation	Key points in the latest amendments of labor regulations and internal auditing practices for corporate payroll cycles	6
		June 2, 2017	Accounting Research and Development Foundation	New internal auditing regulations and computerized auditing in practice	6
		July 12, 2017	The Institute of Internal Auditors, R.O.C.	Applications for risk assessment and auditing skills	6

The number of learning hours, scope of learning, learning system, arrangements and information on the above-mentioned training sessions which comply with the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies shall be disclosed.

Note 1: For Directors and Supervisors who are judicial persons, the name of corporate shareholders and their representatives shall be disclosed.

Note 2: (1) Where a Director or a Supervisor resigns before the end of the fiscal year, the Remark column shall be filled with the Director's or Supervisor's resignation date, whereas his/her rate of attendance in person (%) shall be calculated based on the number of Board of Directors' meetings held and the actual attendance in person during the period during his/her term of office.

(2) If Directors or Supervisors are re-elected before the end of the fiscal year, incoming and outgoing Directors or Supervisors shall be listed accordingly, and the Remark column shall indicate whether the status of a Director is "outgoing", "incoming" or “re-elected”, and the date of re-election. The Director's rate of attendance in person (%) shall be calculated based on the number of Board of Directors' Meetings held and the actual attendance in person during his/her term of office.

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(II) Operation of the Audit Committee or Supervisors' Involvement in the Operation of the Board of Directors:

1. Operations of the Audit Committee:

Operations of the Audit Committee

A total of five (5) meetings (A) were held by the Audit Committee in the most recent fiscal year (2017). The attendance of Independent Directors was as follows:

Title	Name	Number of Attendance in Person (B)	Number of Attendance by Proxy	Rate of Attendance in Person (%) (B/A) (Note)	Remark (s)
Independent Director	Li,Zu-De	5	0	100.00	
Independent Director	Zheng,Ying-Bin	4	1	80.00	
Independent Director	Li,Liang-Xian	5	0	100.00	

Other matters to be noted:

I. If any of the following applies to the operations of the Audit Committee, the date and session of the Board of Directors' Meeting, as well as the resolutions, resolutions of the Audit Committee and the Company's actions in response to the opinions of the Audit Committee shall be stated.

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

<table>
<tr><th>Board of Directors Term Start Date</th><th>Resolution and Follow-up Actions</th><th>Items listed in Article 14-5 of the Securities and Exchange Act</th><th>Dissenting opinion or qualified opinion by independent Directors</th></tr>
<tr><td rowspan="4">2017
1st Meeting
2017.02.22</td><td>Purchase of the Toufen Plant and parts of the auxiliary electrical and mechanical facilities from USI Optronics Corporation.</td><td>Yes</td><td>None</td></tr>
<tr><td colspan="3">Opinions of the Audit Committee: None.</td></tr>
<tr><td colspan="3">The Company's actions in response to the opinions of the Audit Committee: None.</td></tr>
<tr><td colspan="3">Resolution: The motions were passed unanimously by the members in attendance and filed for resolution in the board meeting.</td></tr>
<tr><td rowspan="10">2017
2nd Meeting
2017.03.14</td><td>1. Proceed Guarantee and endorsement.</td><td>Yes</td><td>None</td></tr>
<tr><td colspan="3">Opinions of the Audit Committee: None.</td></tr>
<tr><td colspan="3">The Company's actions in response to the opinions of the Audit Committee: None.</td></tr>
<tr><td colspan="3">Resolution: The motions were passed unanimously by the members in attendance and filed for resolution in the board meeting.</td></tr>
<tr><td>2. Formulation of the 2016 Account Book.</td><td>Yes</td><td>None</td></tr>
<tr><td colspan="3">Opinions of the Audit Committee: None.</td></tr>
<tr><td colspan="3">The Company's actions in response to the opinions of the Audit Committee: None.</td></tr>
<tr><td colspan="3">Resolution: The motions were passed unanimously by the members in attendance and filed for resolution in the board meeting.</td></tr>
<tr><td>3. 2016 earnings distribution proposal.</td><td>Yes</td><td>None</td></tr>
<tr><td colspan="3">Opinions of the Audit Committee: None.</td></tr>
</table>

Board of Directors Term Start Date	Resolution and Follow-up Actions	Items listed in Article 14-5 of the Securities and Exchange Act	Dissenting opinion or qualified opinion by independent Directors
	The Company's actions in response to the opinions of the Audit Committee: None.		
	Resolution: The motions were passed unanimously by the members in attendance and filed for resolution in the board meeting.		
	4. Earnings allocation to shareholders stocks and dividends are converted to capital increase to increase capital by NT$143,300,840 and issuance of 14,330,084 new shares.	Yes	None
	Opinions of the Audit Committee: None.		
	The Company's actions in response to the opinions of the Audit Committee: None.		
	Resolution: The motions were passed unanimously by the members in attendance and filed for resolution in the board meeting.		
	5. Amendment of the "Procedures for Handling Acquisitions or Disposal of Assets".	Yes	None
	Opinions of the Audit Committee: None.		
	The Company's actions in response to the opinions of the Audit Committee: None.		
	Resolution: The motions were passed unanimously by the members in attendance and filed for resolution in the board meeting.		
	6. Amendment of the "Procedures for Loaning of Funds to Others".	Yes	None
	Opinions of the Audit Committee: None.		
	The Company's actions in response to the opinions of the Audit Committee: None.		
	Resolution: The motions were passed unanimously by the members in attendance and filed for resolution in the board meeting.		
	7. Lift competition restrictions against Directors.	Yes	None
	Opinions of the Audit Committee: None.		
	The Company's actions in response to the opinions of the Audit Committee: None.		
	Resolution: The motions were passed unanimously by the members in attendance and filed for resolution in the board meeting.		
	8. Compensation paid to the CPAs for 2016.	Yes	None
	Opinions of the Audit Committee: None.		
2017 2nd Meeting 2017.03.14	The Company's actions in response to the opinions of the Audit Committee: None.		
	Resolution: The motions were passed unanimously by the members in attendance and filed for resolution in the board meeting.		
	9. The 2017 Evaluation of the Independence of Appointed CPAs.	Yes	None
	Opinions of the Audit Committee: None.		
	The Company's actions in response to the opinions of the Audit Committee: None.		
	10. Appoint CPAs for 2017	Yes	None
	Opinions of the Audit Committee: None.		
	The Company's actions in response to the opinions of the Audit Committee: None.		
	Resolution: The motions were passed unanimously by the members in attendance and filed for resolution in the board meeting.		
	11. The Company's 2016 Statement on Internal Control.	Yes	None
	Opinions of the Audit Committee: None.		
	The Company's actions in response to the opinions of the Audit Committee: None.		
	Resolution: The motions were passed unanimously by the members in attendance and filed for resolution in the board meeting.		

Board of Directors Term Start Date	Resolution and Follow-up Actions	Items listed in Article 14-5 of the Securities and Exchange Act	Dissenting opinion or qualified opinion by independent Directors
2017 3rd Meeting 2017.05.08	1. Proceed Guarantee and endorsement.	Yes	None
	Opinions of the Audit Committee: None.		
	The Company's actions in response to the opinions of the Audit Committee: None.		
	Resolution: The motions were passed unanimously by the members in attendance and filed for resolution in the board meeting.		
	2. Amend the Company's internal control system.	Yes	None
	Opinions of the Audit Committee: None.		
	The Company's actions in response to the opinions of the Audit Committee: None.		
	Resolution: The motions were passed unanimously by the members in attendance and filed for resolution in the board meeting.		
2017 5th Meeting 2017.08.09	Formulation of the 2017 Quarter 2 Consolidated Financial Statements.	Yes	None
	Opinions of the Audit Committee: None.		
	The Company's actions in response to the opinions of the Audit Committee: None.		
	Resolution: The motions were passed unanimously by the members in attendance and filed for resolution in the board meeting.		
2017 6th Meeting 2017.11.09	Proceed Guarantee and endorsement.	Yes	None
	Opinions of the Audit Committee: None.		
	The Company's actions in response to the opinions of the Audit Committee: None.		
	Resolution: The motions were passed unanimously by the members in attendance and filed for resolution in the board meeting.		

(II) In addition to the aforementioned motions, other motions not passed by the Audit Committee but passed by at least two-thirds of the votes of the entirety of the Board of Directors: No such occurrences.

II. In regard to the recusal of independent Directors from voting due to conflict of interests, the name of the independent Directors, the resolutions, reasons for recusal due to conflict of interests and voting outcomes shall be stated: None

III. Communications between independent Directors and head of internal audit and CPAs (issues, methods and outcomes related to the Company's financial and business status should be included)

(1) The internal audit on operations and various management procedures shall be processed in accordance with the annual audit plan passed in the board meeting. The Internal Audit Department shall submit audit reports to each Independent Director for review every month and the audit Supervisor shall also attend meetings of the Audit Committee and the Board of Directors to report on the audit. The recommendation and corresponding risks types are summarized as follows:

Date	Key Communication Points
March 14, 2017	1. Status and results of the auditing operations and the Audit Committee mailbox performed by internal auditors from November 2016 to February 2017. 2. Approved the issuance of the "2016 Statement on Internal Control System"
May 8, 2017	1. Status and results of the auditing operations and the Audit Committee mailbox performed by internal auditors from March to April 2017. 2. Approved the amendment of internal control system
August 9, 2017	Status and results of the auditing operations and the Audit Committee mailbox performed by internal auditors from May to July 2017.
November 9, 2017	1. Status and results of the auditing operations and the Audit Committee mailbox performed by internal auditors from August to October 2017. 2. Approved the 2018 audit plan.

(2) CPAs compile information on the audit of the Company's consolidated financial statements (annual financial statements including parent company only financial statements) and review of governance-related matters every six months and report them to the Audit Committee in accordance with the Auditing Standards Bulletin No. 39 - "Communication with Audited Governance Units" and the letter Tai Tsai Cheng 6 No. 0930105373 issued by Securities and Futures Bureau on March 11, 2004. Ad hoc meetings may be convened in the event of major anomalies. The CPAs attended the Audit Committee meetings on March 14, August 9, and November 9, 2017. The status of reports and communications were good. Members of the Audit Committee did not have dissenting opinions and the communication items were as follows:

① The CPA team and its independence.

② The methods and scope for the audit of the 2016 consolidated/parent company only financial statements and the review of the consolidated financial statements of Q2 and Q3 of 2017.
③ The basis of significant accounting judgments, estimates and uncertainty assumptions.
④ Consolidated overview and affiliate companies.
⑤ Key audit (review) points and material adjustment items: No material adjustments were discovered.
⑥ Adoption of expert opinions: Pension fund actuarial assessment report.
⑦ Material contingencies: The subsequent development of the Kaohsiung gas explosions on July 31, 2014 and possible impact on the investee China General Terminal & Distribution Co.
⑧ Update of regulations: Draft for the amendment of the Income Tax Act.
⑨ Communication items with audited governance units before the audit on the 2017 financial report: Description of key audit matters (KAM) and determining the "validity of specific sales income" and "recognition of defined benefit plan" as the most important KAMs in the audit of the financial report.

Note:
* Where an Independent Director resigns before the end of the fiscal year, the Remark column shall be filled with the Independent Director's resignation date, whereas the rate of attendance in person (%) shall be calculated based on the number of meetings held by the Audit Committee and the actual number of meetings attended during his/her term of office.

* If independent Directors are re-elected before the end of the fiscal year, incoming and outgoing independent Directors shall be listed accordingly, and the Remark column shall indicate whether the status of an Independent Director is "outgoing", "incoming" or “re-elected”, and the date of re-election.
The rate of attendance in person (%) is calculated based on the number of meetings held by the Audit Committee and the actual number of meetings attended during his/her term of office.

2. Participation of Supervisors in the operations of the Board of Directors: Not applicable.

(III) Implementation of corporate governance, discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies, and reasons for such discrepancies

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
I. Has the Company formulated and disclosed its corporate governance best practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies"?	V		(I) The Company has established its "Corporate Governance Best Practice Principles" and complied with the "Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies" to promote the implementation of corporate governance and discloses such information on its own website.	No material discrepancy
II. Shareholder Structure and Shareholders' Rights (I) Has the Company established an internal operating procedure for handling matters related to shareholders' recommendations, doubts, disputes and lawsuits, and implemented them accordingly?	V		(I) The Company has appointed specific personnel to take change of such matters.	No material discrepancy
(II) Does the Company maintain a list of major shareholders who have actual control over the Company and persons who have ultimate control over the major shareholders?	V		(II) The Company has been maintaining contact with its major shareholders and persons who have ultimate control over the major shareholders.	
(III) Has the Company established and implemented risk control and firewall mechanisms among its affiliated companies?	V		(III) The Company has established and implemented a system to monitor its subsidiaries.	
(IV) Has the Company formulated internal regulations that prohibit insiders of the Company from trading securities using undisclosed information in the market?	V		(IV) The Company has established the "Procedures for Ethical Management and Guidelines for Conduct" to prevent the Company's insiders from using information that has not been disclosed on the market to purchase and sell marketable securities.	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
III. Composition and Responsibilities of the Board of Directors (I) Has the Board of Directors drawn up policies on diversity of its members and implemented them?	V		(I) According to Article 20 of the Company's "Corporate Governance Best Practice Principles", diversity shall be considered in the composition of the Company's Board of Directors, and members of the Board of Directors shall possess the knowledge, skills and qualities required to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities: 1. Business judgment ability 2. Accounting and financial analytical ability. 3. Business management ability. 4. Crisis management ability. 5. Knowledge of the industry. 6. Understanding of international markets. 7. Leadership ability. 8. Decision-making ability. In addition to the eight competencies above, the Company has also added two professional abilities, namely legal capability and environmental protection by taking into consideration the growing importance of global issues concerning corporate governance and environmental protection at present, so that the functions of the Board of Director can be more complete. At present, existing members of the Board of Directors possess the knowledge, skills and qualities required to	No material discrepancy

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
			perform their duties, and specialize in professional areas including accounting and finance, international markets, law and environmental protection. For details on the diversity of Board members, refer to the table below:	

Director Name	Gender	Core Competence									
		Business judgment	Accounting and finance	Business management	Crisis management	Knowledge of the industry	International Markets	Leadership ability	Decision making ability	Legal expertise	Environmental protection
Wu,Yi-Gui	Male	V	V	V	V	V	V	V	V		
Zhang,Ji-Zhong	Male	V		V	V	V	V	V	V		
Lin,Han-Fu	Male	V	V	V	V	V	V	V	V		V
Ying,Bao-Luo	Male	V		V	V	V	V	V	V		V
Liu,Han-Tai	Male	V		V	V	V	V	V	V		
Liu,Zhen-Tu	Male	V	V	V	V			V	V	V	
Li,Zu-De	Male	V	V	V	V			V	V		
Zheng,Ying-Bin	Male	V	V	V	V			V	V		V
Li,Liang-Xian	Male	V		V	V	V	V	V	V		V

Evaluation Item	Yes	No	Summary	Discrepancies
(II) Has the Company voluntarily established other functional committees, other than the Remuneration Committee and Audit Committee that are established in accordance with the law?	V		(II) The Company has established a Remuneration Committee and an Audit Committee, and exercises its authority in accordance with its "Remuneration Committee Charter" and "Audit Committee Charter" with favorable performance. The Company has voluntarily established a Corporate Social Responsibility Committee which exercises its authority in	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
			accordance with the "Corporate Social Responsibility Committee Charter" with favorable performance.	
(III) Has the Company established any rules for evaluating the performance of the Board of Directors and methods for evaluating them? Does the Company perform such evaluations every year?	V		(III) The Company has established the "Regulations Governing the Evaluation of the Performance of the Board of Directors" on November 9, 2017. At the end of each year, performance appraisal shall be performed on the Board of Directors (Audit Committee) for the current year based on the actual implementation of assessment indicators including degree of participation in the Company's operation, improvement of the quality of decision-making of the Board of Directors, composition and structure of the Board of Directors, election and continuous education of members of the Board of Directors, internal control and communications with the Audit Committee. Performance appraisal results shall be reviewed and improved upon in the most recent Board of Directors' Report in the following year. The results of performance appraisal performed on the Board of Directors (Audit Committee) in 2017 has been disclosed on the Company's website on January 5, 2018 and has been reported in the first Board of Directors' Meeting in 2018 (March 12, 2018).	
(IV) Does the Company regularly evaluate the independence of CPAs?	V		(IV) The Company periodically assesses the independence of the CPA and assessment items are formulated by the Accounting Division based on Article 47 of the Certified Public Accountant Act and No. 10 Statement of the Professional Ethics Standards for Certified Public Accountants. The main	No material discrepancy

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
			items include: 1. As of the most recent assurance operation, no CPA has yet to be replaced for seven (7) years. 2. The CPA does not have significant financial interest in the Company. 3. The CPA does not own any shares of the Company and its affiliated companies. 4. The CPA has not engaged in lending and borrowing of money with the Company and its affiliated companies. 5. The CPA does not concurrently serve as a regular employee of the Company or its affiliated companies and does not receive a fixed salary from them. 6. The CPA is not involved in the decision-making process of the Company and its affiliated companies. 7. The CPA does not have a spouse, immediate family members or relatives within the second degree of kinship who serve in the senior management of the Company. 8. The CPA has not collected any commission related to his/her service. According to the assessment, the CPAs Wu,Shih-Tsung and Kuo,Tzu-Jung retain the independence of CPAs and the assessment has been passed by the Company on March 12, 2018 in the 8th meeting of the 1st-term Audit Committee and the 1st meeting of the Board of Directors in 2018.	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
IV. If the Company is a publicly-listed Company and has set up a dedicated (concurrent) unit or personnel to handle corporate governance related matters (including but not limited to providing Directors and Supervisors information needed to carry out their duties, handling matters relating to Board of Director and shareholders' meeting based on the regulations, carrying out Company registration and change of registration processes and preparing minutes of Board of Director and shareholders' meetings)?	V		The following full-time (or part-time) personnel shall be responsible for the Company's corporate governance affairs: 1. Chief Financial Officer and Finance Division: Matters related to shareholders' meetings 2. Secretariat of the Board: Matters related to the Board of Directors' meetings 3. Accounting Division: Matters related to the meetings held by the Audit Committee 4. Human Resources Division: Matters related to the meetings held by the Remuneration Committee 5. General Manager's Office: Matters related to the meetings of the CSR Committee. 6. Legal Division: Matters related to Company registration and change registration Each department shall provide the Directors with information required for performing their duties within its scope of responsibilities in order to formulate and amend the Company's internal rules and regulations, including the Rules of Procedure for Shareholders' Meetings, Articles of Association, Rules of Procedure for the Board of Directors' Meetings, Regulations Governing the Acquisition and Disposal of Assets and Audit (Remuneration) Committee Charter.	No material discrepancy

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
V. Has the Company established a communication channel with stakeholders (including but not limited to shareholders, employees, customers, and suppliers)? Has a stakeholders' section been established in the Company's website and are major corporate social responsibility topics that the stakeholders are concerned with addressed appropriately by the Company?	V		The Company has set up a stakeholders' section under Corporate Social Responsibility on its website, which features contact information as channels of communication. We have also assigned dedicated personnel to take charge of the collection and disclosure of Company information and implemented a spokesperson system. Communication can be performed through interviews, telephone calls, or dedicated mailboxes.	No material discrepancy
VI. Does the Company commission a professional shareholder services agency to arrange shareholders' meetings and other relevant affairs?		V	The Company takes charge of its own shares-related affairs and handles matters related to shareholders' meetings in accordance with the law.	No material discrepancy
VII. Information Disclosure (I) Has the Company established a website to disclose information on financial operations and corporate governance? (II) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing specific personnel to collect and disclose Company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company's website)?	 V	 V	 (I) The Company has set up a website and regularly discloses Company information. http://www.cgpc.com.tw (II) The Company has appointed specific personnel in charge of the collection and disclosure of Company information and has implemented a spokesperson system.	 No material discrepancy
VIII. Has the Company provided important information to better understand the state of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' rights, progress of training of Directors	V		The Company compiles the "CSR Report" each year to disclose the implementation of employee rights, employee care, investor relations, supplier relations, rights of stakeholders, Directors' training records, the implementation of risk management policies and risk evaluation measures, and the implementation of customer	No material discrepancy

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
and Supervisors, risk management policy and implementation of risk impact standards, implementation of customer policies and the Company's purchase of liability insurance for its Directors and Supervisors)?			relations policies. The Company's "Corporate Social Responsibility Report" has been disclosed on the Company's website. (http://www.cgpc.com.tw/zh-tw/dirCSR/frmCSR0K.aspx) and the "Corporate Governance" section of the Market Observation Post System: (http://mops.twse.com.tw/mops/web/t100sb11).	

IX. Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved (Leave blank if the Company was not evaluated):

Completed improvements:

(I) The Company has established a Corporate Social Responsibility Committee with four members, more than half of which are Independent Directors. The Company has also disclosed the composition, duties, and operations of the Committee on the Company website.

(II) The Company has established the "Regulations Governing the Evaluation of the Performance of the Board of Directors," and these regulations have been approved by the Board of Directors. In addition, the Company will perform self-evaluation once every year, and will disclose the evaluation results on the Company's website and annual reports.

(III) The Company has updated the Company website, provided supplementary information for its content in Chinese and English, made them more consistent, and strengthened the disclosure of corporate governance and CSR information.

(IV) We established the Procedures for "Handling Cases of Illegal and Unethical or Dishonest Conduct".

(V) We issue material information in both Chinese and English at the same time to improve information transparency.

Prioritized items for improvement:

(I) Provide information in English for the meeting notices for shareholders' meetings, procedures manual, supplementary information for the meetings, and annual reports to increase information transparency.

(II) We issue annual reports and mid-term reports in English to improve information transparency.

(III) We organize investor meetings every quarter.

(IV) The CSR Report is verified by a third party.

Note 1: Regardless of whether "Yes" or "No" is selected, provide a brief description in the Summary column.

Note 2: A corporate governance self-assessment report is defined as the Company assessing its corporate governance evaluation items with appropriate explanations on current corporate operations and implementation.

(IV) If the Company has established a Remuneration Committee, the composition, responsibilities and operations of the committee shall be disclosed:

The Company's Remuneration Committee was officially established on December 28, 2011 and the establishment was announced. The composition, duties, and operations of the Remuneration Committee are as follows:

1. Information regarding the members of the Remuneration Committee

Title (Note 1)	Criteria / Name	Does the individual have over 5 years of professional experienceand the following professional qualifications?			Status of Independence (Note 2)								Number of publicly listed companies in which the member concurrently serves as a Remuneration Committee member	Remark(s)
		Serve as an instructor or higher positions in a private or public college or university in the field of business, law, finance, accounting, or other departments relevant to the business of the Company.	Serve as a judge, prosecutor, lawyer, certified public accountant or other professional or technical specialists who have passed the relevant national examinations and successfully obtained certificates in professions necessary for the business of the Company	Work experience in business, law, finance, accounting or other areas relevant to the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Zheng,Ying-Bin			V	V	V	V	V	V	V	V	V	0	
Independent Director	Li,Zu-De			V	V	V	V	V	V	V	V	V	1	
Independent Director	Li,Liang-Xian			V	V	V	V	V	V	V	V	V	0	

Note 1: Fill "Director", "Independent Director" or "Others" in the Title column

Note 2: Insert "V " in the box if a member meets the following criteria during his/her term of office and two (2) years prior to the date elected.✓

(1) Not employed by the Company or any of its affiliated companies.

(2) Not serving as the Director and Supervisor of the Company or any of its affiliated companies However, this restriction does not apply to independent Directors in the Company or its parent company or subsidiaries, which have been appointed in accordance with local laws or laws of the registered country.

(3) Not a natural person shareholder who holds more than one (1) percent of total shares issued by the Company or is one of the top 10 shareholders by number of shares held, including shares held in the name of the person’s spouse and minors, or in the name of others.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship to the individuals listed in the three preceding criteria.

(5) Not a Director, Supervisor, or employee of a corporate shareholder that directly holds more than five (5) percent of the total number of shares issued by the Company or is one of the top 5 shareholders by number of shares held.

(6) Not a Director (member of the governing board), Supervisor (member of the supervising board), managerial officer or shareholder who holds more than five (5) percent of shares of companies or institutions that have financial or business dealings with the Company.

(7) Neither a professional nor an owner, partner, Director (member of the governing board), Supervisor (member of the supervising board), managerial officer and their spouses of a sole proprietorship, partnership, Company,

or institution who provides commercial, legal, financial, accounting, or consultation services to the Company or to any of its affiliated companies or spouse thereof.

(8) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

2. Responsibilities

The Remuneration Committee shall exercise the care of a good administrator, faithfully fulfill the following functions and powers, and submit the recommendations to the Board of Directors for deliberation:

(1) Regularly review the Committee's charter and propose recommendations to amend it when necessary.

(2) Establish and regularly review the annual and long-term performance targets, as well as remuneration policies, systems, standards and structures of the Company's managerial officers.

(3) Regularly evaluate the performance targets of the Company's Directors and managerial officers, and develop the content and amount of their remuneration individually.

3. Operations of the Remuneration Committee

(1) The Company's Remuneration Committee consists of 3 members.

(2) Duration of the current term: June 27, 2016 to June 12, 2019. The Remuneration Committee has held 3 meetings (A) in 2017. The table below shows the qualifications of the committee members and their attendance:

Title	Name	Number of Attendance in Person (B)	Number of Attendance by Proxy	Rate of Attendance in Person (%) (B/A) (Note)	Remark(s)
Convener	Zheng,Ying-Bin	2	1	66.7%	
Committee Member	Li,Zu-De	3	0	100%	
Committee Member	Li,Liang-Xian	3	0	100%	

Other matters to be noted:

I. If the Board of Directors rejects or amends the suggestions of the Remuneration Committee, it should state the date of the Board Meeting, the term of the fiscal year, the content of the proposal, and resolution of the Board Meeting and the follow-up treatments (e.g., if the resolution of the Board Meeting states that the amount of remuneration is higher than that of the suggestions from the Remuneration Committee, the Board should specify the difference in number and the reason behind the resolution): Not applicable.

II. If there is any member who opposes or has reservations to the resolution of the Remuneration Committee and there is a record or a written statement for it, that record or statement should contain the date of the Board Meeting, the term of the fiscal year, the content of the proposal, and opinions of all members and the follow-up treatments: Not applicable.

Note: 1. Where a member of the Remuneration Committee resigns before the end of the fiscal year, the Remark column shall be filled with the member's resignation date, whereas his/her rate of attendance in person (%) shall be calculated based on the number of meetings held by the Remuneration Committee and the actual number of meetings attended during his/her term of office.

2. If members of the Remuneration Committee are re-elected before the end of the fiscal year, incoming and outgoing members shall be listed accordingly, and the Remark column shall indicate whether the status of a member is "outgoing", "incoming" or "re-elected", and the date of re-election. The rate of attendance in person (%) is calculated based on the number of meetings held by the Remuneration Committee and the actual number of meetings attended during his/her term of office.

(V) CSR implementation: The Company's CSR practices, such as environmental protection, social engagement, social contribution, community service, community welfare, consumer rights, human rights, safety and health, the system and methods used to plan and organize CSR activities and the status of implementation.

Assessed Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
I. Implementing corporate governance				
(I) Has the Company established CSR policies or systems and reviewed their effectiveness?	V		(I) The Company has taken into consideration the correlation between the development of domestic and foreign corporate social responsibility principles and corporate core business operations, and the effect of the operation of the Company and of Group subsidiaries as a whole on stakeholders, established the "Corporate Social Responsibility Best Practice Principles", and set up policies, systems or relevant management guidelines, and concrete promotion plans for corporate social responsibility programs.	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies
(II) Does the Company regularly hold CSR training?	V		(II) The Company has organized multiple CSR policy training programs since September 2014.	
(III) Has the Company established a dedicated full-time (or part-time) unit to promote CSR? Has the Board of Directors authorized senior management to handle such matters and report its implementation to the Board of Directors?	V		(III) The Company has established a CSR Committee to take charge of CSR policies, strategies, and plans and supervise the General Manager's Office, Administration Department, and Labor Safety Office and other full-time (part-time) units responsible for advancing the CSR plan. The CSR Committee evaluates the implementation and reports the plans and results of CSR implementation to the Board of Directors at least twice each year.	

Assessed Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
(IV) Has the Company formulated a reasonable remuneration policy and combined both employee performance appraisal and CSR policies? Has the Company established a clear reward and punishment system?	V		(IV) The Company shall appropriately reflect the corporate business performance or achievements in the employee remuneration policy, to ensure the recruitment, retention, and motivation of human resources, and achieve the objective of sustainable operations.	
II. Fostering A Sustainable Environment (I) Is the Company committed to improving the efficiency of using various resources, and to the use of recycled materials with reduced environmental impact? (II) Has the Company established an appropriate environmental management system based on the characteristics of the industry to which it belongs? (III) Is the Company concerned with the effects of climate change on its business activities? Has the Company implemented greenhouse gas (GHG) inventory audit, and formulated strategies for energy conservation, carbon reduction and GHG reduction?	V V V		(I) The Company dedicates full effort to reducing negative impact of business activities on the environment. We have actively implemented waste materials conversion for use and reuse as well as energy conservation and reuse and industrial waste reduction measures. (II) The Company has established comprehensive environmental management systems and formulated guidelines for the Labor Safety Office to supervise their implementation. (III) The Company has adopted standards or guidelines generally used in Taiwan and abroad to enforce corporate greenhouse gas inventory and to make disclosures thereof, the scope of which shall include: "Environmental Safety and Health Policy", "Environmental Protection Policy", and "Energy Conservation and Carbon Emissions Reduction Performance".	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies

Assessed Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
III. Preserving Public Welfare (I) Has the Company formulated relevant management policies and procedures in accordance with relevant laws and regulations and the International Bill of Human Rights?	V		(I) The Company has made reference to internationally recognized human rights standards including the International Bill of Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work to fully exercise CSR and implement human rights protection. Besides, the Company has established human rights policy to eliminate human rights violations so that our existing colleagues can enjoy reasonable and dignified treatment. Methods of Implementation: 1. Follow relevant laws and regulations to provide a safe and healthy workplace. 2. The Company is committed to maintaining a workplace which is free of violence, harassment and intimidation, as well as respect the privacy and dignity of employees. 3. The Company does not hire child labor. 4. The Company prohibits forced labor 5. The Company eliminates unlawful discrimination and reasonably ensure equal opportunity in employment and promotion. 6. The Company respect employees' rights to organize and participate in legally recognized labor unions to protect their right to work.	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies

Assessed Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
(II) Has the Company established employee complaint and grievance mechanisms and channels, and handled employee complaints and grievances appropriately?	V		(II) The Company has established the "Regulations for the Management of Employee Complaint, Grievance and Suggestion" to protect employees, help employees resolve work issues, foster harmonious labor relations, and improve the management system and operating performance. The Regulations stipulate complaint channels, units/personnel to accept complaints, processing deadlines, follow-up tracking, and confidentiality requirements to ensure simplified and smooth channels for complaints and fair and transparent treatment in the process.	
(III) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		(III) Employee safety and health management: 1. Policy: (1) Full participation and habit cultivation to build a corporate culture that value safety and health. (2) Complete preventive inspections and perform onsite inspections to prevent accidents. (3) Comply with government regulation to build a comprehensive safety system. 2. Goals: (1) Establish a zero-hazard work environment to protect the safety and health of workers. (2) No major occupational disasters. (3) Employee absence rate is lower than 0.6%. 3. Plan:	

<table>
<tr><th rowspan="2">Assessed Item</th><th colspan="3">Status of Implementation (Note 1)</th><th rowspan="2">Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary (Note 2)</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Factory difference</th><th>Program</th><th>2017 Performance</th></tr>
<tr><td>Toufen Plant</td><td>1. Equipment update including heat transfer oil boiler expansion tank, electrical equipment, calcium carbonate storage, office building elevators.
2. DCS system upgrade.</td><td>Normal without accidents</td></tr>
<tr><td rowspan="3">Linyuan Plant</td><td>Prevention of falling - construction scaffolds met safety regulations.</td><td rowspan="3">The composite disaster index was zero</td></tr>
<tr><td>Strengthen the supervision of the use of personal protection equipment.</td></tr>
<tr><td>Strengthen the supervision for staff to follow safety regulations for equipment maintenance on tagging, locking, and sealing.</td></tr>
</table>
CGPC is deeply aware that employees, suppliers, and contractors are the most important assets for sustainable corporate development. Therefore, we require compliance with occupational safety and health regulations and other related requirements in the R&D, production, testing, and sales of Company products and continue to improve safety and health measures to prevent unsafe actions, environments, or equipment from causing occupational hazards in order to fulfill our responsibilities in protecting the safety and health of employees.
The Company has established OHSAS 18001 and TOSHMS occupational safety and health management systems to provide good safety and health protection structure, prevent accidents, and ensure regulatory compliance.
In addition, CGPC plants participated in the "Toufen, Zhunan, and Linyuan Industrial Park Safety and Health Promotion Committees", "Regional Allied Defense
</td><td></td></tr>
</table>

Assessed Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
			Organization", "Taiwan Responsible Care Association (TRCA)", and the Vinyl Chloride and Chlorine Operations Allied Defense Organization. We observe and learn more about occupational safety, health, and environmental protection from other companies and improve the protection for operators' safety and health. We also organize periodic fire drills and occupational safety education and training each year to cultivate employees' capabilities responding to emergencies and management of their personal safety. CGPC's Toufen Plant served as the chairman of the Toufen and Zhunan Industrial Park Safety and Health Promotion Committee and the convener plant of the Regional Allied Defense Organization for three consecutive years from 2011 to 2013. It actively assisted in promoting the safety, health, and environmental protection affairs in Toufen and Zhunan Industrial Park. It was awarded number one for outstanding performance in safety and health in the Central Industrial Zone by the Industrial Development Bureau of the Ministry of Economic Affairs. 4. Occupational safety management CGPC's occupational disaster management goal is "zero-accident work safety". Low disabling injury frequency and low disabling injury severity rate are one of the key indicators for evaluating the health and safety of employees. CGPC has established the "Safety Work Incentives Regulations" to encourage employees to implement work safety. CGPC experienced zero accidents with injuries in 2016. Despite two instances of burn injuries in 2017, the Company	

Assessed Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
			immediately proposed response measures and supported the employees who sustained injuries based on our dedication to environmental safety in order to reduce risk factors and prevent reoccurrence.	
(IV) Has the Company established mechanisms to regularly communicate with its employees and appropriately notified its employees of operational changes that may result in material effects?	V		(IV) The Company has established a platform to facilitate regular two-way communication between the management and the employees for the employees to obtain relevant information on and express their opinions on the Company's operations, management and decisions.	
(V) Has the Company established an effective career developmental plan for its employees?	V		(V) The Company has established an all-round education and training system in coordination with the external environment, its business principles, department performance goals and employees' career development needs, in order to provide training courses required by all-round talents. In regards to the employees' continuing education and learning, the Company conducts the employee training needs survey in the fourth quarter of every year to formulate education and training implementation plans and budgets. At the same time, the Company has also set up a digital learning platform as a means for self-learning, and regularly holds employee functional training, management training, seminars, health talks and various conferences to enhance employees' professional and management skills, thereby balancing employees' physical and mental development. In order to	

Assessed Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
			improve coworkers' qualities and overall competitiveness, courses are conducted using diverse methods. In addition to lectures, in-class activities are designed according to course attributes, while case study discussions or group discussions are carried out, with a view to making learning more lively and productive. Additionally, online e-learning courses allows coworkers to effectively participate in learning activities anytime, anywhere, thereby enhancing their career development and overall work performance.	
(VI) Has the Company established relevant customer rights policies and customer complaint and grievance procedures for research and development, purchasing, production, operations and service processes?	V		(VI) The Company takes into account the effect of business operations on ecological efficiency, promote and advocate the concept of sustainable consumption in our business activities including R&D, procurement, production, operations, and services. We adhere to the principle of sustainable consumption to reduce the impact on the natural environment and human beings from business operations. The Company has established the General Manager's Office to resolve customer quality complaints and to perform periodic follow-up to prevent reoccurrence. For more information on the complaint program, please refer to the "Investor Services" section on the Company's website (http://www.cgpc.com.tw/). The Company requires suppliers to provide guarantees for procured raw materials or equipment that may cause safety or	

Assessed Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
			environmental impact concerns. The complaint program is as specified above.	
(VII) Does the Company comply with relevant laws and international regulations governing the marketing and labeling of its products and services?	V		(VII) The Company establishes long-term cooperation with high-quality suppliers based on quality, capability and environmental protection policies, fulfills corporate social responsibilities, and delivers the idea of environmental protection policies to contractors and carriers. At the same time, the Company complies with the RoHS directive and enhances environmental protection education and training. The Company also pays serious attention to the safety of construction companies in the plant area and ensures the safety of various operations so as to protect the safety and health of workers and jointly engage in good risk management with them.	
(VIII) Has the Company evaluated any record of a supplier's impact on the environment and the society before engaging in commercial dealings with the said supplier?	V		(VIII) The Company has established the "Supplier Evaluation Procedures" and "Supplier Environmental Safety and Health Guidelines" to evaluate the quality, delivery period, environmental protection and labor safety, packaging, quality assurance, and services before transactions and subsequently every year after transactions. We also promote the Company's environmental policies, occupational health and safety policies, and related occupational health and safety management regulations to establish long-term	

Assessed Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
(IX) Do contracts between the Company and its major suppliers include terms where the Company may terminate or rescind the contract at any time if the said suppliers violate the Company's corporate social responsibility policy and have caused significant effects on the environment and the society?	V		partnerships and help protect the environment and fulfill social responsibilities. (IX) The Company will continuously strengthen self-evaluation of supply chain sustainability, and gradually incorporate CSR performance into selection, evaluation and audit processes. The Company jointly fulfills corporate social responsibilities with its suppliers using its influence. Excellent CSR experience sharing and collaboration with suppliers serve as a vital foundation for the Company to establish sustainable businesses.	
IV. Enhancing Information Disclosure (I) Does the Company disclose relevant and reliable information related to CSR on its official website and MOPS?	V		Information relating to the Company's implementation of corporate social responsibilities is disclosed on the Company's website (http://www.cgpc.com.tw/).	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies
V. If the Company has established its own Corporate Social Responsibility Best Practice Principles in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", describe difference with the principles and implementation status:	V		The Company has established the "Corporate Social Responsibility Best Practice Principles" in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies".	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies

Assessed Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	

VI. Other important information helpful in understanding CSR operation:

(I) Composition, duties and operation of the CSR Committee:

The Company's CSR Committee was officially established on November 9, 2017 and the composition, duties, and operations of the CSR Committee are as follows:

1. Information on the members:

Title	Name
Committee Chairman	Independent Director Zheng,Ying-Bin
Deputy Committee Chairman	Director and General Manager Lin,Han-Fu
Committee Member	Chairman Wu,Yi-Gui
Committee Member	Independent Director Li,Liang-Xian

2. Responsibilities
   (1) Determining the CSR policy.
   (2) Outlining the CSR strategy, annual plan, and project plans.
   (3) Supervising the plans of SCR strategies, the implementation of the annual plan and project plans, and evaluate the implementation.
   (4) Reviewing and approving the corporate social responsibility report.
   (5) Report the implementation of CSR activities to the Board of Directors each year.
   (6) Other matters to be conducted by the committees per Board resolution.
3. State of Operations:
   (1) Meeting date: March 12, 2018
   (2) Committee members in attendance: Zheng,Ying-Bin, Li,Liang-Xian, Wu,Yi-Gui, and Lin,Han-Fu
   (3) Plan of the 2017 Corporate Social Responsibility Report.
   (4) Progress report of the 2017 Corporate Social Responsibility Report.

(II) Implementation of Environmental Protection and Occupational Safety and Health:

1. Environmental Protection Policies
   (1) To comply with relevant environmental protection and occupational safety and health regulations and relevant

Assessed Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	

requirements derived from such regulations.

(2) To continuously conserve and reuse resources and energy, and reduce industrial waste.
(3) To prevent pollution, reduce potential risks in operations.
(4) To continuously provide employees with education and training, and carry out work related to environmental protection and occupational safety and health.
(5) To actively communicate with customers and residents, manage suppliers and contractors, and encourage all employees to participate in work related to environmental protection and occupational safety and health.
(6) To thoroughly implement environmental management system to enhance environmental performance and reduce environmental safety risks in communities.

2. The Company has been a member of the Taiwan Responsible Care Association since 1998 and serves as a member of the Association's Regulatory Committee who regularly participates in regulatory discussions. The Company applies the Responsible Care Management Practices established by TRCA to its entire plant, and reports its safety, health and environmental protection performance indicators every year.
3. The Company continues to implement industrial waste reduction, improve workplace safety, and enhance environmental protection and occupational safety and health training for employees.
4. The Company has formulated its "Waste Management Practices" in accordance with the "Standards for Defining Hazardous Industrial Waste" in order to determine the characteristics of waste and details such information in the "Waste Cleanup Plan" before submitting the plan to the competent authority.
5. The Company has formulated its "Regulations Governing the Management of Recycled and Regenerated Products" that specify resource recycling, classification, storage and auction operations, with the purpose of achieving waste reduction and resource recycling and reuse.
6. The Company's subsidiary Taiwan VCM Corporation rented part of the land occupied by the China Petrochemical Development Corporation's Qianzhen Plant from January 1, 1970 to December 31, 1989 to set up its plant and manufacture VCM. In October 2006, the area was deemed a groundwater pollution control site. After remediating the area using the "Physics + Chemistry + Biology" engineering method developed by Taiwan VCM Corporation, the groundwater pollution concentration level of the site decreased to less than the groundwater pollution control standard. Based on the findings of re-inspections by the Environmental Protection Bureau of the Kaohsiung City Government from January 11 to 12, 2016, it

Assessed Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	

was announced on April 11, 2016 that the area had its status as a groundwater pollution control site terminated and was removed from the delineation of the groundwater pollution control region.

7. Small areas of the Company's Toufen Plant were listed by the environmental protection agency as groundwater pollution control sites and groundwater pollution control region in 2010. Toufen Plant adopted the "Physics + Chemistry + Biology" engineering method developed by the subsidiary Taiwan VCM Corporation for remediation and improvement. The environmental protection agency performed sampling and verification onsite and found all statistics to meet government control standards and the Environmental Protection Administration and Environmental Protection Bureau of Miaoli County announced the removal of the site from the list of controlled areas on February 24, 2017 and March 21, 2017.

(III) Implementation of Energy Conservation and Carbon Reduction:

1. Energy Conservation and Carbon Reduction Policies:
   (1) To achieve energy conservation and carbon reduction regulations set by the government, as well as actively promote and develop energy conservation and carbon reduction projects.
   (2) To demonstrate the Company's commitment towards energy conservation and carbon reduction, and rewards the incorporation of energy conservation and carbon reduction cases in order to propose improvements to the system.
   (3) To promote energy conservation and carbon reduction plans at departmental level and carry out energy conservation and carbon reduction education and promotional work.
   (4) To implement energy conservation and carbon reduction-related individual job details and continuously provide employees with education and training in order to implement energy conservation and carbon reduction.
2. Outcomes of Energy Conservation and Carbon Reduction:
   (1) The inventory of greenhouse gases at the Company's production sites were performed by SGS Taiwan in accordance with ISO 14064-1: 2006. The verified total emissions in 2016 was 399,430 tons. The results of the total emissions verification in 2017 and self-inspections totaled 396,710 metric tons (as of the publication date of the Annual Report, SGS has yet to completed the Linyuan Plant verification; results shall be announced on the website and provided in the next year's Annual Report). In addition, the Company has completed performance guidance programs for automatic greenhouse gas reduction and reduced carbon emissions by 11,718 tons and 24,826 tons in 2016 and 2017.
   (2) The Company has implemented 23 energy conservation and carbon reduction plans in 2017 and has reported them to the Industrial Development Bureau. These plans are still pending review by Taiwan Green Productivity Foundation.

Assessed Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
(3) The Company improved facilities and implemented energy conservation and water conservation measures in 2017 and accumulated a total of 1,560 kWh (0.5%) in saved electricity, 185,850 GJ (4.3%) in energy consumption, and 250,754 tons (8.3%) in reduced water consumption. 3. Energy Conservation and Carbon Reduction Plans: The Company plans to save power by 1%, save energy by 2%, reduce carbon emissions by 1.5%, and reduce water consumption by 1%. The key tasks are as follows: (1) Replacement of distribution transformers. (2) Replacement of chillers and box-type air-conditioners. (3) Adoption of high-efficiency motors. (4) Improvement of PVC resin conveying system and replacement of old process manufacturing equipment. (5) The feed water in coal-fired sedimentation tank is replaced by effluents. (IV) Implementation of Social Services and Public Welfare: (1) With a history going back 46 years, the Company's Love and Care Society continuously participates in the adoption of poor children organized by the Taiwan Fund for Children and families, and visits the sick, orphanages and old folks' homes from time to time. (2) The Company adopted the 500m-long beach beside Long Fong Fishing Port, Zhunan in 2017, and organized the first beach cleanup event on September 9 after adopting this beach. (3) The Company participated in the Public Welfare, Environmental Protection and Social Services event held by Yungchen Temple in Toufen Township and provided fund sponsorship to the event. (4) The Company helped clean up and maintain the environment around Yungchen Temple, Nantian Street and Beitian Street. (5) The Company adopted street lamps around its Toufen Plant, and carries out maintenance of these lamps. (6) The Company adopted the Jhonggang River Dongxing Bridge Wetland Park in Miaoli.				
VII. The Company should specify if the Company's CSR Report has passed the relevant accreditation awarded by any validation agency: The Company has not yet appointed related verification agency to verify the "CSR Report" it has compiled.				

Note 1: Regardless of whether "Yes" or "No" is selected, provide a brief description in the Summary column.

Note 2: Companies that have already prepared their own CSR reports may specify ways to access the report and indicate the page numbers of the cited content in place of the abovementioned summary description.

(VI) Ethical corporate management and measures adopted:

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
I. Formulating Ethical Corporate Management Policies and Programs (I) Does the Company specify ethical corporate management policies and programs in its regulations and external documents? Do the Board of Directors and the management team actively advocate and implement these policies?	V		(I) The Group upholds the business philosophy of "Solid Operation, Professional Management, Seeking Excellence and Serving the Society" and exercises its corporate culture that "seeks truth, honesty and comprehensiveness". The Company has established its "Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers" to specify its ethical corporate management policies. The Company's Board of Directors and management team have promised to actively implement these policies.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies.
(II) Has the Company formulated solutions to prevent unethical conduct from taking place, specified all the solutions in its operating procedures, conduct guidelines, punishments for violations and complaint and grievance channels and implemented these solutions?	V		(II) The Company has formulated the "Ethical Corporate Management Best Practice Principles" and the "Procedures for Ethical Management and Guidelines for Conduct", while the Group has also formulated the "Code of Conduct for Employees Regarding Concurrent and Part-time Work". In addition, the Company has set up an "Ethical Corporate Management" section on its website to educate and promote ethical conduct and organizes related training courses.	
(III) Does the Company take preventive measures against operating activities stipulated in Article 7, Subparagraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies" or those with higher	V		(III) 1. Preventive measures are as follows: 1.1. All employees have signed the "Letter of Undertaking" and they may not directly or indirectly induce the suppliers, customers, employees, or consultants in performing any	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
risks of unethical conduct in other scopes of business?			action that damage Company interests for their own or others' benefit when performing their duties. 1.2. The Company's "Employee Work Rules" specifically require employees to remain honest and ethical in their work and they may not use their powers for fraudulent personal gains. 1.3. We periodically organize training courses to promote the ideals. 1.4. The Company organizes internal control self-assessments each year for each unit to perform internal control assessments. Discrepancies are immediately rectified. 2. The Company has effectively prevented unethical conduct such as bribery by establishing the Audit Committee mailbox, reporting channels for reports of any illegal or unethical conduct or violation of the Ethical Corporate Management Best Practice Principles, authorization regulations, internal control systems, routine audits and ad-hoc audits.	
II. Implementing Ethical Corporate Management (I) Has the Company evaluated the ethics records of counterparties to its business dealings, and specified ethical business policies in contracts	V		(I) The Company has requested for terms of ethical conduct to be clearly defined in commercial contracts in accordance with its “Ethical Corporate Management Best Practice Principles"	Consistent with the Ethical Corporate Management Best

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
with counterparties related to its business dealings?			and "Procedures for Ethical Management and Guidelines for Conduct."	Practice Principles for TWSE or TPEx Listed Companies.
(II) Has the Company established a full-time (or part-time) unit directly under the supervision of the Board, which is dedicated to promoting ethical corporate management and regularly reports its implementation to the Board of Directors?	V		(II) The Company has designated the Human Resources Division as the unit responsible for implementing ethical corporate management. It reports the implementation status to the Board of Directors regularly every year.	
(III) Has the Company established policies to prevent conflicts of interest, provided an appropriate channel for reporting such conflicts and implemented them?	V		(III) The Company has formulated the "Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers" to prevent conflict of interest and provide suitable channels for Directors, managers, and employees to explain any potential conflict of interest with the Company.	
(IV) Has the Company established an effective accounting system and international control systems to implement ethical corporate management, designated its internal audit unit to perform regularly audits or commissioned CPAs to perform audit?	V		(IV) The Company's accounting systems and internal control systems can run independently and objectively. Internal control personnel regularly report to the Audit Committee and the Board of Directors. CPAs appointed by the Company regularly perform internal audits and hold discussions with the management.	
(V) Does the Company regularly hold internal and external training related to ethical corporate management?	V		(V) The Company continues to organize awareness education and training activities. Training programs organized in 2017 included the following: (1) How to protect trade secrets in a world with frequent secret thefts/2hours/60 participants;	

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
			(2) How companies respond to modern white-collar crimes/3 hours/59 participants; (3) Innovative applications and cloud security management/2 hours/33 participants; (4) Information disclosure and prevention of insider trading/3 hours/49 participants.	
III. Implementation of the Company's Whistleblowing System (I) Has the Company established a specific whistleblowing and reward system, set up convenient whistleblowing channels and designated appropriate personnel to handle investigations against wrongdoers?	V		(I) The Company amended the "Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct" on November 9, 2017 (http://www.cgpc.com.tw/PDF/others/ProcessForIllegalUnethicalDishonesty.pdf) which included the following report channels, incentive system, dedicated personnel responsible for processing reports, and whistleblower protection measures: 1. Report channel: (1) Personal report: Face-to-face explanation. (2) Telephone report: Audit Committee: 02-87516888 (executive secretary of the Audit Committee); Audit Supervisor: 02-87516888 (Chief Auditor) Human resources manager: 02-87516888 (Human Resources Manager) (3) Submitting report: Audit Committee: The Mailbox of the Audit Committee in the "Investor Services" section on the Company's website. Chief Auditor: 7F, No. 37, Jihu Road, Neihu District, Taipei City.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies.

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
			Human Resources Manager: No. 571, Minzu Road, Toufen City, Miaoli County. 2. Incentive system: Where a report is verified as true and its contribution generates significant economic benefits, the incident may be submitted to the General Manager to provide the reporter with appropriate rewards. 3. Responsible personnel: (1) Audit Committee members: Accept reports from shareholders, investors, and other stakeholders. (2) Audit Manager: Accept reports from customers, suppliers, and contractors. (3) Human Resources Manager: Accept reports from employees. 4. Whistleblower protection: Whistleblowers or persons involved in investigations shall be fully protected and the confidentiality of their identities and information provided shall be fully maintained, so that they will not be subjected to unfair treatment or retaliation. Where the whistleblower is an employee, the Company shall guarantee that the employee shall not sustain inappropriate treatment that may arise from the report.	
(II) Has the Company established standard operating procedures for investigating reported cases and related confidentiality mechanisms?	V		(II) The aforementioned regulations specify report processing procedures and related confidentiality mechanisms. Whistleblowers or persons involved in investigations shall be fully protected and the confidentiality of their identities and information provided shall be fully maintained, so that they will not be subjected to unfair treatment or retaliation.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies.

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
(III) Has the Company set up protection for whistleblowers to prevent them from being subjected to inappropriate measures as a result of reporting such incidents?	V		Where the whistleblower is an employee, the Company shall guarantee that the employee shall not sustain inappropriate treatment that may arise from the report. (III) The procedures above also specify that whistleblowers or persons involved in investigations shall be fully protected and the confidentiality of their identities fully maintained, so that they will not be subjected to unfair treatment or retaliation.	
IV. Enhancing Information Disclosure (I) Does the Company disclose its ethical corporate management practices and the effectiveness of its implementation on its official website or MOPS?	V		(I) The Company has placed the guidelines and information on ethical corporate management in the "Ethical Management" section on its website so that our colleagues can refer to these procedures and information at all times. The Company places its "Ethical Corporate Management Best Practice Principles" on the Company's external website (http://www.cgpc.com.tw/zh-tw/dirServices/frmServices2.aspx) and Annual Reports (the Annual Reports are also placed on MOPS) to disclose information related to ethical corporate management.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies.
V. If the Company has established its own Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies," state the discrepancies between these principles and its implementation: The Company has established its "Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers", the "Ethical Corporate Management Best Practice Principles", the "Procedures for Ethical Management and Guidelines for Conduct", the "Code of Conduct				

Evaluation Item	Status of Implementation (Note 1)			Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary	
for Employees Regarding Concurrent and Part-time Work", and the "Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct". There was no material discrepancy during the implementation of these rules and regulations.				
VI. Other important information that facilitates the understanding of the implementation of ethical corporate management: (such as review and amendment of the Company's Ethical Corporate Management Best Practice Principles) The Company issues a signed letter titled "Reiteration of Our Company's Ethical Corporate Management Policies" to suppliers to demonstrate its commitment to ethical corporate management, and continuously organizes related promotion and training activities.				

Note 1: Regardless of whether "Yes" or "No" is selected, provide a brief description in the Summary column.

(VII) Methods of inquiry in the Corporate Governance Best Practice Principles and related regulations established by the Company:

1. The Company has established the following operating procedures:
   (1) Articles of Incorporation
   (2) Rules of Procedure for Shareholders' Meetings
   (3) Regulations Governing the Election of Board Members
   (4) Rules of Procedure for Board of Directors' Meetings
   (5) Regulations Governing the Evaluation of the Performance of the Board of Directors
   (6) Rules Governing the Scope of Powers of Independent Directors
   (7) Remuneration Committee Charter
   (8) Audit Committee Charter
   (9) Corporate Social Responsibility Best Practice Principles
   (10) CSR Committee Charter
   (11) Corporate Governance Best Practice Principles
   (12) Ethical Corporate Management Best Practice Principles
   (13) Procedures for Ethical Management and Guidelines for Conduct
   (14) Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers
   (15) Employee Work Rules
   (16) Procedures for Handling Material Inside Information
   (17) Regulations Governing Asset Acquisition and Disposal
   (18) Regulations Governing the Making of Endorsements / Guarantees
   (19) Regulations Governing the Loaning of Funds to Others
   (20) Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct
   (21) Regulations Governing the Handling of Employee Complaints, Opinions and Feedback
2. For related procedures, please visit the following websites
   (1) Corporate Governance section of the Market Observation Post System (http://mops.twse.com.tw/)
   (2) Corporate Governance information under Investor Relations on the Company's official website.
   (http://www.cgpc.com.tw/zh-tw/dirServices/frmServices2.aspx)

(VIII) Other material information that can enhance the understanding of the state of corporate governance at the Company:

The Company regularly performs audit of its subsidiaries, and regularly analyzes and reviews the financial and business information of its subsidiaries in accordance with the requirements for supervision and monitoring of subsidiaries stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies.

(IX) Implementation of Internal Control System

1. Statement of Internal Control

China General Plastics Corporation

Statement of the Internal Control System

Date: March 12, 2018

The Company hereby makes the following statement about its internal control system for the year 2017 based on its self-assessment:

I. The Company acknowledges that the establishment, implementation and maintenance of the internal control system are the responsibilities of the Company's Board of Directors and managerial officers, and thus the Company has established such a system. The objectives of this system are to meet various goals including achieving operational benefits and efficiency (including profitability, performance, as well as asset and safety protection), and ensuring the reliability, timeliness, transparency and regulatory compliance of reporting, thereby providing reasonable assurance.

II. An internal control system has inherent constraints. No matter how comprehensive its design may be, an effective internal control system is only capable of providing adequate assurance for achieving the abovementioned objectives. In addition, the effectiveness of the internal control system may change with the environment and under different situations. Nevertheless, the Company's internal control systems are equipped with self-monitoring mechanisms, thereby allowing the Company to take immediate remedial actions in response to any identified deficiency.

III. The Company determines whether or not the design and implementation of its internal control system is effective according to the items for determining the effectiveness of internal control systems as stated in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The items for the determination of internal control systems adopted in the Regulations has identified five key components based on management control processes: (1) control environment, (2) risk assessment, (3) control operations, (4) information and communication, and (5) monitoring operations. Each component includes a number of items. For more information on the abovementioned items, please refer to the Regulations.

IV. The Company has adopted the items for determining internal control systems in order to evaluate the effectiveness of its internal control system design and implementation.

V. Based on the above results, the Company believes that the design and implementation of its internal control systems (including supervision and management of its subsidiaries), as of December 31, 2017 and understanding the level of goal achievement in regards to operational benefits and efficiency, as well as whether the reporting is reliable, timely and transparent and whether it complies with the relevant laws and regulations, is effective and can reasonably assure the accomplishment of the abovementioned goals.

VI. The Statement shall become the main content of the Company's annual report and prospectus and shall be made public. Should the abovementioned content contain illegalities such as fraudulent and hidden information, the Company shall assume legal liabilities involving Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.

VII. The Statement has been agreed by the Company's Audit Committee on March 12, 2018, and approved by the Board of Directors on the same day, where zero out of the nine Directors present voted against the resolution and the remaining Directors agreed with the content of the Statement.

China General Plastics Corporation

Chairman: Wu,Yi-Gui (signature and seal)

General Manager: Lin,Han-Fu (signature and seal)

2. Where CPAs are commissioned to audit the Company's internal control systems, the audit report prepared by the CPAs should be disclosed: Not applicable.

(X) Penalties imposed on the Company and its internal staff, penalties imposed on its internal staff by the Company for violation of internal control regulations, major deficiencies and status of improvements made in the most recent fiscal year up to the publication date of this annual report: None.

(XI) Key resolutions adopted by the Shareholders' Meeting and the Board of Directors in the most recent fiscal year up to the publication date of this annual report

1. Shareholders' Meeting

Year of Meeting	Time of Meeting	Resolutions
2017	June 8, 2017	The minutes of the Shareholders' Meeting were posted onto MOPS on June 26, 2017. The resolutions and their status of implementation are as follows: 1. Approve the 2016 Account Book. Implementation status: Resolution passed. 2. Approve the 2016 profit distribution plan. Implementation status: Resolution passed. A total of NT$812,038,109 were distributed to the shareholders as cash dividends, and the record date of distribution was August 4, 2017. All the cash dividends were completely distributed on August 25, 2017. A total of NT$143,300,840 were distributed to the shareholders as stock dividends in which 14,330,084 new shares were distributed. All the stock dividends were completed distributed on September 14, 2017. 3. Discussions of the capital increase by retained earnings in new shares issuance. Implementation status: Resolution passed. The resolution was declared effective by the Securities and Futures Bureau under the Financial Supervisory Commission on June 23, 2017 and was approved as stated in the approved letter with Reference No. Ching Shou Shang Tzu 10601121290 dated August 28, 2017. The Company issued 14,330,084 new shares, where 30 new shares were distributed for each thousand shares held. The record date of capital increase approved by the Board of Directors was August 4, 2017, and all the new shares were completely distributed on September 14, 2017. 4. Deliberate on the amendment of the Regulations Governing the Acquisition and Disposal of Assets Implementation status: The resolution was passed and has been implemented according to the resolution passed by the Shareholders' Meeting. 5. Deliberate on the amendment of the Procedures for Loaning of Funds to Others Implementation status: The resolution was passed and has been implemented according to the resolution passed by the Shareholders' Meeting. 6. Discussion on lifting competition restrictions against Directors. Implementation status: Resolution passed.

2. Board of Directors Meeting

Session (Year) of Meeting	Time of Meeting	Resolutions
1st Meeting in 2017	February 22, 2017	Approved the purchase of the Toufen Plant and parts of the auxiliary electrical and mechanical facilities from USI Optronics Corporation.
2nd Meeting in 2017	March 14, 2017	1. Ratify the endorsement guarantee for the subsidiary Company CGPC Polymer Corporation. 2. Approved the 2016 compensation distribution plan for Directors and employees 3. Approved the 2016 Account Book 4. Approved the 2016 profit distribution plan 5. Approved capital increase by retained earnings 6. Approved the amendment of certain articles in the Regulations Governing the Acquisition and Disposal of Assets 7. Approved the amendment of certain articles in the Procedures for Loaning of Funds to Others 8. Approved the recommendation to lift competition restrictions against Directors at the general shareholders' meeting 9. Approved matters related to the convening of the 2017 general shareholders' meeting 10. Established the period for acceptance of shareholders' proposals from April 1, 2017 to April 11, 2017. 11. Approved remuneration of CPAs for year 2016 12. Approved the 2016 Evaluation of the Independence of Appointed CPAs 13. Approved the appointment of CPAs for year 2017 14. Approved the issuance of the 2016 Statement on Internal Control System 15. Authorized the Chairman to sign and deliver shot-term credit loan contracts and related documents to financial institutions 16. Approved donations to the USI Education Foundation
3rd Meeting in 2017	May 8, 2017	1. Ratified the endorsement guarantee for the subsidiary Company CGPC Polymer Corporation. 2. Approved the amendment of internal control systems
4th Meeting in 2017	June 10, 2017	Approved the issuance of new shares
5th Meeting in 2017	August 9, 2017	1. Approved the 2017 Quarter 2 Consolidated Financial Statements 2. Approved the amendment of certain articles in the Rules of Procedure for Board of Directors' Meetings 3. Approved the amendment of certain articles in the Audit Committee Charter
6th Meeting in 2017	November 9, 2017	1. Ratified the endorsement guarantee for the subsidiary Company CGPC Polymer Corporation. 2. Approved the 2018 Company budget 3. Approved the 2018 audit plan 4. Approved the formulation of the Regulations Governing the Evaluation of the Performance of the Board of Directors. 5. Approved the amendment of certain articles in the Rules Governing the Scope of Powers of Independent Directors. 6. Approved to establish the Corporate Social Responsibility Committee and the Corporate Social Responsibility Committee Charter. 7. Elected two Independent Directors Zheng,Ying-Bin and Li,Liang-Xian as members of the CSR Committee and Director Zheng,Ying-Bin was appointed as convener.

Session (Year) of Meeting	Time of Meeting	Resolutions
		8. Approved the formulation of the Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct
1st Meeting in 2018	March 12, 2018	1. Ratified the endorsement guarantee for the subsidiary Company CGPC Polymer Corporation. 2. Ratified the renewal of the medium-term loan limit signed with Chang Hwa Bank Nangang Science Park Branch. 3. Approved the 2017 Account Book 4. Approved the 2017 compensation distribution plan for Directors and employees 5. Approved the 2017 earnings distribution plan 6. Approved capital increase by retained earnings 7. Approved the amendment of certain articles in the Articles of Association 8. Approved the amendment of certain articles in the Regulations Governing the Making of Endorsements / Guarantees 9. Approved the recommendation to lift competition restrictions against Directors at the general shareholders' meeting 10. Approved matters related to the convening of the 2018 general shareholders' meeting 11. Established the period for acceptance of shareholders' proposals: April 15, 2018 to April 25, 2018 12. Approved remuneration of CPAs for year 2017 13. Approved the 2018 Evaluation of the Independence of Appointed CPAs 14. Approved the appointment of CPAs for year 2018 15. Approved the issuance of the 2017 Statement on Internal Control System 16. Approved the change of the chief auditor 17. Authorized the Chairman to sign and deliver shot-term credit loan contracts and related documents to financial institutions 18. Approved donations to the USI Education Foundation

(XII) In the last fiscal year and until the date of publication of the Annual Report, the main content of the record or the written statement of Directors or Supervisors who hold different opinions toward important resolutions adopted by the Board of Directors: Not applicable.

(XIII) Summary of the resignation and dismissal of the Company's Chairman, General Manager, Accounting Manager, Finance Manager, Head of Internal Audit and Head of Research and Development in the most recent fiscal year up to the publication date of this annual report:

Apr 30, 2018

Title	Name	Date Appointed	Date Dismissed	Reasons for resignation or dismissal
Chief Auditor	Zhang, Li-Ping	August 14, 2009	March 12, 2018	Work adjustment or reassignment
Chief Auditor	Jiang, Kang Nian	March 12, 2018		Newly Appointed

Note: Persons associated with financial statements refer to the Chairman, General Manager, Accounting Manager and Head of Internal Audit.

V. Information on CPA Professional Fees

CPA Professional Fees by Range (Please tick a range or fill in the amount)

Name of CPA Firm	Name of CPA		Audit Period	Remarks
Deloitte & Touche, Taiwan, Republic of China	CPA Wu,Shih-Tsung	CPA Kuo,Tzu-Jung	2017	None

Note : If the Company has replaced the CPAs or accounting firm in the current fiscal year, the audit period shall be listed separately, and the reason for replacement shall be stated in the Remark column.

Unit: NT$ thousands

	Fee Item / Range of Fees	Audit Fee	Non-Audit Fees	Total
1	Less than NT$2,000 thousand			
2	NT$2,000 thousand (inclusive) - NT$4,000 thousand			
3	NT$4,000 thousand (inclusive) - NT$6,000 thousand	4,820	263	5,083
4	NT$6,000 thousand (inclusive) - NT$8,000 thousand			
5	NT$8,000 thousand (inclusive) - NT$10,000 thousand			
6	Over NT$10,000,000 (inclusive)			

Note: The audit fees refer to the fees paid to Certified Public Accountants with regards to the services of financial report auditing, verification, review, financial forecast auditing, and tax certification.

(I) When the non-audit fees paid to the Certified Public Accountants, their firm, and its affiliated companies account for 25% or more to the audit fees, the amount of audit fees and non-audit fees and the content of non-audit service must be disclosed:

Unit: NT$ thousands

Name of Accounting Firm	CPA Name	Audit Fees	Non-Audit Fees					CPA Audit Period	Remark(s)
			System Design	Business Registration	Human Resources	Others (Note 2)	Subtotal		
Deloitte & Touche, Taiwan, Republic of China	Wu, Shih-Tsung Kuo, Tzu-Jung	4,820	23 (Note 3)	80 (Note 3)	0	160	263	2017 Year	The audit fees for profit-seeking enterprise income tax review services amounted to NT$60 thousand and NT$100 thousand in ad hoc service charges.

Note 1: If the Company has replaced the CPAs or accounting firm in the current fiscal year, the audit period should be listed separately, and the reason for replacement should be stated in the "remark" column. Information regarding the audit and non-audit fees paid should also be disclosed in order.

Note 2: Non-audit fees shall be listed by service item. If the Others column under Non-Audit Fees reaches 25 percent of the total non-audit fees, the service items associated with this column shall be listed in the Remark column.

Note 3: The software maintenance fee of NT$23 thousand for the consolidated statements and NT$80 thousand for the capital audit fees for the conversion of earnings to capital.

(II) Where the CPA firm was replaced, and the audit fees in the fiscal year, when the replacement was made, were less than that in the previous fiscal year before replacement, the amount of audit fees paid before/after replacement and reasons for paying this amount shall be disclosed:

The Company did not replace the CPA firm. Therefore, this section is not applicable.

(III) Where accounting fee paid for the year was 15% (or above) less than that of the previous year, the sum, proportion, and cause of the reduction shall be disclosed:

The Company's audit fee has not decreased more than 15%. This is therefore not applicable.

VI. Information on Replacement of Certified Public Accountants

(I) Previous CPAs: Not applicable

<table>
<tr><td>Date of Replacement</td><td colspan="4">Not applicable</td></tr>
<tr><td>Reason for Replacement and Explanation</td><td colspan="4">Not applicable</td></tr>
<tr><td rowspan="3">State whether the appointer or the CPAs have terminated the appointment, or whether the appointer or the CPAs have rejected the appointment</td><td colspan="2">Party
Status</td><td>CPA</td><td>Appointer</td></tr>
<tr><td colspan="2">Termination initiated by client</td><td colspan="2" rowspan="2">Not applicable</td></tr>
<tr><td colspan="2">CPA declined to accept (continue) the appointment</td></tr>
<tr><td>Opinion and reason for the issuance of audit reports containing opinions other than unqualified opinions in the most recent two fiscal years</td><td colspan="4">Not applicable</td></tr>
<tr><td rowspan="6">Different opinions from the issuer</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="2">Audit scope or procedures</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td>None</td><td colspan="3">Not applicable</td></tr>
<tr><td colspan="4">Description: Not applicable</td></tr>
<tr><td>Other items for disclosure (items in Item 1-4 to Item 1-7, Subparagraph 6, Article 10 of the Regulations shall be disclosed)</td><td colspan="4">Not applicable</td></tr>
</table>

(II) Regarding succeeding CPA

<table>
<tr><td>Name of CPA Firm</td><td rowspan="5">Not applicable</td></tr>
<tr><td>Name of CPA</td></tr>
<tr><td>Date of Appointment</td></tr>
<tr><td>Subjects and outcomes of consultation on the accounting treatment of or application of accounting principles to specific transactions, or opinions that may be included on financial statements before the appointment of new CPAs</td></tr>
<tr><td>Written opinions from successor CPAs with regards to matters with which former CPAs disagreed</td></tr>
</table>

(III) The former CPA's response to Article 10, Subparagraph 6, Item 1 and Item 2-3 of the accounting standards: Not applicable.

VII. Information on the Company's Chairman, General Manager, managerial officer in charge of finance or accounting who has served in a CPA's accounting firm or its affiliated companies for the most recent fiscal year: None.

VIII. Equity transfer or changes to equity pledge of Directors, Supervisors, managerial officers, or shareholders holding more than 10% of Company shares in the most recent year to the publication date of this report

(I) Changes in shareholdings of Directors, Supervisors, managerial officers and substantial shareholders

Unit: shares

Title (Note 1)	Name	2017		Current year up to April 30, 2018	
		Number of Shares Held Increase (Decrease)	Number of Pledged Shares Increase (Decrease)	Number of Shares Held Increase (Decrease)	Number of Pledged Shares Increase (Decrease)
Major shareholders holding over 10% of shares	Union Polymer Int'l Investment Corp.	3,577,998	(13,500,000)	0	0
Director	Wu,Yi-Gui (Representative of Union Polymer Int'l Investment Corp.)	0	0	0	0
	Zhang,Ji-Zhong (Representative of Union Polymer Int'l Investment Corp.)	0	0	0	0
	Lin,Han-Fu (Representative of Union Polymer Int'l Investment Corp.)	0	0	0	0
	Ying,Bao-Luo (Representative of Union Polymer Int'l Investment Corp.)	0	0	0	0
	Liu,Han-Tai (Representative of Union Polymer Int'l Investment Corp.)	0	0	0	0
	Liu,Zhen-Tu (Representative of Union Polymer Int'l Investment Corp.)	0	0	0	0
	Wu,Yi-Gui (Representative of Union Polymer Int'l Investment Corp.)	0	0	0	0
Independent Director	Li,Zu-De	0	0	0	0
	Zheng,Ying-Bin	0	0	0	0
	Li,Liang-Xian	0	0	0	0
Chief Executive Officer	Wu,Yi-Gui	0	0	0	0
General Manager	Lin,Han-Fu	0	0	0	0
Deputy General Manager	Hu,Chi-Hong	0	0	0	0
Senior Manager	Chen,Wan-Ta (Appointed on March 16, 2017)	0	0	0	0
Accounting Manager	Kuo,Chien-Chou	20	0	0	0
Finance Manager	Chan,Chin-Ho	0	0	0	0

Note 1: Shareholders who hold more than ten (10) percent of the Company's shares shall be noted as major shareholders and listed separately.

(II) Information regarding equity transfer: Counterparties in equity transfers involving Directors, Supervisors, major shareholders were non-related parties. Managerial officers did not engage in equity transfer: No such occurrences.

(III) Information regarding equity pledges: Counterparties in equity pledges involving Directors, Supervisors, major shareholders were non-related parties. Managerial officers did not engage in equity pledges: No such occurrences.

IX. Information regarding the top 10 shareholders in terms of number of shares held, who are related parties or each other's spouses and relatives within the second degree of kinship

April 24, 2018

Name (Note 1)	Shares held personally		Shares held by spouse and underage children		Shares held in the name of other persons		Title or name and relationship of top 10 shareholders who are related parties or each other's spouses and relatives within the second degree of kinship (Note 3)		Remark(s)
	Number of Shares	Shareholding Percentage (Note 2)	Number of Shares	Shareholding Percentage (Note 2)	Number of Shares	Shareholding Percentage (Note 2)	Title (Or Name)	Relationship	
Union Polymer Int'l Investment Corp.	122,844,609	24.97%	—	—	—	0%	APC、TTC	Same Chairman	
Representative: Wu,Yi-Gui	0	0%	—	—	—	0%			
Asia Polymer Corporation	39,700,480	8.07%	—	—	—	0%	UPIIC、TTC	Same Chairman	
Representative: Wu,Yi-Gui	0	0%	—	—	—	0%			
New labor pension fund	20,076,396	4.08%					None	None	
HSBC as custodian of HSBC GIF Asia ex Japan Equity Smaller Companies	11,709,510	2.38%	—	—	—	0%	None	None	
Taita Chemical Company, Ltd.	9,751,224	1.98%	—	—	—	0%	UPIIC、APC	Same Chairman	
Representative: Wu,Yi-Gui	0	0%	—	—	—	0%			
Public Service Pension Fund Supervisory Board	9,149,900	1.86%	—	—	—	0%	None	None	
Old labor pension fund	8,514,336	1.73%					None	None	
HSBC as custodian of primary fund company's Global Diverse Income Fund	7,472,000	1.52%	—	—	—	0%	None	None	
Citibank (Taiwan) Limited as custodian of Norges Bank Investment Account	7,423,967	1.51%	—	—	—	0%	None	None	
Standard Chartered Bank (Taiwan) Limited as custodian of Vanguard Group's Vanguard Emerging Markets Stock Index Fund Investment Account	6,931,284	1.41%	—	—	—	0%	None	None	

Note 1: All the top 10 shareholders shall be listed. For corporate shareholders, their names and the name of their representatives shall be listed separately.
Note 2: Shareholding percentage is calculated separately based on the number of shares held in the name of the person, his/her spouse and minors, and others.
Note 3: Relationships between the aforementioned shareholders, including corporate shareholders and natural person shareholders shall be disclosed based on the financial reporting standards used by the issuer.

X. Number of shares held by the Company, its Directors, Supervisors, managerial officers and directly or indirectly controlled investment companies in the same investment companies, and the combined calculation of shareholding percentages

Consolidated shareholding percentage

Dec. 31, 2017 units: share; %

Investee companies (Note 1)	Invested by the Company		Investment by Directors, Supervisors, managerial officers and directly or indirectly controlled companies		Combined Investment	
	Number of Shares	Shareholding Percentage (%)	Number of Shares	Shareholding Percentage (%)	Number of Shares	Shareholding Percentage (%)
Taiwan VCM Corporation	196,198,860	87.22	0	0	196,198,860	87.22
CGPC Polymer Corporation	56,478,291	100.00	0	0	56,478,291	100.00
CGPC (BVI) Holding, Co., Ltd.	16,308,258	100.00	0	0	16,308,258	100.00
China General Terminal & Distribution Corporation	17,079,108	33.33	0	0	17,079,108	33.33
CGPC America Corporation	100	100.00	0	0	100	100.00
Krystal Star International Corporation	5,780,000	100.00	0	0	5,780,000	100.00
Acme Electronics Corporation	3,176,019	1.74	958,756	0.53	4,134,775	2.27
Thintec Materials Corporation	600,000	10.00	0	0	600,000	10.00

Note 1: The equity method was employed for this Corporation's investments.

Chapter 4Funding Status

I. Capital and Shares

(I) Source of Share Capital

1. Total shares issued and outstanding as of the date of publication of the annual report:

As of April 30, 2018; Unit: Shares; NT$

Year and Month	Issue price	Authorized Capital		Paid-in Capital		Remark(s)		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Others
2017.9	10	500,000,000 shares	NT$5,000,000,000	491,999,560 shares	NT$4,919,995,600	Earned surplus turned capital increase of NT$143,300,840 (Note 2-(1))	None	None

Note 1: Information for the current fiscal year shall be added as of the publication date of this annual report.
Note 2: For any capital increase, the effective (approval) date and the document number shall be added: Approved by the Ching Shou Shang No. 10601121290 letter dated August 28, 2017.
Note 3: Shares traded below par value shall be indicated in a clear manner.
Note 4: Capital increase by currency debts or technology shall be stated and the type and amount of assets involved in such capital increase shall be noted.
Note 5: Private placement of corporate bonds shall be indicated in a clear manner.

April 30, 2018 Unit: share

Types of shares	Authorized Capital			Remark(s)
	Outstanding Shares (Note)	Unissued shares	Total	
Registered common stocks	491,999,560 shares	8,000,440 shares	500,000,000 shares	Listed

Note: Please indicate whether the shares are issued by a Company listed on the Taiwan Stock Exchange (TWSE) or the Taipei Exchange (TPEx) (Shares of which trading is restricted on the TWSE or those which are traded on the TPEx shall be noted).

2. Information regarding shelf registration:

Types of securities	Amount of scheduled issuance		Amount issued		The purpose and expected benefits of the issued shares	Unissued shares Scheduled time of issuance	Remark(s)
	Total number of shares	Approved amount	Number of Shares	Price			
Not applicable							

(II) Shareholder Structure

April 24, 2018 Unit: share

Shareholder Structure / Quantity	Government Institutions	Financial Institutions	Other Juristic Persons	Individual	Foreign Institutions and Foreigners	Grand total
Number of People	3	6	124	41,496	187	41,816
Number of Shares Held	17,665,613	4,669,130	242,906,993	91,945,880	134,811,944	491,999,560
Shareholding Percentage	3.59%	0.95%	49.37%	18.69%	27.40%	100.00%

Note: Companies primarily listed on the TWSE or the TPEx shall disclose the proportion of their shares held by investors from Mainland China. Investors from Mainland China refer to natural persons, legal persons, organizations, institutions or companies in areas other than Taiwan and Mainland China that are invested by persons of such identity as defined in Article 3 of the Regulations Governing Investment of Mainland Chinese in Taiwan.

(III)Distribution of Equity Ownership

1. Common shares

April 24, 2018

Shareholding Range	Number of Shareholders	Number of Shares Held (Unit: Shares)	Shareholding Percentage (%)
1 to 999	28,940	4,677,561	0.95%
1,000 to 5,000	9,630	19,843,307	4.04%
5,001 to 10,000	1,524	11,017,018	2.24%
10,001 to 15,000	583	6,982,625	1.42%
15,001 to 20,000	263	4,712,437	0.96%
20,001 to 30,000	269	6,730,025	1.37%
30,001 to 50,000	195	7,545,298	1.53%
50,001 to 100,000	137	9,488,356	1.93%
100,001 to 200,000	97	14,253,619	2.90%
200,001 to 400,000	68	19,751,534	4.01%
400,001 to 600,000	23	11,584,792	2.35%
600,001 to 800,000	18	12,687,492	2.58%
800,001 to 1,000,000	10	9,363,859	1.90%
1,000,001 and more Create new ranges as needed	59	353,361,637	71.82%
Total	41,816	491,999,560	100.00%

2. Preferred shares: None.

(IV) List of Major Shareholders

April 24, 2018

Share / Names of Substantial Shareholders	Number of Shares Held (Unit: Shares)	Shareholding Percentage (%)
Union Polymer Int'l Investment Corp.	122,844,609	24.97%
Asia Polymer Corporation	39,700,480	8.07%
New labor pension fund	20,076,396	4.08%
HSBC as custodian of HSBC GIF Asia ex Japan Equity Smaller Companies	11,709,510	2.38%
Taita Chemical Company, Ltd.	9,751,224	1.98%
Public Service Pension Fund Management Committee Member	9,149,900	1.86%
Old labor pension fund	8,514,336	1.73%
HSBC as custodian of primary fund company's Global Diverse Income Fund	7,472,000	1.52%
Citibank (Taiwan) Limited as custodian of Norges Bank Investment Account	7,423,967	1.51%
Standard Chartered Bank (Taiwan) Limited as custodian of Vanguard Group's Vanguard Emerging Markets Stock Index Fund Investment Account	6,931,284	1.41%

(V) Market Price, Net Asset Value Per Share (NAVPS), Earnings Per Share (EPS), Dividends Per Share (DPS) and Related Information in the Most Recent Two Fiscal Years

Unit: NT$

<table>
<tr><th colspan="3">Year / Item</th><th>2016</th><th>2017</th><th>Current fiscal year up to April 30, 2018 (Note 8)</th></tr>
<tr><td rowspan="3">Market Price Per Share (Note 1)</td><td colspan="2">Highest</td><td>28.05</td><td>37.6</td><td>35.55</td></tr>
<tr><td colspan="2">Lowest</td><td>12.00</td><td>22.90</td><td>30.25</td></tr>
<tr><td colspan="2">Average</td><td>19.78</td><td>29.7</td><td>32.84</td></tr>
<tr><td rowspan="2">Net Value Per Share (Note 2)</td><td colspan="2">Before distribution</td><td>15.44</td><td>15.87</td><td>16.99</td></tr>
<tr><td colspan="2">After distribution</td><td>13.74</td><td>- (Note 9)</td><td>- (Note 9)</td></tr>
<tr><td rowspan="3">Earnings Per Share (Note 3)</td><td colspan="2">Weighted Average Number of Shares</td><td>477,669,476</td><td>491,999,560</td><td>491,999,560</td></tr>
<tr><td colspan="2">Earnings per share before adjustment</td><td>3.02</td><td>2.58</td><td>1.10</td></tr>
<tr><td colspan="2">Earnings per share after adjustment</td><td>2.93</td><td>- (Note 9)</td><td>- (Note 9)</td></tr>
<tr><td rowspan="4">Dividends Per Share (DPS)</td><td colspan="2">Cash dividend</td><td>1.70</td><td>1.50 (Note 9)</td><td>—</td></tr>
<tr><td rowspan="2">Stock dividends</td><td>Dividends from surplus earnings</td><td>0.30</td><td>0.30 (Note 9)</td><td>—</td></tr>
<tr><td>Dividends from capital reserve</td><td>0.00</td><td>0.00 (Note 9)</td><td>—</td></tr>
<tr><td colspan="2">Accumulated unpaid dividend (Note 4)</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td rowspan="3">Return on Investment Analysis</td><td colspan="2">Price-to-Earnings Ratio (Note 5)</td><td>6.01</td><td>11.26</td><td>—</td></tr>
<tr><td colspan="2">Price-to-Dividends Ratio (Note 6)</td><td>10.68</td><td>19.37</td><td>—</td></tr>
<tr><td colspan="2">Yield on cash dividend (Note 7)</td><td>9.36%</td><td>5.16%</td><td>—</td></tr>
</table>

*If retained earnings or capital reserves were used for capital increase, market prices and cash dividends that were retroactively adjusted based on the number of shares after distribution shall be disclosed.

Note 1: List the highest and lowest market price of common shares for each fiscal year and calculate the average market price for each fiscal year based on trading value and volume in each fiscal year.

Note 2: Please fill these rows based on the number of shares that have been issued at the end of the fiscal year and the distribution plan approved at the Shareholders' Meeting in the subsequent fiscal year.

Note 3: If there was any retroactive adjustment required due to stock dividends, earnings per share before and after such adjustment shall be listed.

Note 4: If there was any condition regarding the issuance of equity securities stating that undistributed dividends for the current fiscal year has to be accumulated till the year when a profit is recorded, the Company shall separately disclose cumulative undistributed dividends as of the current fiscal year.

Note 5: Price/earnings ratio = Average closing price per share for the current fiscal year/earnings per share.

Note 6: Price/dividend ratio = Average closing price per share for the current fiscal year/cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share/average closing price per share for the current fiscal year.

Note 8: For net asset value per share and earnings per share, data from the most recent quarter that has been verified (reviewed) by CPAs as of the publication date of this annual report should be filled. For other fields in this column, data from the current fiscal year as of the publication date of this annual report should be filled.

Note 9: Based on the profit distribution plan which has been approved by the Board of Directors but is yet to be acknowledged by the Shareholders' Meeting.

(VI) Dividend Policy of the Company and Its Implementation

1. Dividend policy stipulated in the Company's Articles of Incorporation

If the Company turns a profit in the year, it shall distribute compensation for Directors and employees. The Director compensation shall not exceed one percent of the profits of the current fiscal year; the employee reward shall not be lower than 1% of the profits of the current fiscal year. However, the Company's accumulated losses shall .first be offset

The abovementioned employee rewards can be distributed in the form of shares or cash. Rewards shall be distributed to employees of the Company's subordinate companies when they meet certain .conditions. Such conditions shall be set by the Board of Directors

If the Company posts a net income after taxes (NIAT) as indicated in its final annual accounts for the current fiscal year, the Company shall use its NIAT to cover cumulative loss in the previous fiscal year. If there is remaining balance, ten (10) percent of this balance has to be set aside as statutory reserves, while the rest shall be regarded as distributable profit. This distributable profit shall then be combined with undistributed earnings that have been accumulated in previous fiscal years. Part of this combined amount shall be recognized as or transferred to special reserves as required by the law or the competent authority, while the remaining balance shall be regarded as cumulative distributable profit. The Board of Directors shall propose a profit distribution plan which is then submitted to the Shareholders' Meetings for approval. The Shareholders' Meeting shall retain all or part of the .Company's profit based on its business performance

In regards to the resolution on earning distribution, it has been decided that, due to the fact that the industry to which the Company belongs is in the maturity stage and taking into account R&D needs and business diversification, dividends paid to shareholders shall not be less that ten (10) percent of distributable profit in the current fiscal year, where cash dividends shall not be less than ten (10) percent of the total dividends. However, no dividend shall be distributed if the distributable .profit per share in the current fiscal year is less than NT$0.1

2. The proposed dividend distribution of Shareholders' Meeting this year:

The Board of Directors proposed the distribution of NT$1.5 per share in cash dividends and stock dividends of NT$0.3 per share for the earnings distribution. Dividends will be distributed after the 2017 proposal is approved in general shareholders' meeting to be held on .June 22, 2018

Please refer to the "Market Observation Post System" of Taiwan Stock Exchange for information on the Company's compensation for .Directors and Supervisors and rewards for employees

3. Any expected material changes to the dividend policy shall be further explained:

The Company's dividend policy is not expected to experience any material changes as of the publication date of this annual report.

(VII) Effects on the Company’s business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent Shareholders' Meeting:

No financial forecast was prepared for year 2018. Therefore, there is no need to disclose forecast information.

<table>
<tr><th colspan="3">Year
Item</th><th>2018
(Estimated)</th></tr>
<tr><td colspan="3">Paid-up capital at the beginning of the period (Unit: NT$)</td><td>NT$4,919,995,600</td></tr>
<tr><td rowspan="3">Distribution of dividends in the current fiscal year (Note 1)</td><td colspan="2">Cash dividend per share (Unit: NT$)</td><td>NT$1.50</td></tr>
<tr><td colspan="2">Number of shares distributed per share held due to capital increase by retained earnings</td><td>0.03 shares</td></tr>
<tr><td colspan="2">Number of shares distributed per share held due to capital increase by capital reserve</td><td>0 shares</td></tr>
<tr><td rowspan="7">Change in operating performance</td><td colspan="2">Operating profit</td><td rowspan="13">Not applicable (Note 2)</td></tr>
<tr><td colspan="2">Percentage of increase (decrease) in operating profit over the same period in the previous fiscal year</td></tr>
<tr><td colspan="2">Net income after taxes (NIAT)</td></tr>
<tr><td colspan="2">Percentage of increase (decrease) in NIAT over the same period in the previous fiscal year</td></tr>
<tr><td colspan="2">Earnings Per Share</td></tr>
<tr><td colspan="2">Percentage of increase (decrease) in EPS over the same period in the previous fiscal year</td></tr>
<tr><td colspan="2">Annual average return on investment (reciprocal of average annual price/earnings ratio)</td></tr>
<tr><td rowspan="6">Pro forma earnings per share and price/earnings Ratio</td><td rowspan="2">If capital increase by retained earnings is entirely replaced by cash dividend distribution</td><td>Pro forma earnings per share</td></tr>
<tr><td>Pro forma average annual return on investment</td></tr>
<tr><td rowspan="2">If capital reserve is not used for capital increase</td><td>Pro forma earnings per share</td></tr>
<tr><td>Pro forma average annual return on investment</td></tr>
<tr><td rowspan="2">If capital reserve is not used for capital increase and capital increase by retained earnings is replaced by cash dividend distribution</td><td>Pro forma earnings per share</td></tr>
<tr><td>Pro forma average annual return on investment</td></tr>
</table>

Note 1: Distribution of dividends for 2017 is based on the earnings distribution plan approved by the Board of Directors on March 12, 2018.

Note 2: The Company has no regulations in place for the publication of its financial forecast. Hence, changes in the Company's operating performance, pro forma earnings per share and price-to-earnings ratio are not applicable.

(VIII) Compensation for Directors and employees:

1. The ratio and scope of employee rewards and Director remuneration prescribed by the Articles of Incorporation:
   (1) Director's compensations:
   Directors' compensation shall not exceed one (1) percent of the Company's distributable earnings in the current fiscal year.
   (2) Employees' rewards:
   Employees' rewards shall not be lower one (1) percent of the Company's distributable earnings in the current fiscal year.
2. Accounting for basis for estimating the amount of compensation of Directors and employees, basis for estimating the amount of share distribution, and auditing procedures for discrepancies between the estimated and the actual distributed amount in current year:
   (1) Basis for estimating the amount of compensation of Directors and employees in current year:
   (1)-1 Employee rewards shall be calculated based on a minimum value of one (1) percent of the Company's profit in the current fiscal year. The rewards paid to the employees by the Company in 2017 is estimated to be NT$14,300 thousand.
   (1)-2 Director compensation shall be calculated based on a maximum value of one (1) percent of the Company's profit in the current fiscal year. However, the Company did not appropriate or distribute compensation for Directors in 2017.
   (2) Basis for estimating the amount of share distribution for the compensation of Directors and employees in current year: Not applicable.
   (3) Auditing procedures for discrepancies between the estimated compensation for Directors and employees and the actual distributed amount: Should there be any significant changes to the amounts resolved by the Board of Directors after the current financial period has ended, this discrepancy shall be adjusted to the expenses of the year in which the estimates are made. If a different amount is resolved during the shareholders' meeting, the

discrepancy will be treated as changes in accounting estimates and accounted in the year the shareholders meeting takes place. In the event a stock bonus is opted for the employee rewards at the general shareholders' meeting, the number of shares shall be determined by dividing the amount specified in the resolution by the fair value of the stock. The fair value of the stock refers to the closing price one day prior to a shareholders' resolution (accounting for the impact of cash and stock dividends).

3. Information on the distribution of employee rewards pass in the Board of Directors meeting on March 12, 2018:
   (1) Distribution of compensation for Directors and employees.
   Directors' compensation: None.
   Employee rewards: NT$6,592,721 which shall be distributed entirely in cash.
   (2) Discrepancy between the amounts above and the estimates for the year: None.
   Reason for the discrepancy: Not applicable.
   Processing conditions: Not applicable.
4. If there is any discrepancy between the actual amount of compensation distributed to employees and Directors (including number and dollar amount of shares distributed, as well as share price) and the recognized amount of compensation for employees and Directors in the previous fiscal year, the amount, causes and treatment of such discrepancies shall be stated:

Unit: NT$ thousands

Item	Earning distribution for 2016		Discrepancy	Reasons for discrepancy and processing method
	2016 Recognized amount in the financial report	2016 Actual distributed amount		
Employee rewards	15,795	15,795	0	No discrepancy
Director compensation	0	0	0	No distribution

(IX) Repurchase of the Company's shares by a subsidiary Company in the last year, up to the publication date of this report: None.

II. Issuance of Corporate Bonds

(I) Issuance of corporate bonds: None.

(II) Information regarding the Conversion of Corporate Bonds: None.

(III) Information regarding Corporate Bond Swap: None.

(IV) Information regarding Shelf Registration for Corporate Bonds: None.

(V) Information regarding Equity Warrant Bonds: None.

III. Issuance of Preferred Shares: None.

IV. Issuance of Global Depository Receipts: None.

V. Employees' exercise of subscription warrants as and names of managerial officers receiving ESO and names of top ten employees receiving ESO, their exercise and subscription as of the publication date of the Annual Report: None.

VI. Employees' exercise of rights for new shares and names of managers and the top ten employees who are entitled to receive restricted shares as of the publication date of the Annual Report: None.

VII. Status of New Share Issuance in Connection with Mergers and Acquisitions: None.

VIII. Implementation of Capital Utilization Plan

(I) As of one quarter before the publication date of this annual report, previous issuance or private placement of marketable securities that have not been completed and their plan and implementation status: None.

(II) As of one quarter before the publication date of this annual report, previous issuance or private placement of marketable securities that have been completed but are yet to record any benefit within the past three fiscal years: None.

Chapter 5 Operations Overview

I. Business Activities

(I) Scope of Business:

1. Main businesses:

   (1) Manufacture plastic and its required raw materials.

   (2) Manufacture PVC processed products and their required alkali-chlorine.

   (3) Manufacture and sell technical services (including design and installation) for chemical machinery equipment (including vinyl chloride monomer plant equipment).

   (4) Manufacture, store, transport, sell, trade and resell vinyl chloride monomer.

   (5) Produce and manufacture, trade, store and sell dichloroethane

   (6) Distribution and processing of the above products.

   (7) Research and promotion services related to the above businesses.

2. Main products and their proportion in operations:

Product Category	Ratio
VCM products	7%
PVC resin, compound and Alkali-chlorine	68%
PVC Construction products: pipe, door panels and sewer lining	4%
PVC film/sheet: flexible film/sheet, rigid film/sheet, semi-rigid film/sheet, laminated film/sheet, printed film/sheet	14%
PVC leather/sponge leather	7%

3. Plans for new product development

• PVC third-generation stain-resistant leather • PU casting stain-resistant PVC leather • American 66” school bus seat leather • Australian dashboard stain-resistant sponge leather • PVC artificial bright and breathable furniture sponge leather • PVC automotive water-based scratch-resistant sponge leather	• TPE leather series for sporting goods • TPE leather series for furniture • TPE leather series for automotive upholstery • TPE leather series for construction products • Low-membrane rapidly gelatinized PVC resin

(II) Industry Overview

1. Current state and development of the industry

2017 operations: Global sodium hydroxide prices have increased since the second quarter due to high demands in the aluminum industry and continuous environmental protection auditing policies in China which have led to continuous increase in global sodium hydroxide plants and high profitability. Excess chlorine in China are diverted to the production of PVC and the overall oversupply, as India enters the rain season in June and the Muslim Ramadan, decreases PVC demand in Asia in the first half of the year. As unfavorable effects in India such as the banknote change policy and product service taxes decrease in the second half of the year, the demand and sales momentum for PVC will increase after the end of the rain season. As production regains stability in the fourth quarter after the end of the annual overhauls in the United States and Asia and China's penalties against downstream PVC price monopolization, the prices will be lowered once again. VCM prices follows that of PVC throughout the year. However, new VCM production capacity in Asia has led to relatively sufficient supplies and the price gap with PVC gradually widened when compared to the previous year. With regard to raw materials, oil prices remained stable in the first half of the year. High demand for SM products and annual overhauls of light cracking plants kept ethylene prices high throughout the year. The CPC contract price was relatively cheap. With regard to EDC, supply became tight as producers in the Middle East began annual overhauls in the first half of the year but the oversupply after their production recovered in the second half of the year has driven prices down to relatively low levels. By upholding the spirit of vertical integration of the vinyl chain, the Company actively planned and updated production equipment to enhance production efficiency. The Company's goals included maximizing the production and sale of VCM, PVC and processed products, and achieving smooth production and sales in the upstream and downstream and cost control. The selling price of the Company's VCM products and the costs and margin for raw materials such as EDC have helped maintain favorable profitability for the Company.

2. The correlation among the upstream, midstream and downstream of the industry:

The Company is a midstream and downstream producer of plastic materials and products in the petrochemicals industry. The upstream material ethylene dichloride (EDC) is supplied by Formosa Plastics Corporation and foreign companies. Ethylene is supplied by CPC Corporation and foreign companies. Liquid chlorine is produced by Taiwan Chlorine Industries Ltd. EDC is cracked to produce vinyl chloride monomer (VCM) and hydrochloric acid gas. Ethylene, oxygen and hydrochloric acid produce EDC via oxychlorination. VCM produces polyvinyl chloride (PVC resin) via polymerization, which is then supplied to secondary plastic processing plants in Taiwan in order to produce a series of plastic products such as PVC leather, film/sheet, pipe and compound.

3. Product development trends and competition:

In the current PVC industry in Taiwan, the annual production volume of VCM at the Company and Formosa Plastics Corporation is 450 thousand tons and 1.58 million tons respectively. The annual production volume of PVC at the Company, Formosa Plastics Corporation and Ocean Plastics Co., Ltd. is 400 thousand tons, 1.35 million tons and 120 thousand tons respectively. PVC processed products in the downstream consist mainly of PVC film/sheet, PVC leather and PVC pipes. These products are made by the Company, Nan Ya Plastics Corporation and Ocean Plastics Corporation. Based on product classification, there are 12 PVC film/sheet manufacturers, 9 PVC leather manufacturers (including adhesives) and 17 PVC pipe manufacturers.

Sales and new projects in the domestic housing market in 2017 have grown from 2016 and major domestic public construction projects have been advanced. As the price of plastic raw materials held steady, downstream suppliers have gradually increased their willingness for procurement and strengthened demand for related plastic construction materials. In terms of the export market, the Indian market was impacted by policies in 2017 which impacted the demand and substantially reduced sales volume. Luckily, growth in China, Middle East, and Brazil increased by 100% and made up for the gap in Indian sales.

Crude oil and ethylene prices fluctuated at high levels in the first quarter of 2018 as major American and Japanese plants intensified their annual overhauls. Low EDC prices helped the operations of PVC resin and full production and full sales remains the main direction of development in 2018.

(III) Technology, Research and Development Overview

1. Research and development investment for the year 2017: NT$48,417 thousand
2. Research and development investment for the year 2018 as of the publication date of the Annual Report: NT$18,824 thousand
3. Successfully developed technologies or products
   (1) Successfully developed technologies
      (1-1) H73 PVC resin polymerization with additional chain extender to shorten reaction time
      (1-2) Second-generation PVC stain-resistant furniture leather process technology
      (1-3) PVC rigid foamed pipe production technology
      (1-4) TPE foamed sponge leather production technology
      (1-5) TPE leather surface treatment production technology
      (1-6) PVC rigid foam door panel production technology and formula

(2) Successfully developed products

(2-1) Added pure water deoxidation equipment to improve PVC whiteness

(2-2) PVC adhesive anti-slip leather

(2-3) PVC Australian automobile-use artificial leather

(2-4) PVC European stain-resistant printed sponge leather

(2-5) Second-generation stain-resistant PVC leather

(2-6) 60" PVC leather for agricultural machinery

(2-7) Double-color rolled hole automotive PVC leather

(2-8) Second-generation PVC cat scratch-prevention furniture sponge leather

(2-9) PVC sponge leather for agricultural machinery seats

(2-10) PVC rigid foam pipe

(2-11) TPE foamed sponge leather

(2-12) TPE leather for industrial exhaust pipe

(2-13) TPE leather for bags

(2-14) TPE anti-slip leather

(2-15) PVC Construction products (foaming door panels)

4. R&D projects in the most recent fiscal year

Unit: NT$ thousands

Research and Development Project	Current progress	Required additional research expenses	Estimated time for the completion of mass production	Major factors that influence the success of R&D in the future
Low-membrane rapidly gelatinized PVC resin	10%	1,000	Before the end of 2019	Equipment, formulas and process conditions
Water-based scratch-resistant soft PVC leather for automobiles	40%	500	Before the end of 2018	Raw materials formulas and process conditions
Development of third generation stain-resistant PVC leather	80%	300	Before the end of 2018	Raw materials formulas and process conditions
Fire-retardant PVC compound for Grade 2 construction products	50%	200	Before the end of 2018	Raw materials formulas and process conditions
Development of PU casting stain-resistant PVC leather	90%	200	Before the end of 2018	Raw materials formulas and process conditions
Development of TPE leather for high pressure exhaust pipe	90%	200	Before the end of 2018	Raw materials formulas and process conditions
Development of TPE leather products for baby strollers	90%	200	Before the end of 2018	Raw materials formulas and process conditions
Development of TPE leather for conductive exhaust pipes	90%	100	Before the end of 2018	Equipment, formulas and process conditions

(IV) Long-term and Short-term Business Development Plans

1. Short-term plans:

VCM:

The Company will strengthen integrated operations of related industry chain in order to stabilize high production volume and quality and actively explore stable sources of raw material supply.

PVC resin:

(1) The Company will actively establish cooperative relationships with main customers and continuously develop new customers. The Company's domestic sales of PVC resin and market share are still expected to maintain stable growth in 2018.

(2) Flexible use of product diversification and division of labor at both its Toufen plant and Linyuan plant will fragment the market and customers, screen for customers with good credit ratings, strengthen sales and distribution channels in the main market and increase the proportion of downstream manufacturers, so as to balance market fluctuations due to peak and off-peak seasons and eliminate bottlenecks that resulted from excessive concentration of sales orders on traders.

Alkali-chlorine:

(1) In 2018, the global economic is expected to grow. The Company will continue to strengthen its relationships with sales and distribution channels and engage in sales expansion. Moreover, the Company will enhance overall service quality, ensure stable supply of goods and increase sales.

(2) 45% of liquid caustic soda face competition from imported products. Hence, the Company's salespeople will continuously enhance their core relationships with customers in order to maintain market share.

PVC compound:

(1) The Company will also continue to develop niche new products. In the short term, the Company will develop PVC compound for medical equipment and rigid pipe fittings, as well as low-odor and transparent PVC compound.
(2) The Company will continue to enhance product quality and ensure accurate delivery and services.
(3) The Company will maintain related quality levels to consolidate existing sources of purchase orders from Nepal and India.
(4) The Company will use the trade service network to grasp opportunities for participating in exhibitions in main markets and promote and sell PVC compound to emerging markets.

PVC processed products:

(1) The Company will adjust the piping materials product portfolio and improve the market share in building piping and water-resistance materials. Actively participate in the supply of public construction projects to increase sales volume and improve profitability.
(2) The Company will promote composite materials and materials for environmental protection in order to increase the added value, differentiation and brand image of such products.
(3) The Company will enhance product awareness and expand business opportunities for PVC leather / sheets through media

advertising, website design and participation in various major exhibitions.

(4) The Company will also join forces with its peers to strengthen the supply of various types of artificial leather, with the purpose of increasing its product portfolio and enhancing horizontal competitiveness.

(5) The Company will upgrade the FORBID anti-stain processing agent. In addition to improving the stain removal effects, we shall develop water soluble formulas to expand the market.

(6) The business of leather for agricultural equipment and seats in North America has been stable. In this market, the Company has successfully clinched stable orders from a major tractor seat manufacturer in the U.S. each year. These orders will expand our product portfolio and sales performance.

(7) The upgraded anti-mold formula for PVC leather used in ships have met the REACH requirements. Hence, the Company is expected to establish and benefit from a stable source of orders for this product in the European market.

(8) The Company will improve formulas and related labels in line with regulatory requirements of Prop #65 in the North American market; hence, market operations in this region is expected to be more sound and robust.

(9) The Company will strengthen the promotion of environmentally friendly materials and promote new products for the furniture and marine market. The Company is expected to increase sales on the market with its innovative materials.

(10) The Company will intensify its development of rigid film/sheet in Asia and we have effectively increased market share. We expect business growth to continue in 2018.

(11) The Company will develop the market for colored Rigid film/sheet in Eastern Europe and India and we expect to increase shipping performance substantially in 2018.

(12) The Company will continue to develop customers for tape, pool and waterproof film/sheet with newly-added production capacity. With favorable support from the Company's production expansion and market recovery, business performance will continue to grow from 2017.

(13) The Company plans to participate in domestic trade shows in 2018, in order to promote and introduce the uses and development of its products to domestic and foreign customers.

2. Long-term plans:

VCM:

The Company will implement occupational safety and health policies and stabilize manufacturing and production, with hopes of reducing cost and ensuring the long-term stability of product supply.

PVC resin:

The Company will strengthen differentiation in product processing and continue to expand usage for special specifications.

Alkali-chlorine:

The Company will also fully utilize its existing production capacity and improve the debottlenecking of its equipment in order to increase product quality and establish stable sales and distribution channels.

PVC compound:

The Company will continue to enhance the quality of its products and engage in joint development new functional formulas. The

Company will also engage in the research and development of high-end products in response to increase product competitiveness.

PVC processed products:

(1) The Company will enhance research on processing technologies and improve equipment and its environment in order to produce differentiated products, thereby segmenting the increasingly competitive traditional product market.
(2) The Company will improve the capacity to build machinery and raw materials to produce products with high added value. The Company will expand the production capacity for professional products to increase market share.
(3) The Company will continuously promote products to countries and regions with high economic growth such as Southeast Asia, Bangladesh, Vietnam and South America. The product portfolio to be promoted includes SRT stain-resistant leather, automotive leather and stationery / universal / pool / tape film.
(4) The Company will search for information on fashion and trends to continuously develop trendy emboss and color combinations, and jointly develop new PVC processed products with peers to create a more complete product portfolio to develop more customers.
(5) In line with the updated environmental protection regulations, the Company will continue to engage in formula adjustment and improve its corresponding measures.
(6) The Company will continue to focus on the research and promotion of environmentally friendly materials such as TPO and TPU film/leather. The main targets include markets for door panels, shoes, automotive, furniture, marine, flooring, and other products.

II. Market, Production and Sales Overview

(I) Market Analysis:

1. Sales regions and market share for major products

VCM:

For VCM, the ratio of domestic sales to exports to personal use is 9 : 1 : 90.

PVC resin:

For PVC resin, the ratio of domestic sales to exports to personal use is 13 : 76 : 11. The Company's domestic sales account for 22-23% of the market share. The main export regions are India, Bangladesh, China, Southeast Asia, Middle East, South America and Australia.

Alkali-chlorine:

Alkali-chlorine are sold mainly to Hsinchu Science Park, Central Taiwan Science Park and northern regions, accounting for 70% to 80% of total sales. The main customers for these products are electronics and petrochemical industries. The Company's market share in the domestic market is approximately 3 to 4% for liquid caustic soda and approximately 16 to 18% for hydrochloric acid and liquid bleach.

PVC compound:

The Company currently focuses more domestic sales and the export markets consists mainly of the demand of shoe materials manufacturers in India and Nepal.

PVC processed products:

(1) Construction products: Sales are mainly concentrated in domestic sales which accounts for 97% vs. 3% for exports. The Company's domestic market share is approximately 17% for PVC pipes and approximately 38% for PVC door panels.
(2) PVC film/sheet: The ratio of domestic sales to exports is 60:40 and the Company's market share in the domestic market is approximately 23%. These products are exported mainly to the Americas, Europe, Australia, South Africa, Russia, Japan, China, Vietnam, Bangladesh and Southeast Asia.
(3) PVC leather: The ratio of domestic sales to exports is 45% : 55%, while its market share in the domestic market is approximately 28%. These products are exported mainly to North America, Europe, Australia, Japan, Mainland China, Malaysia and India.

2. Market supply and demand and market growth in the future

VCM:

The crude oil prices are expected to fluctuate between WTI $60-$65/ barrel in the first half of 2018 and prices of petrochemical raw materials will also fluctuate with crude oil prices. Basically, emerging markets such as India still have high demands for PVC; China is actively implementing plans for reducing production capacity; the United States has strong domestic demand. Mid to long-term PVC prices are still favorable despite additional VCM production capacity. However, we expect shortages in VCM supply due to numerous annual overhauls in the first half of the year.

PVC resin:

(1) The supply and demand of the industry in 2018 saw deferred demand for material and price increases due to environmental protection inspections that have caused a sharp decrease in Chinese exports, annual overhauls of major PVC resin manufacturers in the United States and Japan, and low inventory levels in India and Bangladesh. In this favorable atmosphere, the sales and production team will strive to achieve new heights in revenue performance.

(2) The demand in the domestic market in 2018 is expected to achieve a small-scale growth of 2-3% from 2017 mainly due to the fact that the increase in prices at the start of the period stimulates the demand. The expansion of production capacity in downstream floor tiles, construction products, and other domestic and export industries can maintain moderate growth in the demand for PVC resin.

Alkali-chlorine:

Domestic large-scale chemicals users are expected to maintain steady rates of demand in 2018 and the main customers TSMC and upstream petrochemicals industries will increase their production demand each year from 2018.

PVC compound:

The domestic market for PVC compound is expected to achieve a small-scale growth from 2017. The export sales of PVC compound are affected by product coloring variations in 2017 and it is expected to resolved in 2018. In addition, we shall continue to develop new opportunities for PVC compound users in China.

PVC processed products:

(1) Construction products: Due to the decline of the housing market in 2017, public and private construction projects have declined rapidly and the supply and energy of the entire market are bracing for a rebound. The government continues to implement a non-interference housing market policy and new public construction projects are being launched. We expect growth in the sales of construction products.

(2) PVC film/sheet: Looking forward to 2017, the domestic and overseas PVC sheet markets are yet to recover strongly. The Company continues to keep niche products in its product portfolio, and mainly promotes high value-added products. In the export market, pressure on businesses has multiplied due to appreciation of Taiwanese dollar. However, the Company's customer base is stable and well-coordinated. Both the Company and its customers spared no effort in developing new products and new markets and we have achieved significant results in this respect. At the same time, the Company's export team continued to develop new customers and new markets, thereby significantly contributing to the Company's sales volume and profitability.

(3) PVC leather: In 2018, domestic sales will continue to expand to indirect export channels for products with promotional functions and environmentally friendly materials. Exports will continue to focus on markets including the United States. Despite low-price competition from Vietnam, India, Mexico, and China, through the new product research and development, increase in product portfolio, and new market development by the Company's production and sales team, the sales volume is expected to increase in 2018.

3. Competitive Niches

VCM:

The Company improves manufacturing processes and equipment to stabilize production and maximize production capacity, purchases competitive raw materials, improves production performance and reduces costs in order to increase the overall profitability of the entire industry chain.

PVC resin:

Stable and suitable quality, fast and accurate delivery, full understanding customer needs and full cooperation are the keys to the Company's competitiveness in domestic sale and export of PVC resin.

Alkali-chlorine:

(1) Long-term cooperation with companies in Hsinchu Science Park and Central Taiwan Science Park have established a great reputation for the Company's quality and services.
(2) The Company is close to Hsinchu Science Park and Central Taiwan Science Park and we enjoy advantages in the speed of supply.

PVC compound:

The Company holds the advantage to stably supply PVC compound and possesses experienced R&D teams that strive to improve quality and develop high value-added new products for its customers.

PVC processed products:

(1) Own brand with established brand recognition.
(2) Sound quality control and after-sales services.
(3) Wide range of current product line and downstream sales categories prevent peak and low seasons of a single industry from impacting overall sales volume.
(4) Vertical integration of VCM, PVC resin and downstream processing.
(5) Comprehensive professional technical talents.
(6) Comprehensive international sales sites.
(7) Comprehensive TS16949 and ISO9000 quality management system provides outstanding quality assurance.
(8) The Company is able to comply with increasingly rigorous environmental protection regulations such as Prop#65, REACH, and RoHS to provide a favorable basis for export markets.

4. Favorable and unfavorable factors affecting the Company's development prospects and corresponding countermeasures

VCM:

- Favorable Factors:

(1) Vertical integration for VCM and PVC resin
(2) Fully seizing sources of the main raw material EDC
(3) Fully utilizing the Company's VCM capacity to effectively reduce production costs

- Unfavorable Factors:

(1) With the increasingly strict domestic environmental protection policy, accelerated implementation of draft resolutions related to energy conservation and carbon reduction, along with the

direction of amendment of the Labor Standards Act, supporting measures and grace periods were below expectations, thereby limiting the transformation and development of the petrochemical industry.

(2) Certain coastal regions of China have added PVC resin with the ethylene method or converted from calcium carbide to ethylene. The competition for the purchase of EDC and ethylene has led to fluctuations and China 's opening up regulations for the review of each purchase of spot EDC increased fluctuations in the prices of materials. These factors are unfavorable for gaining control of the cost of VCM materials.

(3) Domestic supply of ethylene is unstable, while imported ethylene is expensive.

- Response Measures:

(1) Accelerate the improvement and investment of production equipment and energy conservation, water conservation, electricity conservation, and carbon emissions reduction while improving operation efficiency to maintain high productivity.

(2) Continue to communicate with the relevant government agencies on plans related to corporate social responsibility and environmental responsibility to reach a consensus between both parties

(3) Continue to obtain sources of competitive raw materials, and respond to ever-changing market changes using flexible production and sales strategies

<u>PVC resin:</u>

- Favorable Factors:

(1) The production of PVC at the Company's Toufen plant and Linyuan plant complement each other, thereby diversifying product features and ensuring faster delivery of goods with a higher degree of flexibility.
(2) Vertical integration for VCM, PVC resin and secondary processed products.
(3) Our capabilities in customer relations and services are superior to that of our competitors.
(4) The Company improves productivity usage rate to effectively reduce production costs.
(5) The Company continues to achieve breakthroughs in production and sales bottlenecks to effectively reduce production costs.

- Unfavorable Factors:

(1) Due to low U.S. shale oil prices, competitors enjoy cost advantage and are able to compete for orders from major markets.
(2) Due to the high volatility of ethylene prices, plants in Mainland China have used their idle capacity resulting from excess calcium carbide to get orders at low prices, thereby interfering with market order.
(3) Sharp appreciation in the New Taiwan dollar has squeezed profits from exports.
(4) Taiwan has yet to sign FTA with major PVC consuming countries, and thus export opportunities have gradually gone to Japan, South Korea and Southeast Asian countries.

- Response Measures:

(1) Actively acquire the market of commercial materials for downstream manufacturers in China, Brazil, and Australia and establish stable cooperative relationships with them.
(2) Actively establish strong customer base in India, Bangladesh and the Middle East through agents and traders as demand for PVC in these three countries is rapidly increasing, with the purpose of expanding sources of sales orders.
(3) Seek long-term support from key customers in every region.
(4) Enhance product quality and develop products with unique specifications and market differentiation.
(5) Streamline organization, improve operational efficiency and enhance customer service.

<u>Alkali-chlorine:</u>

- Favorable Factors:

(1) The Company has established product quality over a long period of time.
(2) The Company has a good customer portfolio as market demand for these products is experiencing stable growth.

- Unfavorable Factors:

(1) Expansion of domestic potassium sulfate plants has led to an increase in the production of secondary hydrochloric acid, thereby impacting the hydrochloric acid market.
(2) Domestic sales of alkali face competition from those imported from Mainland China, thus squeezing profit margins for this product.

- Response Measures:

(1) Segment sales markets to establish stable sales and distribution channels
(2) Continuously increase production quality and efficiency, and optimize production and sales planning

<u>PVC processed products:</u>

- Favorable Factors:

(1) Vertical integration of upstream and downstream processing.
(2) Sound quality control and after-sales services with own brand.
(3) Comprehensive professional technical talents.
(4) Automotive leather has received TS16949 certification.
(5) Research and development in new high value-added and environmental protection products.
(6) Continuous improvement of equipment, process, and quality.
(7) Establish overseas sales locations and shore up sales channels to expedite market expansion.
(8) The Company has printed its identification labels on PVC leather and film sold domestically and abroad in order to increase brand awareness and effectively increase customers' willingness to purchase.
(9) Continuous research and development of environmentally friendly materials will help enhance product segmentation and market promotion. In 2018, the Company will plan consecutive new product launches focusing on upholstery for furniture, passenger cars and trucks. The Company is expected to experience an increase in profit and performance in the Americas in the same year.
(10) Apply surface resin processing technologies and expand applications to PVC leather, film and other products. The

Company is expected to increase sales volume in the agricultural machinery internal furnishing market in the United States.

- Unfavorable Factors:

(1) Development of high value-added and differentiated products is not ready.
(2) The cost of green eco-friendly materials is high.
(3) OEM automotive leather exports are restricted by rigorous quality requirements and the long testing and development schedule delays qualification certification.
(4) Environmental regulations in Europe and the U.S. are becoming more stringent.
(5) Low-cost competition with the Company's foreign peers and tariff barriers have led to bottlenecks in its export expansion plans.
(6) New Taiwan dollar continues to encounter upward pressure, thereby weakening its export competitiveness.

- Response Measures:

(1) Win public projects and obtain rights to supply construction products for private construction projects
(2) Continuously engage in the research and development of eco-friendly materials and high value-added products
(3) Engage in product and market segmentation to acquire markets for high value-added products
(4) Continuously reduce production costs and improve production technologies
(5) Develop business opportunities in emerging markets and launch new products to capture market share

(6) Use North America's successful high-end product portfolio and promote them in shipping or furniture markets abroad, where the main target regions are Europe, Australia and Asia
(7) Cooperate with professional companies specializing in channels related to U.S. OEM automotive leather, and utilize collaborations with such professional companies to accelerate the Company's entry into the supply chain of the automobile industry
(8) Establish strategic alliances with domestic and overseas brands, as well as develop new materials
(9) Engage in horizontal promotion of unique products in each individual region to each major market through exchange of product information

(II) Important Uses and Production Processes of Major Products

1. VCM:

VCM is mainly used to produce PVC resin and the main material is EDC. VCM and hydrochloric acid are produced in cracking. Ethylene, oxygen and hydrochloric acid produce EDC via oxychlorination (reverse reaction).

2. PVC resin:

PVC resin is mainly used for producing flexible film/sheet, leather, rigid film/sheet, rigid pipes, and extrusion construction products. The materials include VCM, initiators, and dispersants and it is produced through polymerization and drying processes.

3. Alkali-chlorine:

Alkali-chlorine are mainly used in water treatment and the production of food MSG, synthetic fibers, detergents, dyes, pulp, steel, etc. and the materials consist of industrial salt, other indirect materials, and water which are refined into pure brine, which is then electrolyzed into liquid caustic soda, hydrogen and chlorine using ion-exchange membranes. Chlorine gas is then reacted with hydrogen and liquid caustic soda to synthesize hydrochloric acid and bleaching liquid.

4. PVC Construction products:

Production of PVC pipes, foamed PVC pipes, door panels, and foamed door panels and sewer lining mainly for buildings (water pipes, drainage pipes, electrical pipes, and bathroom and room door panels), public construction projects (water supply construction, electrical pipeline construction, and wastewater sewage construction). Materials include PVC resin and stabilizing agents which undergo procedures including mixing, gelatinization, extrusion, cooling, and cutting.

5. Flexible film/sheet:

They are used for the production of tape, stationery, waterproof, pool, inflatable toy, waterbed, furniture, advertising, label, glass protection, writing board, rainwear, table cloths, shower curtain , and curtain cloths. They are produced from PVC resin, plasticizers, and other auxiliary materials which are mixed under low or high temperature before undergoing procedures including gelatinization, filtering, deferred pressure, cooling, and coiling extraction. They can also be printed or attached with other materials to increase added value.

6. Rigid film/sheet:

They are used for the production of vacuum forming, fruit tray, food packaging, candy box, gift box, cooling tower baffle, inner lining, door membrane, edge trim, pressure sensitive, stationery cases, and ceiling foil. They are produced from PVC resin and other auxiliary materials which are mixed before undergoing procedures including gelatinization, extrusion, deferred pressure, cooling, and coiling extraction. They can also be processed or printed to increase added value.

7. PVC leather:

We produce foaming sponge leather and non-foaming PVC leather with surface processing and needle holes for ventilation. They are mostly used as covering for seats for various cars, motorcycles, bicycles, and boats, sofas, SPA coverings, shoe leather, baseball gloves, sports equipment, and covering for medical seats. They are produced from PVC resin, plasticizers, and other auxiliary materials which undergo procedures including mixing, gelatinization, filtering, pressing, adhesive backing, pattern printing, and foaming. They can also undergo printing on 1-2 sides, stain-resistance, and anti-scratching, or other special treatment to increase added value.

8. PVC compound:

PVC compound are used for the production of electrical wires, car foot pads, and shrink wraps. They are made from PVC resin, plasticizers, and other auxiliary materials which undergo procedures including mixing, gelatinization, extrusion, and cooling.

(III) Supply of Major Raw Materials

1. The main raw materials of VCM are EDC and ethylene. Long-term contracts have been signed with suppliers to ensure stable supply of these raw materials.
2. The main raw material of PVC resin is vinyl chloride monomer (VCM), which is produced by the Company for our own use.
3. The main raw material of alkali-chlorine is industrial salt. Long-term contracts have been signed with suppliers to ensure stable supply of these raw materials.
4. The main raw material of PVC film/sheet and leather are PVC resin and plasticizers and the supply status is as follows:

   (1) PVC resin: PVC resin is mostly produced and used by the Company and only small quantities are purchased from external sources.
   (2) Plasticizers: Plasticizers are mainly supplied by UPC Technology Corporation and Nan Ya Plastics Corporation, while special plasticizers are imported from abroad.

5. The main raw material of construction products is PVC resin, which is mainly self-produced and supplied, and thus the source of this raw material is stable.

(IV) The names of customers who accounted for more than 10% of sales for any given year within the last two years, their purchase amount and proportion, and reasons for changes (increase or decrease) in sales:

1. Suppliers with purchase amount exceeding 10% of total purchase in the most recent two years (Note 1):

Unit: NT$ thousands

	2016				2017				Q1, 2018 (Note 2)			
Item	Name (Note 1)	Amount	Ratio to annual net purchase	Relationship with the Issuer	Name (Note 1)	Amount	Ratio to annual net purchase	Relationship with the Issuer	Name (Note 1)	Amount	Ratio to net purchase in the year up to the first quarter (%)	Relationship with the Issuer
1	Company A	1,406,395	18.15%	None	Company A	1,407,454	16.41%	None	Company A	397,175	17.00%	None
2	Company B	979,790	12.64%	None	Company B	1,045,634	12.19%	None	Company B	249,280	10.67%	None
3	Company C	929,848	12.00%	None	Company C	1,554,774	18.13%	None	Company C	363,331	15.56%	None
4	Company D	895,829	11.56%	None	Company D	1,376,535	16.05%	None	Company D	146,995	6.29%	None
5	Company C	750,514	9.68%	None	Company C	864,861	10.08%	None	Company C	238,632	10.21%	None
6	Other	2,787,093	35.97%	(Note 3)	Other	2,328,343	27.14%	(Note 3)	Other	940,795	40.27%	(Note 3)
	Net purchases of goods	7,749,469	100%		Net purchases of goods	8,577,601	100%		Net purchases of goods	2,336,208	100%	

Note 1: List the name of suppliers who account for more than ten (10) percent of the total purchases of goods and their amount and proportion of purchase of goods in the most recent two fiscal years. However, if the name of suppliers or counterparties who are individuals or non-related persons cannot be revealed due to contractual agreements, their codes shall be indicated.

Note 2: As of the publication date of this annual report, if financial information of companies that are publicly listed or whose shares are traded on TPEx were recently audited or reviewed by CPAs, such information should be disclosed.

Note 3: No suppliers account for more than ten (10) percent of the total purchases of goods. Proportion of purchases from related parties: 2016: 0.10%; 2017: 0.06%; first quarter of 2018: 0.07%.

*Reasons for increase and decrease in purchases: Considering the supply volume, prices, delivery time, the Company's production plan, and inventory, the purchase amount from different suppliers vary each year.

2. Customers with sales amount exceeding 10% of total sales in the most recent two years (Note 1):

Unit: NT$ thousands

	2016				2017				Q1, 2018 (Note 2)			
Item	Name (Note 1)	Amount	Ratio to annual net sales (%)	Relationship with the Issuer	Name (Note 1)	Amount	Ratio to annual net sales (%)	Relationship with the Issuer	Name (Note 1)	Amount	Ratio to net sales in the year up to the first quarter (%)	Relationship with the Issuer
1	Other	14,157,389	100.00%	Note 3	Other	14,701,741	100.00%	Note 3	Other	4,144,200	100.00%	Note 3
	Net Sales	14,157,389	100.00%		Net Sales	14,701,741	100.00%		Net Sales	4,144,200	100.00%	

Note 1: List the name of suppliers who account for more than ten (10) percent of the total sales of goods and their amount and proportion of sales of goods in the most recent two fiscal years. However, if the name of suppliers or counterparties who are individuals or non-related persons cannot be revealed due to contractual agreements, their codes shall be indicated.

Note 2: As of the publication date of this annual report, if financial information of companies that are publicly listed or whose shares are traded on TPEx were recently audited or reviewed by CPAs, such information should be disclosed.

Note 3: No customers account for more than ten (10) percent of the total sales of goods. Proportion of sales to related parties: 2016: 0.03%; 2017: 0.04%; first quarter of 2018: 0.02%.

(V) Production volume and value in the most recent two fiscal years

Production: Except for PVC leather for which the unit of measurement is thousand meters, others are in metric tons. Production value: NT$1,000

Year / Production Volume and Value / Major Products		2016			2017		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
PVC resin, compound and Alkali-chlorine		481,375	425,313	9,288,793	481,375	456,662	9,936,777
VCM(vinyl chloride monomer)		450,000	422,788	7,547,113	450,000	440,008	8,375,799
PVC film/sheet		68,460	43,462	1,971,298	68,460	39,262	1,906,534
PVC Construction products		26,640	16,431	527,722	26,640	15,592	544,364
PVC leather		8,600	8,501	625,133	8,600	7,807	634,876
Other		0	25,599	106,729	0	27,927	110,857
Total	Tons	1,026,475	933,593	20,066,788	1,026,475	979,451	21,509,207
	Thousand meters	8,600	8,501		8,600	7,807	

Note 1: Production capacity refers to the volume of production that can be produced by a company using existing production equipment and under normal operation, after taking into consideration factors such as necessary downtime, holiday, etc.

Note 2: Substitutable production capacity may be included in the production capacity and be stated in the note.

(VI) Sales volume and value in the most recent two fiscal years

Sales: Except for PVC leather for which the unit of measurement is thousand meters, others are in metric tons. Sales value: NT$ thousands

Year / Sales Volume and Value / Major Products		2016				2017			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
PVC resin, compound and Alkali-chlorine		110,748	2,036,869	266,658	6,915,022	112,703	2,267,296	291,767	7,795,193
VCM(vinyl chloride monomer)		52,516	1,107,245	13,208	239,297	43,000	939,154	3,000	66,441
PVC film/sheet		22,352	1,140,861	20,087	1,111,392	14,839	552,702	14	971
PVC Construction products		15,668	580,044	31	2,042	21,135	1,141,343	17,257	979,269
PVC leather		2,995	287,616	5,382	737,001	3,008	290,214	4,961	669,158
Total	Tons	201,284	5,152,635	299,984	9,004,754	191,677	5,190,709	312,038	9,511,032
	Thousand meters	2,995		5,382		3,008		4,961	

III. Information on Employees

Information on employees in the last two years and as of the published date of the annual report

Year		2016	2017	April 30, 2018
Number of Employees	Staff	361	357	361
	Workmen	588	590	595
	Total	949	947	956
Average Age		47	47	47
Average Year of Services		19	19	19
Percentage Distribution of Academic Qualifications	PhD / Master's degree	3%	7%	7%
	Bachelor's degree	21%	25%	26%
	Junior college	22%	35%	34%
	High school	47%	31%	30%
	Below senior high school	7%	3%	2%

IV. Information Regarding Environmental Protection Expenditure

(I) Total amount of losses (including compensation) and penalties incurred due to environmental pollution in the most recent fiscal year up to the publication date of this annual report:

Unit: NT$ thousands

Status of Pollution	Penalty incurred by	2016	2017	As of April 30, 2018
VOC equipment components exceeding regulatory standards and smoke emissions during random testing	Kaohsiung City Government	0	3,000	0
Violation of Air Pollution Control Act	Miaoli County Government	0	300	100
Violation of Waste Disposal Act	Miaoli County Government	0	30	0

(II) Corresponding countermeasures (including improvement measures) and possible expenditures:

1. Environmental Protection Policies

(1) To comply with relevant environmental protection and occupational safety and health regulations and relevant requirements derived from such regulations.

(2) To continuously conserve and reuse resources and energy, and reduce industrial waste

(3) To prevent pollution, reduce potential risks in operations

(4) To continuously provide employees with education and training, and carry out work related to environmental protection and occupational safety and health

(5) To actively communicate with customers and residents, manage suppliers and contractors, and encourage all employees to participate in work related to environmental protection and occupational safety and health

(6) To thoroughly implement environmental management system to enhance environmental performance and reduce environmental safety risks in communities

(7) The Company's subsidiary, Taiwan VCM Corporation rented part of the land occupied by the China Petrochemical Development Corporation's Qianzhen Plant from January 1, 1970 to December 31, 1989 to set up its plant and manufacture VCM. In October 2006, the area was deemed a groundwater pollution control site. After remediating the area using the "Physics + Chemistry + Biology" engineering method developed by Taiwan VCM Corporation, the groundwater pollution concentration level of the site decreased to less than the groundwater pollution control standard. Based on the findings of re-inspections by the Environmental Protection Bureau of the Kaohsiung City Government from January 11 to 12, 2016, it was announced on April 11, 2016 that the area had its status as a groundwater pollution control site terminated and was removed from the delineation of the groundwater pollution control region.

(8) Small areas of the Company's Toufen Plant were listed by the environmental protection agency as groundwater pollution control sites and groundwater pollution control region in 2010. Toufen Plant adopted the "Physics + Chemistry + Biology" engineering method developed by the subsidiary Taiwan VCM Corporation for remediation and improvement. The environmental protection

agency performed sampling and verification onsite and found all statistics to meet government control standards and the Environmental Protection Administration and Environmental Protection Bureau of Miaoli County announced the removal of the site from the list of controlled areas on February 24, 2017 and March 21, 2017.

2. Expected environmental protection expenditures:

Unit: NT$ thousands

Year	2018	Amount
Item	1. Operating and maintenance charges for exhaust gas treatment equipment	31,000
	2. Operating and maintenance charges for wastewater treatment equipment	15,000
	3. Industrial waste cleanup and burial charges	2,000
	4. Air pollution prevention charges	1,800
	5. Regular application for inspection of stationary sources of pollution	500
	6. Pressure container inspection fees	500
	7. Noise improvement	400
Expected Expenditures		51,200

(III) In response to the European Union's Restriction of Hazardous Substances Directive (RoHS):

The Company is RoHS compliant. Compliance with RoHS has no impact on the Company's financial operations.

V. Labor Relations

(I) The company's employee welfare policies, continuing education, training, retirement systems and implementation status, the agreement between employees and employer and employees' rights and interests:

1. Employee welfare measures:

The Company's salary system determines employees' salaries in accordance with employees' academic records, expertise, skills, and seniority and does not discriminate between genders, religions, race, or political affiliation. Employee salaries include fixed salaries and performance bonuses and year-end bonuses.

The Company regularly arranges health checkups every year. The head office in Taipei is equipped with a gym and shower rooms. The plants are staffed by certified nurses to provide its employees with health care and medical assistance. Female employees are provided with menstrual leave and independent spaces for nursing. We cooperate with childcare services to provide childcare services.

Toufen Plant includes single dormitories and dormitories for family members for employees who are citizens of the country. They can be used by employees who live outside the area for long periods of time. The dormitory is equipped with recreational facilities such as basketball courts, table tennis rooms, and lounges. In addition, Toufen Plant also has a dormitory for foreign laborers. It is managed by designated personnel and include facilities such as kick volleyball courts and entertainment rooms.

Employees' application for unpaid parental leave can be submitted before their children reach the age of three and the leave can be extended to up to two years.

The Company has established the Employee Welfare Committee and sets aside fund for the welfare fund in accordance with the Employee Welfare Fund Act. The Company manages the use of the employee welfare fund for various beneficial activities to promote the physical and mental health of employees. All employees of the Company are entitled to fair access to all benefits provided by the Employee Welfare Committee. The retention and use of the employee welfare fund are processed by the Employee Welfare Committee.

2. Employee education and training:
   (1) The Company has formulated employee training regulations. We regularly conduct surveys on employee training needs every year in accordance with the regulations and formulate annual training plans. The Company also prepares budgets for training and conducts various types of training. All employee training in professional skills, management skills, and seminars are included in the scope of training. Employees can improve their skills and knowledge through supervisors' instructions, onsite instructions, and digital learning.
   (2) In order to combine both employee training and promotion, the Company has specifically established general education courses for promotion in order to encourage employees to actively learn and study. Employees must complete the prescribed courses before they can be officially promoted. Employees with potential are administered training courses for trainee supervisors to train base-level supervisors.
   (3) For employees who demonstrate a strong willingness to learn and develop their potential, the Company provides grants for further education in local universities, which are supplemented with career adjustments in their respective positions.
   (4) Employee training is recorded and archived. Every year, employees have to attend at least 8 hours of internal training, which is taken into account during the employee's performance appraisal. At the end of each course, the Company conducts employee opinion surveys and prepares review reports. Satisfaction surveys are conducted from time to time to collect employees' opinions and recommendations on employee training as a reference for improving training.
   (5) Employee training implementation status: A total of 4,093 participants took part in training programs in 2017 and training fees totaled NT$1,280 thousand.

Training Name	Training Participant		Training Name	Training Participant
(For Non-Human Resources Manager) Human Resources Management	Managers / General employees		Handling Customer Complaints by Turning Anger into Delight	Staff
Why Our Decisions Get Derailed, and How We Can Stick to the Plan	Managers		New ISO9001 and ISO14001 2015 Provisions Training	ISO9001 and ISO14001-related personnel
2017 Industrial Pipeline Team Training and Mobilization Class	Engineering personnel		Technical Analysis of Dissolved Gas Analysis for Transformers	Instrument and electrical technicians
2017 Enterprise Union Labor Education and Training at Linyuan Plant	Company labor union members		With the Prevalence of Information Theft, How Can We Protect Trade Secrets?	Staff
2017 Employee Health Talk	Staff and workmen		6S Activity Training	PVC compound Section personnel
2017 2nd Annual Emergency Response Training	VCM plant / Research and development personnel		From "Petrochemical" to "Gulei"	Managers
2017 Occupational Disaster Prevention Promotion	Safety and environmental protection personnel		Introduction to OHSAS 18001	PVC leather Section 2 personnel
7890GC Basic Operation and Maintenance Training	Quality control personnel		RoHS & No-P Training	PVC compound Section personnel
Launch of New ABB Circuit Breaker	Instrument and electrical technicians		TAF Certification Test Standards (All) Retraining	Inspection-related personnel
GC-7820 Daily Operations and Basic Problem Solving	Quality control personnel		Class B Boiler Operator Training	Class B Boiler operators
On-the-Job Training for Operators of Forklift with a Capacity of 1 Metric Ton or More	Safety and environmental protection / Engineering affairs personnel		Pre-Machine Cleaning Power Off Operation Drill	On-site personnel / Production Management Section personnel
Promotion of ISO 27001 ISMS	Information Section personnel		Industrial Safety and Fire Prevention Promotion	Coincidence Section personnel / All factory coworkers
Briefing on KPIs	Employees / Employees holding the position of section manager or higher		Common Legal Issues Faced by Businesses	Managers with the position of section manager and above
NACE CP2 Cathodic Protection Technician Training Course	Engineering personnel		Job Safety Analysis (JSA)	Process-related personnel
Seminar on Introduction to TAI Products and Related Applications	Instrument and electrical technicians		Work Safety Promotion	Film/Sheet Maintenance Section Personnel
Safety and Health Training for Operators of Forklift with a Capacity of 1 Metric Ton or More	Manufacturing Section personnel		Type A Occupational Safety and Health Manager Training	Type A Occupational Safety and Health Manager
Safety and Health for Operators of Fixed Cranes with Hoisting Capacity of 3 Tons or More	Maintenance personnel		Training for Operators of Fixed Cranes with Hoisting Capacity of 3 Tons or More	Maintenance personnel
Seminar on Soil and Groundwater Contamination Site Remediation	Environmental protection technology development personnel		Failure Modes and Effects Analysis (FMEA)	Process-related personnel
Small-scale construction insurance regulations training	Contractor / Safety and environmental protection / Engineering affairs personnel / Related personnel		Level 2 Health Management Personnel - Personal Health Guide Training	Level 2 Health Management Personnel
Work Improvement	Managers		Typhoon emergency response drill	Employees in all plants
Work Instruction, Talent Cultivation Planning and Implementation	Managers		Emergency Response and Evacuation Drills	Employees in all plants
Business Management in Uncertain Environments	Managers		Inspection Equipment Instructions and Operations at Construction products Plant	Building material factory personnel
Training on Microbiological Inspection of Cosmetics	Environmental protection technology development personnel		Safety and Health Training for Organic Solvent Operations Supervisor	Organic Solvent Operations Supervisors
Seminar on Electricity Usage by High-voltage Users of Taipower	Instrument and electrical technicians		Life Laws	General employees
Training Activities Organized by the Southern District Promotion Association of Taiwan Occupational Safety and Health Management System	Safety and environmental protection personnel		Training for Acetylene Welding Operators	Acetylene welding operators / Maintenance personnel
Impressive Customer Management	Management unit		National Defense Training	Civil Defense Regiment members
Target Management and Performance Appraisal	Managers		How to Become a Manager's Competent Assistant	General employees
How Enterprises Respond to White Collar Crime	Managers		Self-Defense and Fire Marshalling Team Training (2017 Part 1)	Self-defense and fire marshalling team personnel
Business Management Practices I II	Staff		Self-Defense and Fire Marshalling Team Training (2017 Part 2)	Self-defense and fire marshalling team personnel
Cohesion of Corporate Values	Managers		Fire Prevention Personnel Retraining	Fire Prevention Personnel
Corporate Competitiveness and Change Management	Managers		Quality Control Training	Quality Technology Section personnel
Art of Observing People among Enterprises	Managers		Introduction to Different Types of Base Cloth and Gluing	Product Development Section personnel
Crisis Storm - Corporate Risk and Crisis Management	Staff		Food-Grade Product Safety and Health Training	Alkali-Chlorine Section personnel
Hanging Operations Personnel Training	Maintenance personnel		Application Practices of Risk Assessment and Audit Skills	Auditors
Famous Doctor Talks about Human Qualities - From Shakespeare to Medicine	Staff		High-impact Pipe Quality Instructions and Inspection (New CNS Instructions)	Building material factory personnel
How to Become a Manager's Good Assistant	Managers		Practical Audit Skills	Auditors

Training Name	Training Participant		Training Name	Training Participant
Safety and Health On-the-Job Training for Organic Solvent Operations Supervisors	Manufacturing Section personnel		How People without Accounting Background Engage in Profit Analysis and Cost Management	Managers with the position of section manager and above
Application and Introduction to Next-generation Sequencing (NGS)	Environmental protection technology development personnel		Seminar on Observation of Contractor Operations	Contractor and work safety officer
Classification of Hazardous Areas at the Workplace and Selection of Explosion-proof Electrical Equipment	Safety and environmental protection personnel		Health and Safety Training for Oxygen-deficient and Confined-space Operations Personnel	Oxygen-deficient and confined-space operations personnel
Confined Space Hazard Prevention Promotion	Manufacturing Section personnel		Health and Safety Training for High-risk Operations	Raw Materials Control Section personnel
Knowledge management	Managers		Fire Drill	Alkali-Chlorine Section personnel
When Disasters Strike - Leave Alive	Staff		Discussion and Explanation on Quality Certification for Raw Materials	Sales personnel
Briefing on Explosion-proof Electrical Technology and Equipment Safety System	Safety and environmental protection / Engineering affairs personnel		Essentials of Feed System Operations and Simple Troubleshooting Techniques	Building material factory personnel
On-the-Job Training for Fixed Crane Operators	Engineering personnel		Raw Materials Quality Inspection Training (1) - (5)	Quality Inspection Section personnel
Seminar on Energy Conservation in Air Compressors	Instrument and electrical technicians		Highly Competitive Management and Indicators	Managers with the position of section manager and above
On-the-Job Training for Air Pollution Prevention Specialists	Air Pollution Prevention Specialists		Raw Material/Material Inspection, Test Development and Automotive Leather Inspection Retraining	Inspection-related personnel
Get Consultant - Briefing on Project Planning	Staff		Health Talk (Cardiovascular Disease)	General employees
Shaping Corporate Values	Managers		Selection of Liquid Caustic Soda Materials and Operation Precautions	Alkali-Chlorine Section personnel
Safety and Health On-the-Job Training for First Aid Personnel	Safety and environmental protection personnel		Measurement and Calibration Management Practices	Measurement and Instrument Calibration personnel
Firefighting Training and Emergency Drill	Staff and workmen		Continuing Education Course for Accounting Manager	Accounting Manager
New First Aid Cleaning Technology	Employees in all plants		Post-Exhibition Technology Exchange Seminar during the International Chinaplas Exhibition	Product Development Section personnel
Safety and Health On-the-Job Training for Specific Chemical Operations Supervisors	Manufacturing Section / Environmental protection technology development personnel		Briefing on Eco-friendly Green Point Marketing Strategy and Private Enterprise Green Procurement	Staff
Safety and Health On-the-Job Training for Oxygen-Deficient Operations Supervisors	Manufacturing Section personnel		High-Pressure Gas-Specific Equipment Operator Training	High-pressure gas-specific equipment operators
Practical Analysis of Common Business Tax Return Errors and Filing Identified by Finance Personnel	Finance and accounting personnel		Safety and Health On-the-Job Training for Forklift Operators	Forklift operators
Promotion of Crane Hoisting Operation Safety	Maintenance personnel		Innovation and IE Improvement Proposal Training	Improvement proposal-related personnel
Training for Professional Certification of Competence in Piping	Maintenance personnel		Operating Instructions for Laser Jet Printers	Hard Tubing Section personnel
Elevated Operation Safety and How to Correctly Use Full Body Harnesses	Engineering affairs / Quality control / VCM Plant personnel		Key Amendments to the Latest Labor Standards Act and Internal Audit Practices in Enterprise Payroll Cycle	Auditors
Kaohsiung Pipeline Construction Management Personnel Certification Training Course	Engineering personnel		Training for Greenhouse Gas Inventory Internal Auditors	Greenhouse Gas Inventory Internal Auditors
On-the-Job Training for High-Pressure Gas Manufacturing Safety Operation Supervisors	Manufacturing Section personnel		Safety and Health Management for Type I Pressure Vessel Operators	On-site operators
Problem Analysis and Solving	Managers		Process Quality Introduction and Discussion	Coincidence Section personnel
On-the-Job Training for Forklift Operators	Engineering affairs / VCM Plant personnel		Instrument and Electrical Maintenance and Repair Training	Film/Sheet Maintenance Section Personnel
Enhancing Business / Credit Training Course - "Problem Reporting and Suggestions"	Staff		Training on Testing, Inspection and Certification Comparisons and Practices (1) - (4)	Inspection-related personnel
Discussion on Leadership based on Romance of the Three Kingdoms	Managers		Lubricant Training	Raw Materials Control Section personnel
How to Create a Good Diet from the Perspective of Biochemistry	Staff		Audiovisual Course (Activating a Happy Turntable, Self-motivational Skills, and Explore Taiwan on Foot)	General employees
Lecture on Basic Engineering Laws in Practical Cases	Staff		Film/Sheet Quality Control Training	Film/Sheet factory personnel
Communication and Effective Leadership in Organizations	Managers / General employees		Film/Sheet Quality Inspection Training	Technical Quality Control Section personnel
Creating High-Performance Teams	Managers		Raw Materials and Formula of Film/Sheets	Technical Quality Control Section personnel
Value Creation	Managers		Introduction to Film/Sheet Manufacturing	Product Development Section personnel
Innovative Applications and Cloud Security Management	Information Section personnel		Film/Sheet Manufacturing Control at PVC leather Factory	PVC leather Section 1 personnel
Intellectual Property Classification Management Training - TIPS Management Standards Class A Course - Self-Assessment Audit	Environmental protection technology development personnel		Seminar on Thermoplastic Elastomer Material Properties and Processing Applications	Product Development Section personnel
Intellectual Property Classification Management	Environmental protection		Practical Workshop on Business Protection	Auditors

Training Name	Training Participant		Training Name	Training Participant
Training - TIPS Management Standards Class A Course	technology development personnel		Auditors Should Know	
Seminar on Smart In-line Inspection (ILI) Technology	Engineering affairs / Safety and environmental protection personnel		Boiler Installation Time at PVC leather Factory	Personnel at PVC leather factory
Complaint and Conflict Management	Managers		Health Management Personnel Workshop	Health management personnel
Communications and Conflict Management	Managers		Mechanical Training	Film/Sheet Maintenance Section Personnel
Business Innovation and Management	Managers		Training on Frequency Conversion Control for Coal-fired Boiler Systems	Engineering Department personnel
Impact of the Information Security Management Act on Industries	Information Section personnel		On-the-Job Training for Hazardous Operations Supervisors	On-site operators
Information Disclosure and Prevention of Insider Trading	Managers		Radiation Protection Workshop	Radiation protection personnel
Seminar on Voltage Dip Prevention	Instrument and electrical technicians		Briefing on Other Commercial Insurances	Related personnel
Managing Cycle Implementation	Managers		Revised Corporate Social Responsibilities Training Program	Employees holding the position of section manager or higher
Pipeline Integrity Assessment Techniques Training	Engineering personnel		Business Secrets Training	Business secrets-related personnel
Cybersecurity Challenges in the Digital Age	Information Section personnel		Organic Solvent Hazard Prevention Promotion	On-site operators
Occupational Health and Noise Hazard Prevention Promotion	Safety and environmental protection personnel		Safety and Health Management for Operators of Forklift with a Capacity of Over 1 metric ton	On-site operators
Process Safety Management Practices and Applications Class	Manufacturing Section personnel		Safety and Health Management for High-Pressure Gas-Specific Equipment Operators	On-site operators
Understanding ISO9001	Managers		GHG Inventory First Phase Training	GHG inventory-related personnel
Negotiation Skills	Managers		DVD Course on Social Engineering Exercise	Employees in all plants
Safety and Health On-the-Job Training for Boiler Operators	Utilities Section personnel		Coal-Fired Boiler Operator Training	Coal-fired boiler operators
Presentation Skills	Managers		Get Consultant Project Initiation Meeting	Employees holding the position of section manager or higher
Workshop on Titration Analysis, Effectiveness of Karl Fischer Titration Effectiveness and Practical Recommendations for Daily Operations	Quality control personnel		Class A Toxic Chemical Professional Technical Management Personnel Training	Class A Toxic Chemical Professional Technical Management Personnel
Workplace Health Promotion	Staff and workmen		Briefing on Group Annuities	Employees in all plants

3. Employee retirement system:

(1) The "Labor Pension Act" was implemented beginning in July 1, 2005. The retirement pension provisions of the Labor Standards Act continue to apply to incumbent employees and a Labor Pension Reserve Fund Supervision Committee was established. Every month, 10% of each employee's salary is allocated to the pension serve fund, and retired employees can receive their pension in accordance with the law.

(2) After the implementation of the Labor Pension Act, for all new employees and incumbent employees who choose to follow the applicable retirement pension system stated in the Labor Pension Statutes, or for incumbent employees who choose to follow the applicable retirement pension system stated in the Labor Standards Act but choose to follow the retirement pension system stated in the Labor Pension Act again within five (5) years, the Company shall allocate and save six (6) percent of each employee's salary every month into the personal labor pension account established for each employee by the Bureau of Labor Insurance.

(3) Employees can also voluntarily contribute another six (6) percent of their individual salaries every month separately as retirement pension. The voluntary pension contribution shall be fully deducted from the employee's total comprehensive income for the year.

(4) After choosing to follow the retirement pension system stated in the Labor Pension Statutes, employees shall not be allowed to switch to the retirement pension system stated in the Labor Standards Act again.

4. Employer/employee agreement and maintenance of various employee rights:

The management attends meetings of the corporate union board of directors each month. The Company has established the Regulations Governing the Handling of Employee Complaints, Opinions and Feedback and organizes periodic Labor-Management meetings to listen to employees' opinions and effectively resolve labor-management issues.

5. Related certifications obtained from the relevant competent authorities by personnel associated with the transparency of financial information:

Unit	Name	Related Certification
Accounting Division	Kuo, Chien-Chou	Continuing Training Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges, Accounting Research and Development Foundation (November 20, 2017 to November 21, 2017)
Audit Office	Chang, Li-Ping	1. International certified internal auditor (CIA--130669) 2. ISO27001 Security Management Systems Lead Auditor

6. Employee Code of Conduct or Ethics

In accordance with the Labor Standards Act and relevant laws, employees' work rules and various management systems (described below) have been established in order to maintain workplace discipline and order among employees.

(1) Every employee is given an Employee Work Rules Handbook which specifies the behavior or work ethic of employees, including employment, dismissal, working hours, vacation, leave, rewards and punishments, performance appraisal, retirement and welfare.

(2) Pre-employment training for new employees covers education on work ideals, ethics, quality management system, environmental protection, occupational safety and health management.

(3) Signing of Letter of Undertaking by employees: This document establishes employees' commitment towards maintaining the confidentiality of information regarding the Company's tangible and intangible operating assets and prevents employees from infringing on the interests of the Company.
(4) Disclosure on the Company's website: The 'Codes of Ethical Conduct for Directors, Supervisors and Managerial Officers', 'Ethical Corporate Management Best Practice Principles', 'Employee Work Rules', 'Code of Conduct for Employees Regarding Concurrent and Part-time Work', and 'Procedures for Handling Material Inside Information'.

7. Protection measures for work environment and employees' personal safety:
   (1) With regard to the promotion of environmental protection and occupational safety and health, the Company not only complies with the relevant laws and regulations, but also expects to meet internationally recognized standards, where the Company has successfully obtained ISO 9001, ISO/IEC17025, ISO/TS16949, and ISO14001certifications.
   (2) Strengthen enhance self-inspection and actively participate in activities of the Labor Safety and Health Promotion Associations of Toufen and Zhunan Industrial Parks.
   (3) Actively attend activities held by Taiwan Responsible Care Association (TRCA) in the chemical engineering industry and uphold its spirit. Improve safety and environmental protection performance, reduce injuries from accidents, ensure financial profitability, increase company output, implement community services, and be a good neighbor to the community.
   (4) The Company provides its employees with comprehensive health care. In addition to the formulation of guidelines related to employee assistance services and gender equality in the workplace, the Company also provides group insurance, annual health checkups, sports and fitness equipment, as well as organizes various outdoor recreational activities and talks on mental, emotional and spiritual health.
8. Fulfilling Social Responsibilities:
   (1) The Company makes contributions to our social and economic well-being.

(2) The Company encourages its employees to participate in various service activities to promote community and social development.

(3) The Company complies with government regulations and dedicates full effort to reduce negative impact of business activities on the environment to achieve goals in environmental protection policies (e.g. adoption of environmentally friendly coolants and energy-saving lighting equipment for the reduction of carbon emissions and greenhouse gases).

(4) The Company does its best to take in to account local cultural and social traditions when implementing various business activities.

(5) The Company has always been committed to the principle of equal opportunities and recognizes the contribution of employees from different backgrounds. The Company adopts an open selection process and hires the right talent for the right position, instead of restricting employees' career development based on their race, gender, age, religion, nationality or political affiliation.

(II) Losses arising as a result of labor disputes in the recent year up and as of the publish date of this annual report and disclosure of potential current and future losses and countermeasures:

The Company has always paid serious attention to communication and harmony between the employer and employees, and labor disputes can be communicated and overcome through mutual trust. Hence, there has not been any labor dispute in recent years. Based on the good relations between the employer and employees, no labor dispute is expected to happen in the future.

VI.Important Contracts

April 30, 2018

Nature of Contract	Party	Contract Start/End Date	Main Content	Restrictive provisions
Material Purchase Contract	Formosa Plastics Corporation	January 1, 2018 ~ December 31, 2018	Taiwan VCM Corporation and Formosa Plastics Corporation signed a contract for the purchase of dichloroethane, with the price of the material agreed by both the buyer and the seller.	None
Material Purchase Contract	Sabic Asia Pacific Pte. Ltd.	January 1, 2018 ~ December 31, 2018	Taiwan VCM Corporation and Sabic Asia Pacific Pte. Ltd. signed a contract for the purchase of dichloroethane, with the price of the material agreed by both the buyer and the seller.	None
Material Purchase Contract	Mitsui & Co., Ltd.	January 1, 2018 ~ December 31, 2018	Taiwan VCM Corporation and Mitsui & Co., Ltd. signed a contract for the purchase of dichloroethane, with the price of the material agreed by both the buyer and the seller.	None
Material Purchase Contract	Mitsubishi Corporation	January 1, 2018 ~ December 31, 2018	Taiwan VCM Corporation and Mitsubishi Corporation signed a contract for the purchase of dichloroethane, with the price of the material agreed by both the buyer and the seller.	None
Material Purchase Contract	Marubeni Corporation	January 1, 2018 ~ December 31, 2018	Taiwan VCM Corporation and Marubeni Corporation signed a contract for the purchase of dichloroethane, with the price of the material agreed by both the buyer and the seller.	None
Material Purchase Contract	CPC Corporation	January 1, 2018 ~ December 31, 2018	Taiwan VCM Corporation and CPC Corporation signed a contract for the purchase of ethylene, with the price of the material agreed by both the buyer and the seller.	None
Material Purchase Contract	Dampier Salt Limited	January 1, 2018 ~ December 31, 2018	CGPC and Dampier signed a contract for the purchase of industrial salt, with the price of the material agreed by both the buyer and the seller.	None
Medium-term Secured Lending Limit Contract	Chang Hwa Bank	February 1, 2018 ~ July 31, 2023	CGPC and Chang Hwa Bank signed a five-year medium-term secured lending limit contract worth NT$ 1 billion, where it can be used cyclically.	None
Medium-term Secured Lending Limit Contract	KGI Bank	November 30, 2016 ~ November 30, 2021	CGPC Polymer Corporation and KGI Bank signed a five-year medium-term secured lending limit contract worth NT$ 1 billion, where it can be used cyclically.	None
Medium-term Lending and Foreign Exchange Credit Comprehensive Limit Contract	KGI Bank	November 18, 2016 ~ November 18, 2019	CGPC Polymer Corporation and KGI Bank signed a three-year medium-term secured lending and foreign exchange credit comprehensive limit contract worth NT$ 500 million, where it can be used cyclically.	Based on the consolidated annual report / semi-annual report of CGPC, its current ratio shall not be less than 175%, and its debt ratio (debt/net value) shall not be greater than 125%.

Chapter 6 Financial Conditions

I. Most Recent 5-Year Condensed Financial Statements

(I) 1. Condensed balance sheet-International Financial Reporting Standards - consolidated

Unit: NT$ thousands

Item \ Year		Financial information for the most recent 5 years (audit and certification)					Current year up to March 31, 2018 Financial information (review)
		2013	2014	2015	2016	2017	
Current assets		5,445,462	5,340,409	6,409,452	7,200,056	5,993,631	6,132,824
Property, plant and equipment		5,203,400	5,106,533	5,068,082	5,227,157	5,729,861	301,911
Intangible assets		37,530	32,452	29,733	19,589	10,238	5,739,122
Other assets		805,113	888,836	866,420	862,185	939,491	659,805
Total assets		11,491,505	11,368,230	12,373,687	13,308,987	12,673,221	12,833,662
Current liabilities	Before distribution	2,088,929	2,502,025	2,616,130	2,480,133	1,785,947	1,663,478
	After distribution	2,449,162 (Note 1)	2,595,686 (Note 1)	3,084,433 (Note 1)	3,292,171 (Note 1)	— (Note 2)	— (Note 2)
Non-current liabilities		3,089,757	2,787,883	2,972,381	3,073,034	2,686,426	2,374,887
Total liabilities	Before distribution	5,178,686	5,289,908	5,588,511	5,553,167	4,472,373	4,038,365
	After distribution	5,538,919 (Note 1)	5,383,569 (Note 1)	6,056,814 (Note 1)	6,365,205 (Note 1)	— (Note 2)	— (Note 2)
Equity attributable to owners of the Company		6,050,575	5,813,279	6,476,010	7,375,485	7,806,341	8,358,674
Capital		4,502,917	4,683,034	4,683,034	4,776,695	4,919,996	4,919,996
Capital reserve		8,239	8,232	8,221	8,220	8,236	8,234
Retained Earnings	Before distribution	1,509,332	1,063,540	1,730,158	2,549,432	2,857,342	3,407,380
	After distribution	1,149,099 (Note 1)	969,879 (Note 1)	1,261,855 (Note 1)	1,737,394 (Note 1)	— (Note 2)	— (Note 2)
Other equity		30,087	58,473	54,597	41,138	20,767	23,064
Treasury stock		—	—	—	—	—	—
Non-controlling interest		262,244	265,043	309,166	380,335	394,507	436,623
Total equity	Before distribution	6,312,819	6,078,322	6,785,176	7,755,820	8,200,848	8,795,297
	After distribution	5,952,586 (Note 1)	5,984,661 (Note 1)	6,316,873 (Note 1)	6,943,782 (Note 1)	— (Note 2)	— (Note 2)

Note 1: Fill in the numbers after distribution based on the actual distribution in accordance with the resolution in the general shareholders' meetings in the following year.
Note 2: It was not passed in a resolution of the general shareholders' meeting and it is therefore not listed.

(I) 2. Condensed consolidated income statement-International Financial Reporting Standards (consolidated)

Unit: NT$ thousands

Item \ Year		Financial information for the most recent 5 years (audit and certification)					Current year up to March 31, 2018 Financial information (review)
		2013	2014	2015	2016	2017	
Sales revenue		14,191,319	14,559,831	13,842,155	14,157,389	14,701,741	4,144,200
Gross profit		1,963,314	1,136,897	1,948,472	2,940,369	2,776,931	970,114
Net operating profit		910,443	96,309	916,128	1,874,470	1,650,788	656,308
Non-operating income and expenses		92,904	58,183	39,085	(73,316)	(34,645)	25,633
Net income before taxes		1,003,347	154,492	955,213	1,801,154	1,616,143	681,941
Net income from continuing operations for the period		832,351	148,961	844,341	1,521,307	1,341,471	583,780
Gain (loss) from discontinued operations		(17,515)	(26,566)	(31,923)	21,777	(2,197)	(142)
Net income for this period		814,836	122,395	812,418	1,543,084	1,339,274	583,638
Other comprehensive income for the period (net amount after taxes)		(1,413)	3,337	(11,892)	(77,288)	(27,454)	(5,749)
Total comprehensive income for the period		813,423	125,732	800,526	1,465,796	1,311,820	577,889
Net income attributable toowners of the Company		753,119	118,906	767,567	1,443,125	1,269,808	541,502
Net income attributable to non-controlling interests		61,717	3,489	44,851	99,959	69,466	42,136
Total comprehensive income attributable toowners of the Company		751,258	122,933	756,403	1,367,779	1,242,878	535,773
Total comprehensive income attributable tonon-controlling interests		62,165	2,799	44,123	98,017	68,942	42,116
Earnings per share	Before Adjustment	NT$1.67	NT$0.25	NT$1.64	NT$3.02	NT$2.58	NT$1.10
	After Adjustment (Note)	NT$1.61	NT$0.25	NT$1.60	NT$2.93	NT$2.58	NT$1.10

Note: The earnings distribution has been retroactively adjusted.

(II) 1. Condensed balance sheet-International Financial Reporting Standards - parent company only

Unit: NT$ thousands

Item / Year		Financial information for the most recent 5 years (audit and certification)				
		2013	2014	2015	2016	2017
Current assets		2,800,156	2,500,706	2,810,058	3,143,127	2,770,055
Property, plant and equipment		2,347,424	2,323,563	2,407,255	2,534,996	2,914,824
Intangible assets		7,559	8,257	11,190	7,907	4,178
Other assets		3,518,658	3,490,892	3,766,393	4,495,866	4,899,414
Total assets		8,673,797	8,323,418	8,994,896	10,181,896	10,588,471
Current liabilities	Before distribution	912,943	811,483	850,306	1,099,388	1,431,739
	After distribution	1,273,176 (Note 1)	905,144 (Note 1)	1,318,609 (Note 1)	1,911,426 (Note 1)	— (Note 2)
Non-current liabilities		1,710,279	1,698,656	1,668,580	1,707,023	1,350,391
Total liabilities	Before distribution	2,623,222	2,510,139	2,518,886	2,806,411	2,782,130
	After distribution	2,983,455 (Note 1)	2,603,800 (Note 1)	2,987,189 (Note 1)	3,618,449 (Note 1)	— (Note 2)
Capital		4,502,917	4,683,034	4,683,034	4,776,695	4,919,996
Capital reserve		8,239	8,232	8,221	8,220	8,236
Retained earnings	Before distribution	1,509,332	1,063,540	1,730,158	2,549,432	2,857,342
	After distribution	1,149,099 (Note 1)	969,879 (Note 1)	1,261,855 (Note 1)	1,737,394 (Note 1)	— (Note 2)
Other equity		30,087	58,473	54,597	41,138	20,767
Treasury stock		—	—	—	—	—
Total equity	Before distribution	6,050,575	5,813,279	6,476,010	7,375,485	7,806,341
	After distribution	5,690,342 (Note 1)	5,719,618 (Note 1)	6,007,707 (Note)	6,563,447 (Note 1)	— (Note 2)

Note 1: Fill in the numbers after distribution based on the actual distribution in accordance with the resolution in the general shareholders' meetings in the following year.

Note 2: It was not passed in a resolution of the general shareholders' meeting and it is therefore not listed.

(II) 2. Condensed consolidated income statement-International Financial Reporting Standards - parent company only

Unit: NT$ thousands

Item \ Year		Financial information for the most recent 5 years (audit and certification)				
		2013	2014	2015	2016	2017
Sales revenue		8,148,808	7,274,791	7,040,888	7,461,520	8,110,347
Gross profit		751,289	612,845	860,782	1,060,675	1,181,111
Net operating profit		299,494	215,147	460,541	615,407	700,487
Non-operating income and expenses		527,571	(85,179)	355,619	948,277	715,208
Net income before taxes		827,065	129,968	816,160	1,563,684	1,415,695
Net income for this period		753,119	118,906	767,567	1,443,125	1,269,808
Other comprehensive income for the period (net amount after taxes)		(1,861)	4,027	(11,164)	(75,346)	(26,930)
Total comprehensive income for the period		751,258	122,933	756,403	1,367,779	1,242,878
Earnings per share	Before Adjustment	NT$1.67	NT$0.25	NT$1.64	NT$3.02	NT$2.58
	After Adjustment (Note)	NT$1.61	NT$0.25	NT$1.60	NT$2.93	NT$2.58

.Note: The earnings distribution has been retroactively adjusted

(III)Names of auditors and opinions

Year	Name of Accounting	Name of CPA	Audit opinion
2017	Deloitte & Touche, Taiwan, Republic of China	Wu,Shih-Tsung and Kuo,Tzu-Jung	Unqualified opinion
2016		Wu,Shih-Tsung and Kuo,Tzu-Jung	Unqualified opinion
2015		Wu,Shih-Tsung and Kuo,Tzu-Jung	Unqualified opinion
2014		Wu,Shih-Tsung and Kuo,Tzu-Jung	Modified unqualified opinion
2013		Huang,Hsiu-Chun and Wei,Liang-Fa	Unqualified opinion

II. Most Recent 5-Year Financial Analysis

(I) Financial analysis- International Financial Reporting Standards - consolidated

Year (Note 1) / Analysis Item (Note 3)			Financial analysis for the most recent 5 years (audit and certification)					Details	Financial information of the current year up to March 31, 2018 (review)
			2013	2014	2015	2016	2017		
Finance structure	Debt-asset Ratio (%)		45.07	46.53	45.16	41.72	35.28		31.46
	Proportion of long-term capital in PP&E (%)		181.96	173.62	192.52	207.16	190.00		194.63
Solvency	Current ratio (%)		269.14	213.44	244.99	290.30	335.59		368.67
	Quick ratio (%)		180.24	123.90	172.02	218.13	228.65		267.99
	Interest coverage ratio		36.90	5.28	30.84	83.33	124.88	1	253.14
Operating ability	Receivables turnover ratio (times)		10.29	10.79	10.31	10.16	9.45		10.41
	Average days of collection		35.47	33.82	35.40	35.92	38.62		35.06
	Inventory turnover ratio (times)		8.09	7.15	6.07	6.28	6.66		7.28
	Average days of sales		45.11	51.05	60.13	58.12	54.80		50.13
	Payables turnover ratio (times)		13.71	17.79	16.73	12.45	12.71		15.75
	Property, plant, and equipment turnover ratio (times)		2.73	2.82	2.72	2.75	2.68		2.89
	Total assets turnover ratio (times)		1.23	1.27	1.17	1.10	1.13		1.30
Profitability	Return on assets (%)		7.40	1.29	7.06	12.16	10.39		4.59
	Return on Equity (%)		13.60	1.98	12.63	21.22	16.79	2	6.87
	Net income before income tax-to-paid-in capital ratio (%) (Note 7)		22.28	2.73	19.72	38.16	32.80		13.86
	Net profit margin (%)		5.74	0.84	5.87	10.90	9.11		14.08
	Earnings Per Share	Before Adjustment (NTD)	1.67	0.25	1.64	3.02	2.58		1.10
		After adjustment (NTD)	1.61	0.25	1.60	2.93	2.58		1.10
Cash flow	Cash flow ratio (%)		45.62	8.73	14.92	88.10	90.23		18.75
	Cash flow adequacy ratio (%)		102.89	63.87	88.71	151.49	97.46	3	95.42
	Cash reinvestment ratio (%)		4.21	(0.84)	1.66	9.10	3.90	3	1.60
Leverage	Degree of operating leverage (DOL)		2.98	4.86	3.09	2.10	2.31		1.92
	Degree of financial leverage (DFL)		1.03	1.45	1.03	1.01	1.01		1.00

Description of causes for changes to various financial ratios in the 2 most recent years: (analysis would not be required if the change is within 20%)

1. The substantial increase in the interest coverage ratio in 2017, campared from 2016 was mainly caused by reduced interest rate for loans and repayment of short-term loans (including bills) of NT$460 million, which led to the decrease in interest expense.
2. The return on equity ratio in 2017 was lower than the ratio in 2016 despite the increase of NT$540 million in sales mainly due to the cost increase of ethylene and EDC which reduced profitability. They reduced sales margin by NT$160 million and reduced net income by NT$200 million.
3. The cash flow adequacy ratio and cash reinvestment ratio in 2017 were lower than they were in 2016 mainly due to a reduction of NT$570 million in net cash inflow (decrease in net defined benefit liabilities/increase in outflow of NT$370 million, increase in accounts receivable and bills/decrease in inflow of NT$170 million), increase of NT$540 million in net cash outflow in investment activities (purchase of real property, plants, and equipment/increase in outflow of NT$460 million) and an increase of NT$260 million in net cash outflow from funding activities (payment of cash dividends/increase in outflow of NT$370 million, long and short-term lending/decrease in outflow of NT$110 million).

(II) Financial analysis- International Financial Reporting Standards -parent company only

Analysis Item (Note 3) \ Year (Note 1)			Financial analysis for the most recent 5 years (audit and certification) 2013	2014	2015	2016	2017	Details
Finance structure	Debt-asset Ratio (%)		30.24	30.16	28.00	27.56	26.27	
	Proportion of long-term capital in PP&E (%)		330.61	323.29	338.33	358.28	314.14	
Solvency	Current ratio (%)		306.72	308.17	330.47	285.89	193.47	1
	Liquidity ratio (%)		226.11	203.21	235.71	219.91	144.59	1
	Interest coverage ratio		1,896.27	237.22	4,143.94	41,150.58	23,595.92	2
Operating ability	Receivables turnover ratio (times)		9.43	8.10	8.00	8.27	8.41	
	Average days of collection		38.70	45.04	45.62	44.13	43.40	
	Inventory turnover ratio (times)		10.46	8.71	7.66	8.62	10.04	
	Average days of sales		34.89	41.89	47.65	42.34	36.35	
	Payables turnover ratio (times)		10.97	13.05	13.01	12.50	9.24	3
	Property, plant, and equipment turnover ratio (times)		3.49	3.11	2.98	3.02	2.98	
	Total assets turnover ratio (times)		0.97	0.86	0.81	0.78	0.78	
Profitability	Return on assets (%)		8.98	1.40	8.87	15.05	12.23	
	Return on Equity (%)		13.08	2.00	12.49	20.84	16.73	
	Net income before income tax-to-paid-in capital ratio (%) (Note 7)		18.37	2.78	17.43	32.74	28.77	
	Net profit margin (%)		9.24	1.63	10.90	19.34	15.66	
	Earnings Per Share	Before Adjustment (NTD)	1.67	0.25	1.64	3.02	2.58	
		After adjustment (NTD)	1.61	0.25	1.60	2.93	2.58	
Cash flow	Cash flow ratio (%)		19.98	69.55	25.99	63.50	49.11	4
	Cash flow adequacy ratio (%)		104.33	71.37	126.28	101.60	80.25	4
	Cash reinvestment ratio (%)		0.10	1.72	1.03	1.70	(0.80)	4
Leverage	Degree of operating leverage (DOL)		1.47	1.62	3.37	2.87	2.73	
	Degree of financial leverage (DFL)		1.00	1.00	1.00	1.00	1.00	

Description of causes for changes to various financial ratios in the 2 most recent years: (analysis would not be required if the change is within 20%)

1. The current ratio in 2017 was lower than 2016 mainly due to the increase of NT$330 million in appropriated employee pension to the designated account in the Bank of Taiwan, which led to an increase in cash outflow and increase of NT$340 million in accounts payable/bills.
2. The decrease in the interest coverage ratio in 2017, compared to 2016 was mainly caused by a reduction of NT$150 million in net income before taxes and an increase of NT$20,000 in interest rate expenses.
3. The payables turnover ratio in 2017 was lower than 2016 mainly due to the increase of NT$340 million in payable accounts/bills.
4. The cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio in 2017 were lower than they were in 2016 mainly due to a slight increase of NT$5 million in net cash inflow from operating activities (decrease in financial assets held for trade/increase in inflow of NT$180 million, increase in accounts payable and bills/decrease in outflow of NT$210 million, decrease in net defined benefit liabilities/increase in outflow of NT$340 million, and payment of income tax/increase in outflow of NT$45 million), increase of NT$210 million in net cash outflow in investment activities (purchase of real property, plants, and equipment/increase in outflow of NT$410 million, and collection of stock dividends/increase in inflow of NT$190 million), and an increase of NT$350 million in net cash outflow from funding activities (payment of cash dividends/outflow increase of NT$340 million).

If the Company has prepared a parent company only financial report, an analysis of the Company's parent company only financial ratios shall be prepared.

＊Companies having adopted IFRS for financial reporting for less than five years should compile additional financial data based on the ROC's financial and accounting guidelines. For details, refer to data of table (2) below.

Note 1: Years not audited by CPAs should be noted.

Note 2: Until the date of publication of the annual report, a company whose stock is listed on the stock exchange or traded over the counter shall disclose the most recent financial statement audited or attested by CPA, if any.

Note 3: At the end of the annual report, the following formula should be presented:

1. Financial structure
   (1) Liabilities-to-asset ratio = total liabilities / total assets.
   (2) Proportion of long-term capital in property, plant, and equipment = (Total equities + non-current liabilities) / (Total net value of property, plant, and equipment).
2. Solvency
   (1) Current ratio = current assets / current liabilities
   (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities
   (3) Interest coverage ratio = income before income tax and interest expense / interest expense of the current period
3. Operating ability
   (1) Receivable (including accounts receivable and business-related notes receivable) turnover ratio = net sale / average balance of receivable of the period (including accounts receivable and business-related notes receivable).
   (2) Average collection days = 365 / receivables turnover
   (3) Inventory turnover = cost of sales / average inventories
   (4) Payable (including accounts payable and business-related notes payable) turnover ratio = net sales revenue / average balance of payable of the period (including accounts payable and business-related notes payable).
   (5) Average days for sale = 365 / inventory turnover
   (6) Property, factory and equipment turnover rate = net sale/net property, factory and equipment.
   (7) Total asset turnover = net sales / average total assets
4. Profitability
   (1) Return on assets = [net income after taxes + interest expense x (1 - tax rate)] / average total assets
   (2) Return on equity = net income after taxes / average equity
   (3) Net profit margin = net income after taxes / net sales
   (4) Earnings per share = (net income (loss) attributable to owners of the parent company - preferred stock dividend) / weighted average number of shares outstanding (Note 4)
5. Cash flow
   (1) Cash flow ratio = net cash provided by operating activities / current liabilities
   (2) Net cash flow adequacy ratio = Net cash flow for business activities in the 5 most recent years / (capital expenditure + inventory increase + cash dividends) for the 5 most recent years.
   (3) Cash reinvestment ratio = (Net cash flow from operating activities – cash dividend) / gross fixed assets value + long-term investment + other assets + working capital). (Note 5)
6. Leverage:
   (1) Degree of operating leverage (DOL) = (net operating revenue - variable operating cost and expenses) / operating profit (Note 6)
   (2) Degree of Financial leverage (DFL) = operating profit / (operating income - interest expense)

Note 4: The following items should be noted for the calculation of earnings per share using the above-mentioned formula:

1. Use the weighted average number of common shares, not the number of shares outstanding at the end of year.
2. Shares from cash capital increase or treasury stock transactions shall be considered when calculating the weighted average number of shares.
3. The shares from capitalization of earnings or capital surplus shall be retrospectively adjusted by the proportion of capital increase when calculating the earnings per share for

previous annual and semi-annual periods. The issuance period of the capital increase does not have to be considered.

4. For preferred shares that are not non-convertible cumulative preferred shares, dividends (regardless of whether they are distributed) should be deducted from net income after taxes or be included as net loss after taxes. If the preferred shares are non-cumulative in nature, where net income after taxes is available, preferred share dividends should be deducted from it. No adjustment is required if the company generates loss after taxes.

Note 5: The following items should be noted for the analysis of cash flow:

1. Net cash provided by operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflows for capital investments.
3. The increase in inventory is included only if the balance at the end of period is greater than the balance at the beginning of period. If it is the other way around, the number used should be zero.
4. Cash dividends include cash dividends from common and preferred shares.
5. Gross value of PP&E refers to the total value of PP&E minus accumulated depreciation.

Note 6: The issuer should classify the operating costs and operating expenses as fixed or variable depending on their nature. If the process involves estimates or subjective judgments, reasonableness and consistency should be maintained.

Note 7: Where company shares have no par value or where the par value per share is not NT$ 10, any abovementioned calculations that involve paid-in capital and its ratio shall be replaced with the equity ratio belonging to the owner of the parent company of the asset balance sheet. The nominal value of the Company's share is NT$10. Therefore, it shall be calculated based on the paid-in capital.

III. Supervisors or Audit Committee's review reports on financial statements for the most recent year

China General Plastics Corporation
Audit Committee's Audit Report

The Company's 2017 Business Report prepared by the Board of Directors, the financial report audited and certified by CPAs Wu,Shih-Tsung and Kuo,Tzu-Jung of Deloitte & Touche, Taiwan, Republic of China (including parent company only Financial Statements and the Consolidated Financial Statements), and the Earnings Distribution Proposal, have been reviewed by the Audit Committee which found them to be compliant with regulations. The Audit Report is therefore provided in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act and filed for approval.

To

2018 Annual General Meeting of China General Plastics Corporation

China General Plastics Corporation
Audit Committee

Independent Director: Li,Zu-De

Independent Director: Zheng,Ying-Bin

Independent Director: Li,Liang-Xian

March 12, 2018

IV. CPA audited consolidated financial report for the most recent year

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the combined financial statements of China General Plastics Corporation as of and for the year ended December 31, 2017, under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standard 10, "Consolidated Financial Statements". In addition, the information required to be disclosed in the combined financial statements of affiliates is included in the consolidated financial statements of China General Plastics Corporation and Subsidiaries. Consequently, we do not prepared a separate set of combined financial statements of affiliates.

Very truly yours,

CHINA GENERAL PLASTICS CORPORATION

By

Wu,Yi-Gui
Chairman

March 12, 2018

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
China General Plastics Corporation

Opinion

We have audited the accompanying consolidated financial statements of China General Plastics Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters related to the Group's consolidated financial statements for the year ended December 31, 2017 are stated as follows:

Occurrence of Specific Revenue

As the transaction volume is huge and customers are diversified, part of the Group sales were conducted by granting customers one-off credit increase, and the reasonableness of the terms in these exceptional sales is significant to the Group's revenue recognized in 2017. Therefore, the occurrence of these specific sales is identified as one of the key audit matters.

For the accounting policy of revenue recognition, refer to Note 4 to the accompanying consolidated financial statements.

Below are our main audit procedures performed for the occurrence of specific revenue:

1. Obtained an understanding of and tested the internal control design and operating effectiveness over the credit line setting, modification and approval process;

2. Sampled the transaction documents supporting specific revenue recognized, including shipping, customs and receipt documents;

3. Sampled sales returns, provisions and cash collections occurred subsequent to the balance sheet date to verify the reasonableness of revenue recognition.

Recognition of Defined Benefit Liabilities

As of December 31, 2017, the carrying amount of the defined benefit liabilities was NT$1,039,875 thousand, which accounted for 23% of the total liabilities on the consolidated balance sheet. The carrying amount of defined benefit liabilities was determined and recognized based on independent actuaries' report. The underlying assumptions utilized in the actuarial report were dependent on management's judgment and estimates with which there is a high degree of uncertainty. Thus, the recognition of defined benefit liabilities, in our professional judgment, is identified as one of the key audit matters.

For the estimates and judgments related to the recognition of defined benefit liabilities, refer to Notes 4, 5 and 24 to the consolidated financial statements.

Below are the main audit procedures performed for recognition of defined benefit liabilities:

1. Assessed the professionalism, competency, objectivity and qualification of independent actuaries engaged by management;

2. Obtained an understanding of and tested the rationality of the supporting data provided by management in the actuarial report;

3. For the methodology and major underlying assumptions utilized in the actuarial report, including discount rate and expected wage growth rate, we compared the data used with data used by peers as well as historical ones, and evaluated the appropriateness of management's judgments.

Other Matter

We have also audited the parent company only financial statements of China General Plastics Corporation as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with statements that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation preludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Wu,Shih-Tsung and Kuo,Tzu-Jung.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 12, 2018

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 663,145	5	$ 1,408,954	11
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,395,898	11	2,087,088	16
Available-for-sale financial assets - current (Notes 4 and 8)	-	-	3,072	-
Debt investments with no active market - current (Notes 4, 10 and 33)	268,805	2	268,656	2
Notes receivable (Notes 4 and 11)	179,929	1	152,341	1
Trade receivables (Notes 4 and 11)	1,498,990	12	1,280,151	10
Other receivables (Notes 4 and 11)	70,802	1	66,877	-
Other receivables from related parties (Notes 4, 11 and 32)	5,472	-	139,999	1
Current tax assets (Notes 4 and 27)	42	-	1,085	-
Inventories (Notes 4 and 12)	1,856,456	15	1,722,932	13
Prepayments (Notes 4 and 19)	53,598	-	67,192	-
Other current assets	494	-	1,709	-
Total current assets	5,993,631	47	7,200,056	54
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4 and 8)	2,194	-	2,102	-
Financial assets measured at cost - non-current (Notes 4 and 9)	91,000	1	103,251	1
Investments accounted for using the equity method (Notes 4 and 15)	298,744	3	271,354	2
Property, plant and equipment (Notes 4, 16, 20, 32 and 33)	5,729,861	45	5,227,157	39
Investment properties (Notes 4, 17 and 29)	140,260	1	27,715	-
Intangible assets (Notes 4 and 18)	10,238	-	19,589	-
Deferred tax assets (Notes 4 and 27)	270,525	2	316,467	3
Long-term prepayments for leases (Notes 4 and 19)	100,318	1	105,920	1
Other non-current assets (Note 33)	36,450	-	35,376	-
Total non-current assets	6,679,590	53	6,108,931	46
TOTAL	$ 12,673,221	100	$ 13,308,987	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 20)	$ -	-	$ 160,000	1
Short-term bills payable (Note 20)	-	-	299,929	2
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	1,701	-	3,116	-
Notes payable (Note 21)	183	-	351	-
Trade payables (Note 21)	620,443	5	789,053	6
Trade payables to related parties (Notes 21 and 32)	232,011	2	234,127	2
Other payables (Note 22)	681,231	5	667,972	5
Other payables to related parties (Note 32)	22,605	-	28,425	-
Current tax liabilities (Notes 4 and 27)	141,996	1	215,670	2
Provisions - current (Notes 4 and 23)	25,127	-	16,039	-
Other current liabilities	60,650	1	65,451	1
Total current liabilities	1,785,947	14	2,480,133	19
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 16, 20 and 33)	1,050,000	8	1,050,000	8
Deferred tax liabilities (Notes 4 and 27)	594,162	5	596,167	4
Net defined benefit liabilities - non-current (Notes 4 and 24)	1,039,875	8	1,420,641	11
Other non-current liabilities (Note 32)	2,389	-	6,226	-
Total non-current liabilities	2,686,426	21	3,073,034	23
Total liabilities	4,472,373	35	5,553,167	42
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 8, 15, 24 and 25)				
Share capital				
Ordinary shares	4,919,996	39	4,776,695	36
Capital surplus	8,236	-	8,220	-
Retained earnings				
Legal reserve	385,973	3	241,661	2
Special reserve	408,223	3	408,223	3
Unappropriated earnings	2,063,146	17	1,899,548	14
Total retained earnings	2,857,342	23	2,549,432	19
Other equity	20,767	-	41,138	-
Total equity attributable to owners of the Company	7,806,341	62	7,375,485	55
NON-CONTROLLING INTERESTS	394,507	3	380,335	3
Total equity	8,200,848	65	7,755,820	58
TOTAL	$ 12,673,221	100	$ 13,308,987	100

The accompanying notes are an integral part of the consolidated financial statements.

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
NET REVENUE (Note 4)	$ 14,701,741	100	$ 14,157,389	100
COST OF REVENUE (Notes 4, 12, 24, 26 and 32)	11,924,810	81	11,217,020	79
GROSS PROFIT	2,776,931	19	2,940,369	21
OPERATING EXPENSES (Notes 4, 24, 26 and 32)				
Selling and marketing expenses	803,107	6	747,081	5
General and administrative expenses	274,619	2	269,387	2
Research and development expenses	48,417	-	49,431	1
Total operating expenses	1,126,143	8	1,065,899	8
PROFIT FROM OPERATIONS	1,650,788	11	1,874,470	13
NON-OPERATING INCOME AND EXPENSES (Notes 4, 7, 8, 9, 15, 26 and 32)				
Other income	47,402	-	30,881	-
Other gains and losses	(84,917)	-	(78,238)	-
Interests expense	(13,028)	-	(22,142)	-
Share of profit or loss of associates	15,898	-	(3,817)	-
Total non-operating income and expenses	(34,645)	-	(73,316)	-
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	1,616,143	11	1,801,154	13
INCOME TAX EXPENSE (Notes 4 and 27)	274,672	2	279,847	2
NET PROFIT FROM CONTINUING OPERATIONS (Note 26)	1,341,471	9	1,521,307	11
NET (LOSS) PROFIT FROM DISCONTINUED OPERATIONS (Notes 4 and 13)	(2,197)	-	21,777	-
NET PROFIT FOR THE YEAR	1,339,274	9	1,543,084	11

(Continued)

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 8, 15, 24, 25 and 27)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ (7,496)	-	$ (71,133)	(1)
Share of the other comprehensive loss of associates accounted for using the equity method - remeasurement of defined benefit plans	(161)	-	(2,196)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	561	-	9,470	-
	(7,096)	-	(63,859)	(1)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(38,607)	-	(29,784)	-
Unrealized gain on available-for-sale financial assets	33	-	616	-
Share of the other comprehensive loss of associates accounted for using the equity method - exchange differences on translating foreign operations	(151)	-	(1,693)	-
Share of the other comprehensive income of associates accounted for using the equity method - unrealized gain on available-for-sale financial assets	11,804	-	12,368	-
Income tax relating to items that may be reclassified subsequently to profit or loss	6,563	-	5,064	-
	(20,358)	-	(13,429)	-
Other comprehensive loss for the year, net of income tax	(27,454)	-	(77,288)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,311,820	9	$ 1,465,796	10
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 1,269,808	9	$ 1,443,125	10
Non-controlling interests	69,466	-	99,959	1
	$ 1,339,274	9	$ 1,543,084	11

(Continued)

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 1,242,878	8	$ 1,367,779	9
Non-controlling interests	68,942	1	98,017	1
	$ 1,311,820	9	$ 1,465,796	10
EARNINGS PER SHARE (Note 28)				
From continuing and discontinued operations				
Basic	$ 2.58		$ 2.93	
Diluted	$ 2.58		$ 2.93	
From continuing operations				
Basic	$ 2.59		$ 2.89	
Diluted	$ 2.58		$ 2.89	

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company (Notes 4, 8, 15, 24 and 25)													
		Capital Surplus			Retained Earnings				Other Equity					
	Share Capital	Unpaid Dividends	Others	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total	Total	Non-controlling Interests (Note 25)	Total Equity
BALANCE AT JANUARY 1, 2016	$ 4,683,034	$ 7,914	$ 307	$ 8,221	$ 164,904	$ 408,223	$ 1,157,031	$ 1,730,158	$ 39,025	$ 15,572	$ 54,597	$ 6,476,010	$ 309,166	$ 6,785,176
Appropriation of 2015 earnings														
Legal reserve	-	-	-	-	76,757	-	(76,757)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(468,303)	(468,303)	-	-	-	(468,303)	-	(468,303)
Share dividends distributed by the Company	93,661	-	-	-	-	-	(93,661)	(93,661)	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(26,848)	(26,848)
Other changes in capital surplus	-	(1)	-	(1)	-	-	-	-	-	-	-	(1)	-	(1)
Net profit for the year ended December 31, 2016	-	-	-	-	-	-	1,443,125	1,443,125	-	-	-	1,443,125	99,959	1,543,084
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	-	(61,887)	(61,887)	(26,413)	12,954	(13,459)	(75,346)	(1,942)	(77,288)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	-	1,381,238	1,381,238	(26,413)	12,954	(13,459)	1,367,779	98,017	1,465,796
BALANCE AT DECEMBER 31, 2016	4,776,695	7,913	307	8,220	241,661	408,223	1,899,548	2,549,432	12,612	28,526	41,138	7,375,485	380,335	7,755,820
Appropriation of 2016 earnings														
Legal reserve	-	-	-	-	144,312	-	(144,312)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(812,038)	(812,038)	-	-	-	(812,038)	-	(812,038)
Share dividends distributed by the Company	143,301	-	-	-	-	-	(143,301)	(143,301)	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(54,770)	(54,770)
Other changes in capital surplus	-	16	-	16	-	-	-	-	-	-	-	16	-	16
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	1,269,808	1,269,808	-	-	-	1,269,808	69,466	1,339,274
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	(6,559)	(6,559)	(32,195)	11,824	(20,371)	(26,930)	(524)	(27,454)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	1,263,249	1,263,249	(32,195)	11,824	(20,371)	1,242,878	68,942	1,311,820
BALANCE AT DECEMBER 31, 2017	$ 4,919,996	$ 7,929	$ 307	$ 8,236	$ 385,973	$ 408,223	$ 2,063,146	$ 2,857,342	$ (19,583)	$ 40,350	$ 20,767	$ 7,806,341	$ 394,507	$ 8,200,848

The accompanying notes are an integral part of the consolidated financial statements.

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	$ 1,616,143	$ 1,801,154
Income before income tax from discontinued operations	(2,197)	21,777
Income before income tax	1,613,946	1,822,931
Adjustments for:		
Depreciation expenses	430,606	382,244
Amortization expenses	24,755	31,459
Impairment loss (reversed) recognized on trade receivables	(2,045)	580
Net loss on fair value change on financial assets carried at fair value through profit or loss	33,565	9,510
Interest expense	13,028	22,142
Interest income	(13,710)	(11,962)
Dividend income	(79)	(65)
Share of (profit) loss of associates	(15,898)	3,817
Gain on disposal of property, plant and equipment	(2,906)	(20,673)
Net (gain) loss on disposal of available-for-sale financial assets	(2,936)	20
Impairment loss recognized on financial assets measured at cost	3,035	-
Write-down of inventories	4,490	-
Reversal of write-down of inventories	-	(3,364)
Reversal of impairment loss recognized on property, plant and equipment	(951)	-
Amortization of long-term prepayments for leases	3,413	3,362
Changes in operating assets and liabilities		
Financial assets held for trading	656,210	(177,861)
Notes receivable	(27,588)	(6,090)
Trade receivables	(226,301)	(74,402)
Other receivables	(5,888)	(9,294)
Other receivables from related parties	133,357	(103,079)
Inventories	(153,044)	128,360
Prepayments	13,594	(5,920)
Other current assets	1,215	986
Notes payable	1,497	90
Trade payables	(168,239)	120,737
Trade payables to related parties	(2,116)	124,385
Other payables	(15,875)	103,418
Other payables to related parties	(5,538)	3,911
Provisions	9,088	1,859
Other current liabilities	(4,801)	1,637
Net defined benefit liabilities	(388,261)	(21,089)
Cash generated from operations	1,905,623	2,327,649
Interest received	14,233	11,834
Interest paid	(12,801)	(22,566)
Income tax paid	(295,566)	(131,904)
Net cash generated from operating activities	1,611,489	2,185,013

(Continued)

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale financial assets	$ -	$ (151)
Proceeds from sale of available-for-sale financial assets	5,948	165
Purchase of debt investments with no active market	(626,264)	(60,412)
Proceeds from sale of debt investments with no active market	626,115	111,000
Refunds of financial assets measured at cost by capital reduction	9,000	-
Payments for property, plant and equipment	(1,022,063)	(566,789)
Proceeds from disposal of property, plant and equipment	6,857	57,662
Increase in refundable deposits	(13,025)	(682)
Decrease in refundable deposits	12,606	91
Payments for intangible assets	(235)	(515)
Dividends received	79	65
Increase in long-term prepayments	(15,563)	(21,147)
Net cash used in investing activities	(1,016,545)	(480,713)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of short-term borrowings	(160,000)	(190,000)
Repayment of short-term bills payable	(300,000)	(200,000)
Proceeds from long-term borrowings	-	608,000
Repayments of long-term borrowings	-	(791,288)
Proceeds from guarantee deposits received	733	2,397
Refunds of guarantee deposits received	(2,326)	(3,031)
Decrease in other non-current liabilities	(2,243)	(2,809)
Dividends paid to owners of the Company	(812,014)	(468,595)
Dividends paid to non-controlling interests	(54,770)	(26,848)
Net cash used in financing activities	(1,330,620)	(1,072,174)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(10,133)	(5,736)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(745,809)	626,390
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,408,954	782,564
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 663,145	$ 1,408,954

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

China General Plastics Corporation (the "Company") was incorporated and began operations on April 29, 1964. The Company mainly engages in the production and sale of PVC films, PVC leather, PVC pipes, PVC compounds, PVC resins, construction products, chlor-alkali products and other related products.

The Company's ordinary shares have been listed on the Taiwan Stock Exchange since March 1973.

The consolidated financial statements of the Company and its subsidiaries, collectively referred to as the "Group", are presented in the Company's functional currency, the New Taiwan dollar (NT$).

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 12, 2018.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the FSC

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies:

   - Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

     The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

     The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Group, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group, are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Group has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Group's respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 32 for related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendments to IAS 28 are retrospectively applied for annual periods beginning on or after January 1, 2018.

- IFRS 9 "Financial Instruments" and related amendments

Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

1) For debt instruments held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method; and

2) For debt instruments held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other

gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

1) Listed shares and emerging market shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead; and

2) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Group has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables. In relation to debt instrument investments, the Group will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Group anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Group elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Impact on assets and equity			
Debt investments with no active market - current	$ 268,805	$ (268,805)	$ -
Financial assets measured at amortized cost - current	-	268,805	268,805
Available-for-sale financial assets - non-current	2,194	(2,194)	-
Financial assets measured at cost - non-current	91,000	(91,000)	-
Financial assets at fair value through other comprehensive income - non-current	-	109,756	109,756
Total effect on assets	$ 361,999	$ 16,562	$ 378,561
Unappropriated earnings	$ 2,063,146	$ 33,207	$ 2,096,353
Other equity	20,767	(16,645)	4,122
Total effect on equity	$ 2,083,913	$ 16,562	$ 2,100,475

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

- IFRS 16 "Leases"

  IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

  Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

  The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

  When IFRS 16 becomes effective, the Group may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

See Note 14 and Tables 8 and 9 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the group entities (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation which are attributable to the owners of the Company are reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investments in associates

An associate is an entity over which the Group has significant influence and that is not a subsidiary.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates attributable to Group.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent that interests in the associate are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method and unit of production method. Each significant part is depreciated separately. If a lease term is shorter than the assets' useful lives, such assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction cost. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each year, with the effects of any changes in the estimates accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

k. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to an acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such financial assets are held for trading.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on the financial asset. Fair value is determined in the manner described in Note 31.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets (relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments) are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investments are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

Loans and receivables (including cash and cash equivalents, notes receivable, trade receivables, debt investment with no active market and other receivables) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits and repurchase agreements collateralized by bonds which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial assets, that the estimated future cash flows of the investment have been affected.

For financial assets measured at amortized cost, such as notes receivable, trade receivables and other receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets measured at amortized cost, the amount of the impairment loss recognized is the difference between such an asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For any available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

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

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of notes receivable, trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When notes receivable, trade receivables and other receivables are considered uncollectable, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectable notes receivable, trade receivables and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

3) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

n. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar provisions. Provisions for sales returns and liabilities for returns are recognized at the time of sale based on past experience and other relevant factors.

1) Sale of goods

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

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Dividend and interest income

Dividend income from investments is recognized when a shareholder’s right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Group and that the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

o. Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale. A component of an entity which is for operational and financial reporting purposes has cash flows which can be clearly distinguished from the rest of the entity.

p. Leasing

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

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

q. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

r. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expenses in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years’ tax liabilities are added to or deducted from the current year’s tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profit against which to utilize the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Recognition and Measurement of Defined Benefit Plans

The net defined benefit liabilities (assets) and the resulting defined benefit costs under the defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of expenses and liabilities.

6. CASH AND CASH EQUIVALENTS

	December 31 2017	December 31 2016
Cash on hand and petty cash	$ 439	$ 507
Checking accounts and demand deposits	188,034	146,696
Cash equivalents		
Time deposits	474,672	798,930
Reverse repurchase agreements collateralized by bonds	-	462,821
	$ 663,145	$ 1,408,954

The market rate intervals of cash in banks and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	December 31 2017	December 31 2016
Cash in banks	0.001%-2.10%	0.001%-1.76%
Repurchase agreements collateralized by bonds	-	0.32%-0.50%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) - CURRENT

	December 31 2017	December 31 2016
Financial assets at FVTPL		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	$ 2,297	$ 3,324
Non-derivative financial assets		
Open-end fund beneficiary certificates	1,203,395	1,868,686
Closed-end fund beneficiary certificates	190,206	215,078
	$ 1,395,898	$ 2,087,088
Financial liabilities at FVTPL		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ 1,701	$ 3,116

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2017			
Buy	NTD/USD	2018.01.02-2018.01.26	NTD233,877/USD7,810
Sell	USD/NTD	2018.01.03-2018.03.30	USD18,110/NTD540,848
Sell	JPY/USD	2018.01.19-2018.01.26	JPY40,000/USD354
Sell	EUR/USD	2018.01.26-2018.02.26	EUR340/USD405
Sell	AUD/USD	2018.01.26-2018.03.23	AUD600/USD461
December 31, 2016			
Sell	EUR/USD	2017.01.13-2017.01.20	EUR650/USD684
Buy	NTD/JPY	2017.02.15	NTD35,128/JPY126,816
Buy	NTD/USD	2017.01.13-2017.02.10	NTD325,780/USD10,205
Sell	USD/NTD	2017.01.09-2017.03.06	USD5,346/NTD169,246

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. These contracts did not meet the criteria for hedge accounting. Therefore, the Group did not apply a hedge accounting treatment for these contracts.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Domestic listed shares	$ 2,194	$ 5,174
Current	$ -	$ 3,072
Non-current	2,194	2,102
	$ 2,194	$ 5,174

The Group deposed of certain available-for-sale financial assets during 2017 and 2016, and generated a disposal gain of $2,936 thousand and a disposal loss of $20 thousand, respectively.

9. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31	
	2017	2016
Overseas unlisted ordinary shares		
Teratech Corporation (“Teratech”)	$ -	$ 3,251
Overseas unlisted preference shares		
Sohoware, Inc. (“Sohoware”)	-	-
Domestic unlisted ordinary shares		
KHL IB Venture Capital Co., Ltd. (“KHL”)	91,000	100,000
	$ 91,000	$ 103,251

Management believes that the above unlisted equity investments held by the Group have fair values which cannot be reliably measured, because the range of reasonable fair value estimates are so significant. Therefore, they are measured at cost less impairment at the end of each reporting period.

In order to adjust its capital structure, KHL returned part of its capital to shareholders pursuant to the resolution made in the shareholders meeting in June 2017. The return was made by reducing 9% capital, in aggregation to 15,120 thousand shares (proportionately reducing 90 shares per 1,000 shares) and refunding to shareholders at $900 per 1,000 shares. The capital reduction was officially registered on August 15, 2017, and the Company received the capital refund of $9,000 thousand in September 2017.

The Group has assessed the impairment on its investments in Sohoware's preference shares and Teratech's ordinary shares and has recognized a full impairment loss on these investments over the years.

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	December 31	
	2017	2016
Pledged time deposits	$ 268,805	$ 268,656

The market interest rate intervals of pledged time deposits were as follows:

	December 31	
	2017	2016
Pledged time deposits	0.09%-1.02%	0.09%-1.16%

Refer to Note 33 for information related to debt investments with no active market pledged as security.

11. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2017	2016
Notes receivable and trade receivables		
Notes receivable	$ 179,929	$ 152,341
Trade receivables	$ 1,511,309	$ 1,296,825
Less: Allowance for impairment loss	(12,319)	(16,674)
	$ 1,498,990	$ 1,280,151
Other receivables		
Tax refund receivables	$ 64,525	$ 53,606
Interest receivables	561	1,084
Compensation receivables	-	4,274
Others	5,974	12,450
Less: Allowance for impairment loss	(258)	(4,537)
	$ 70,802	$ 66,877
Other receivables from related parties (Note 32)	$ 5,472	$ 139,999

a. Trade receivables

The Group's credit period of sales of goods ranges from 10 days to 60 days. In determining the recoverability of trade receivables, the Group considered any change in the credit quality of the trade receivables since the date credit was initially granted to the end of the reporting period. The impairment assessment of receivables was to first confirm whether objective evidence which revealed an impairment on a significant individual receivable existing. Those receivables with impairment evidence existed should be individually assessed, and then the remaining individually non-significant receivables with objective evidence of impairment and receivables without objective evidence of impairment were collectively assessed by groups categorizing with similar credit risk characteristics.

Before accepting a new customer, the Group surveys the customers' credit history and measures the potential customer's credit quality to grant a credit term. A customer's credit term and rating are reviewed annually. Therefore, the trade receivable balances which were not past due not impaired were mainly due from customers with good credit and financial condition and who had no records of default.

The aging of notes receivable and trade receivables was as follows:

	December 31	
	2017	**2016**
Not past due	$ 1,655,860	$ 1,426,223
Less than 60 days	28,488	16,645
Over 60 days	6,890	6,298
	$ 1,691,238	$ 1,449,166

The above aging schedule was based on the number of past due days from the end of credit term.

The aging of trade receivables that were past due but not impaired was as follows:

	December 31	
	2017	**2016**
Less than 60 days	$ 28,488	$ 16,645
Over 60 days	6,673	276
	$ 35,161	$ 16,921

The above aging schedule was based on the number of past due days from the end of credit term.

For the balance of trade receivables that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was no significant change in credit quality and the Group's management still considered such receivables to be recoverable. The Group did not hold any collateral or other credit enhancements for these balances. In addition, the Group did not have the legal right to offset any amounts owed by the Group against those payable to the respective counterparties.

The movements of the allowance for doubtful notes receivable and trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	$ 6,785	$ 10,652	$ 17,437
Add: Impairment losses recognized	387	-	387
Less: Amounts written off during the year	(1,010)	-	(1,010)
Foreign exchange translation gains or losses	(140)	-	(140)
Balance at December 31, 2016	$ 6,022	$ 10,652	$ 16,674
Balance at January 1, 2017	$ 6,022	$ 10,652	$ 16,674
Add: Impairment losses recognized	-	1,467	1,467
Less: Impairment losses reversed	(3,512)	-	(3,512)
Amounts written off during the year	(1,903)	-	(1,903)
Foreign exchange translation gains or losses	(390)	(17)	(407)
Balance at December 31, 2017	$ 217	$ 12,102	$ 12,319

b. Other receivables

As of December 31, 2017 and 2016, there were no other receivables which were past due and for which there was an unrecognized allowance for the respective doubtful accounts.

12. INVENTORIES

	December 31	
	2017	2016
Finished goods	$ 1,118,114	$ 1,157,093
Work in progress	39,207	49,619
Raw materials	699,135	516,220
	$ 1,86,456	$ 1,722,932

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was $11,924,810 thousand and $11,217,020 thousand, respectively.

The cost of goods sold for the years ended December 31, 2017 and 2016 included inventory write-downs of $4,490 thousand and reversals of inventory write-downs of $3,364 thousand, respectively. Previous write-downs were reversed as a result of increased selling prices in certain markets.

13. DISCONTINUED OPERATIONS

On October 24, 2011, the Company's board of directors approved to dispose of Continental General Plastics (Zhong Shan) Co., Ltd. and CGPC Consumer Products Corporation. The details of profit (loss) from discontinued operations and the related cash flows information were as follows:

The operating performance of the discontinued operations included in the consolidated comprehensive income statement were as follows:

	For the Year Ended December 31	
	2017	2016
Administrative costs	$ -	$ (316)
Administrative gross loss	-	(316)
Administrative expenses	(29,543)	(3,721)
Loss from operations	(29,543)	(4,037)
Non-operating income	27,346	25,814
Net (loss) profit from discontinued operations	$ (2,197)	$ 21,777

For the years ended December 31, 2017 and 2016, the cash flows from the discontinued operations were as follows:

	For the Year Ended December 31	
	2017	2016
Net cash generated from operating activities	$ 28,308	$ 19,825
Net cash generated from investing activities	3,005	42,903
Net cash used in financing activities	-	(69,749)
Effect of exchange rate changes	(301)	(3,047)
Net cash inflow (outflow)	$ 31,012	$ (10,068)

14. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

			Proportion of Ownership (%)		
			December 31		
Investor	Subsidiary	Nature of Activities	2017	2016	Remark
The Company	CGPC Polymer Corporation (“CGPCPOL”)	Manufacturing and marketing of PVC resins	100.00	100.00	a
	Taiwan VCM Corporation (“TVCM”)	Manufacturing and marketing of VCM	87.22	87.22	b
	CGPC (BVI) Holding Co., Ltd. (“CGPC (BVI)”)	Reinvestment	100.00	100.00	
	CGPC America Corporation (“CGPC America”)	Marketing for PVC film and leather products	100.00	100.00	
	Krystal Star International Corporation (“Krystal Star”)	Marketing for PVC film and consumer products	100.00	100.00	
	China General Plastics (Hong Kong) Co., Ltd. (“CGPC (Hong Kong)”)	Marketing for PVC film products	-	100.00	c
CGPC (BVI)	Continental General Plastics (Zhong Shan) Co., Ltd. (“CGPC (ZS)”)	Manufacturing & marketing for PVC film and consumer products	100.00	100.00	d
	CGPC Consumer Products Corporation (“CGPC (CP)”)	Manufacturing & marketing for PVC consumer products	100.00	100.00	d

a. The board of directors of CGPCPOL, on behalf of the shareholders, resolved to increase its capital by declaring a share dividend of $243,465 thousand and $45,318 thousand, representing 24,347 thousand and 4,532 thousand shares, on May 22, 2017 and May 19, 2016, respectively. The record date of the capital increases was July 7, 2017 and July 8, 2016, respectively.

b. The TVCM shareholders in their meeting passed a resolution to increase TVCM's capital by declaring a share dividend of $107,120 thousand and $42,008 thousand, representing 10,712 thousand and 4,201 thousand shares, on May 4, 2017 and May 5, 2016, respectively. The record date of the capital increases was July 7, 2017 and July 8, 2016, respectively.

c. The board of directors of the Company resolved to dissolve CGPC (Hong Kong) in June 2013. The Company retrieved the residual assets in April 2016. The dissolution procedures were completed on March 17, 2017.

d. The board of directors of the Company resolved to dissolve CGPC (ZS) and CGPC (CP) in October 2011. As of December 31, 2017, the dissolution procedures have not yet been completed.

Except for CGPC (Hong Kong)'s financial statements for the period prior to the completion of its dissolution procedures, all other amounts for subsidiaries included in the consolidated financial statements were calculated based on financial statements that have been audited. The management believes that an audit of the aforementioned financial statements of CGPC (Hong Kong) would not result in a significant impact on the Group's consolidated financial statements.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

a. Associates that are not individually material

	December 31	
	2017	**2016**
Listed company		
Acme Electronics Corporation ("ACME")	$ 23,731	$ 25,717
Unlisted company		
China General Terminal & Distribution Corporation ("CGTD")	272,509	243,046
Thintec Materials Corporation ("TMC")	2,504	2,591
	$ 298,744	$ 271,354

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2017	**2016**
The Group's share of:		
Gain (loss) from continuing operations	$ 15,898	$ (3,817)
Other comprehensive income	11,492	8,479
Total comprehensive income for the year	$ 27,390	$ 4,662

At the end of the reporting periods, the percentage of ownership and voting rights held by the Group in the associates were as follows:

	December 31	
Name of Associates	**2017**	**2016**
ACME	1.74%	1.74%
CGTD	33.33%	33.33%
TMC	10.00%	10.00%

The Group with its affiliates jointly held more than 20% of the shareholdings of ACME and TMC and had significant influence over each entity. Therefore, the Group adopted the equity method to evaluate the above investments.

Fair values (Level 1) of investments in associates with available published price quotations are summarized as follows:

	December 31	
Name of Associate	**2017**	**2016**
ACME	$ 58,439	$ 38,747

All associates are accounted for using the equity method.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2017 and 2016 were based on the associates' financial statements which have been audited for the same years.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Miscellaneous Equipment	Construction in Progress and Machinery in Transit	Total
Cost							
Balance at January 1, 2016	$ 2,090,707	$ 1,863,952	$ 9,253,934	$ 55,798	$ 321,557	$ 283,587	$ 13,869,535
Additions	-		723	-	325	590,393	591,441
Disposals	-	(6,538)	(552,284)	(4,490)	(9,527)	(741)	(573,580)
Reclassification	-	15,125	382,431	6,049	7,615	(411,220)	-
Effect of foreign currency exchange differences	-	(29,274)	(22,575)	(308)	(10)	(747)	(52,914)
Balance at December 31, 2016	$ 2,090,707	$ 1,843,265	$ 9,062,229	$ 57,049	$ 319,960	$ 461,272	$ 13,834,482
Accumulated depreciation and impairment							
Balance at January 1, 2016	$ -	$ 985,660	$ 7,506,935	$ 41,589	$ 257,196	$ 10,073	$ 8,801,453
Depreciation expenses	-	59,209	302,444	4,607	15,984	-	382,244
Disposals	-	(6,538)	(516,216)	(4,414)	(8,682)	(741)	(536,591)
Effect of foreign currency exchange differences	-	(16,450)	(22,374)	(277)	67	(747)	(39,781)
Balance at December 31, 2016	$ -	$ 1,021,881	$ 7,270,789	$ 41,505	$ 264,565	$ 8,585	$ 8,607,325
Carrying amounts at December 31, 2016	$ 2,090,707	$ 821,384	$ 1,791,440	$ 15,544	$ 55,395	$ 452,687	$ 5,227,157
Cost							
Balance at January 1, 2017	$ 2,090,707	$ 1,843,265	$ 9,062,229	$ 57,049	$ 319,960	$ 461,272	$ 13,834,482
Additions	-	-	41	-	891	1,051,255	1,052,187
Disposals	-	(2,203)	(195,454)	(3,045)	(7,665)	(198)	(208,565)
Reclassification	14,511	217,927	643,542	6,752	18,108	(1,016,368)	(115,528)
Effect of foreign currency exchange differences	-	(6,406)	(1,823)	(101)	(412)	(157)	(8,899)
Balance at December 31, 2017	$ 2,105,218	$ 2,052,583	$ 9,508,535	$ 60,655	$ 330,882	$ 495,804	$ 14,553,677
Accumulated depreciation and impairment							
Balance at January 1, 2017	$ -	$ 1,021,881	$ 7,270,789	$ 41,505	$ 264,565	$ 8,585	$ 8,607,325
Depreciation expenses	-	66.069	341,997	5,020	15,029	-	428,115
Disposals	-	(2,103)	(192,258)	(2,721)	(7,532)	-	(204,614)
Impairment losses reversed	-	-	(951)	-	-	-	(951)
Effect of foreign currency exchange differences	-	(3,815)	(1,662)	(81)	(327)	(174)	(6,059)
Balance at December 31, 2017	$ -	$ 1,082,032	$ 7,417,915	$ 43,723	$ 271,735	$ 8,411	$ 8,823,816
Carrying amounts at December 31, 2017	$ 2,105,218	$ 970,551	$ 2,090,620	$ 16,932	$ 59,147	$ 487,393	$ 5,729,861

In order to expand storage capacity, the board of directors of the Company passed a resolution on February 22, 2017 to acquire the plant and electricity equipment attached to the plant located in Toufen at $290,000 thousand from its land lessee, USI Optronics Corporation ("USIO"). The title of the plant purchased by the Company was transferred in June 2017. Some of the facilities were then leased to USIO, with the rest used as storage.

The above items of property, plant and equipment were depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings and improvements	
Dormitories, restaurants and office buildings	26 to 60 years
Cell room and improvements	5 to 21 years
General plants and improvements	3 to 45 years
Machinery and equipment	
Chemical industry equipment	5 to 8 years
Machinery manufacturing equipment	5 to 8 years
Electrical equipment and tanks	10 to 26 years
Other equipment	2 to 15 years
Transportation equipment	
Cars	2 to 7 years
Forklifts	5 to 8 years
Other vehicles	2 to 15 years
Other equipment	2 to 10 years
Miscellaneous equipment	
General office computers	2 to 5 years
Industrial computers	3 to 15 years
Other miscellaneous equipment	3 to 21 years

The Group set out the property, plant and equipment pledged as collateral for bank borrowings in Note 33.

17. INVESTMENT PROPERTIES

	For the Year Ended December 31	
	2017	**2016**
Cost		
Balance at January 1	$ 27,715	$ 27,715
Transferred from property, plant and equipment	142,751	-
Transferred to property, plant and equipment	(27,715)	-
Balance at December 31	$ 142,751	$ 27,715
Accumulated depreciation		
Balance at January 1	$ -	$ -
Depreciation expenses	2,491	-
Balance at December 31	$ 2,491	$ -
Carrying amounts at December 31	$ 140,260	$ 27,715

The Group’s investment properties are located in Toufen Industrial District. Due to the characteristics of the district, the market for comparable properties is inactive and alternative reliable measurements of fair value were not available. Therefore, the Group determined that the fair value of its investment properties is not reliably measurable.

As the Company leased portion of the facilities acquired from USIO, the leased facilities were reclassified as investment property in proportion to the acres leased.

The lease on the land in Toufen factory between the Group and USIO, refer to Note 29 for related disclosures.

18. INTANGIBLE ASSETS

	Computer Software	Technical Authorization	Total
Cost			
Balance at January 1, 2016	$ 20,894	$ 35,544	$ 56,438
Additions	515	-	515
Balance at December 31, 2016	21,409	35,544	56,953
Accumulated amortization			
Balance at January 1, 2016	6,817	19,888	26,705
Amortization expenses	5,582	5,077	10,659
Balance at December 31, 2016	12,399	24,965	37,364
Carrying amounts at December 31, 2016	$ 9,010	$ 10,579	$ 19,589
Cost			
Balance at January 1, 2017	$ 21,409	$ 35,544	$ 56,953
Additions	235	-	235
Balance at December 31, 2017	21,644	35,544	57,188
Accumulated amortization			
Balance at January 1, 2017	12,399	24,965	37,364
Amortization expenses	4,508	5,078	9,586
Balance at December 31, 2017	16,907	30,043	46,950
Carrying amounts at December 31, 2017	$ 4,737	$ 5,501	$ 10,238

Intangible assets were amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	3 years
Technical authorization	7 years

19. PREPAYMENTS FOR LEASES

	December 31	
	2017	2016
Current (included in prepayments)	$ 3,449	$ 3,521
Non-current	100,318	105,920
	$ 103,767	$ 109,441

Prepaid lease payments are land use rights located in mainland China.

20. BORROWINGS

a. Short-term borrowings

	December 31	
	2017	2016
Secured borrowings		
Revolving bank loan	$ -	$ 160,000

As of December 31, 2016, the interest rate of the revolving bank loan was 0.91% (as of December 31, 2017: None).

b. Short-term bills payable

	December 31	
	2017	2016
Commercial paper	$ -	$ 300,000
Less: Unamortized discount on bills payable	-	(71)
	$ -	$ 299,929
Interval of interest rates	-	0.49%-0.80%

c. Long-term borrowings

	December 31	
	2017	2016
Secured borrowings		
KGI Bank	$ 1,050,000	$ 1,050,000

In order to enrich medium-term working capital, CGPCPOL entered into a 3-year credit contract with KGI Bank (formerly China Development Industrial Bank) in March 2015 with a revolving credit limit of $500,000 thousand. The credit limit has been fully utilized. In September 2016, CGPCPOL entered into a new credit contract with KGI Bank with the same credit provisions as the previous contract. The previous credit contract would be cancelled upon CGPCPOL uses loan facilities under the new contract. As of December 31, 2017 and 2016, the effective interest rate was 1.04% and 0.99%, respectively. In addition, CGPCPOL entered into another 5-year credit contract with KGI Bank in November 2016 with a credit limit of $1,000,000 thousand. Upon the second anniversary of first drawdown on the credit contract, the credit limit would be reduced by 5% every 6 months, and would be totally cancelled after 36 months. As of December 31, 2017, the utilized credit amounted to $550,000 thousand. CGPCPOL pledged its land, plants, machinery and equipment in Kaohsiung Linyuan Petrochemical District as collateral and revolved its credit limit within the effective period. As of December 31, 2017 and 2016, the effective interest rate was 1.04% and 1.06%, respectively.

21. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2017	2016
Notes payable		
Operating	$ 183	$ 351
Trade payables (including from related parties)		
Operating	$ 852,454	$ 1,023,180

The average payment period of trade payables was 2 months. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

22. OTHER PAYABLES - CURRENT

	December 31	
	2017	2016
Payables for salaries or bonuses	$ 299,736	$ 304,393
Payables for freight	78,922	58,992
Payables for purchases of equipment	64,489	34,365
Payables for utilities	57,518	71,733
Payables for fuel fees	19,192	19,479
Payables for dividends	4,092	2,401
Others	157,282	176,609
	$ 681,231	$ 667,972

23. PROVISIONS - CURRENT

	December 31	
	2017	2016
Customer returns and rebates	$ 25,127	$ 16,039

The provision for customer returns and rebates is based on historical experience, management's judgments and other known reasons for which estimated product returns and rebates may occur in the year. The provision is recognized as a reduction of operating income in the periods of the sales of the related goods.

24. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and its subsidiaries, CGPCPOL and TVCM, adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of CGPC America, CGPC (ZS) and CGPC (CP) are members of a state-managed retirement benefit plan operated by the local government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of these entities with respect to the retirement benefit plan is to make the specified contributions.

The total amount of expenses recognized by the Group in accordance with the specified proportion of the defined contribution plan in the consolidated statements of comprehensive income in 2017 and 2016 were $25,610 thousand and $28,692 thousand, respectively.

b. Defined benefit plans

The defined benefit plans adopted by the Company and its subsidiary, TVCM, in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of a specific period before retirement. The Company and TVCM contribute amounts equal to 9% (the percentage increased to 10% since February and March 2017, respectively) of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2017	**2016**
Present value of defined benefit obligation	$ 1,643,363	$ 1,699,540
Fair value of plan assets	(603,488)	(248,899)
Net defined benefit liabilities	$ 1,039,875	$ 1,420,641

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities (Assets)**
Balance at January 1, 2016	$ 1,632,158	$ (261,561)	$ 1,370,597
Service cost			
Current service cost	21,261	-	21,261
Net interest expense (income)	22,074	(3,604)	18,470
Recognized in profit or loss	43,335	(3,604)	39,731
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	1,834	1,834
Actuarial loss - changes in demographic assumptions	2,640	-	2,640
Actuarial loss - changes in financial assumptions	38,859	-	38,859
Actuarial loss - experience adjustments	27,800	-	27,800
Recognized in other comprehensive income	69,299	1,834	71,133

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Contributions from the employer	$ -	$ (60,820)	$ (60,820)
Benefits paid	(75,252)	75,252	-
Balance at December 31, 2016	1,669,540	(248,899)	1,420,641
Service cost			
Current service cost	18,699	-	18,699
Net interest expense (income)	18,508	(2,895)	15,613
Recognized in profit or loss	37,207	(2,895)	34,312
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(985)	(985)
Actuarial loss - changes in demographic assumptions	1,195	-	1,195
Actuarial loss - changes in financial assumptions	35,315	-	35,315
Actuarial gain - experience adjustments	(28,029)	-	(28,029)
Recognized in other comprehensive income	8,481	(985)	7,496
Contributions from the employer	-	(422,574)	(422,574)
Benefits paid	(71,865)	71,865	-
Balance at December 31, 2017	$ 1,643,363	$ (603,488)	$ 1,039,875

(Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2017	2016
Operating costs	$ 28,106	$ 32,524
Selling and marketing expenses	2,694	3,083
General and administrative expenses	2,511	2,994
Research and development expenses	1,001	1,131
	$ 34,312	$ 39,732

The Group accumulated net losses after taxes of the remeasurement of the defined benefit plans in other comprehensive loss, which were $160,243 thousand and $153,308 thousand as of December 31, 2017 and 2016, respectively.

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic or foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate of a 2-year time deposit with local banks.

2) Interest risk: A decrease in government and corporate bond interest rates will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2017	2016
Discount rates	1.125%	1.125%
Expected rates of salary increase	2.500%	2.250%

If possible reasonable changes in each of the significant actuarial assumptions were to occur and all other assumptions were to remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2017	2016
Discount rates		
0.25% increase	$ (36,261)	$ (38,873)
0.25% decrease	$ 37,508	$ 40,257
Expected rates of salary increase		
0.25% increase	$ 36,342	$ 39,101
0.25% decrease	$ (35,322)	$ (37,955)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that changes in the assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The Group expects to make contributions of $390,726 thousand to the defined benefit plans in the next year starting from January 1, 2018. The weighted average duration of defined benefit obligation is 9-10 years.

25. EQUITY

a. Ordinary shares

	December 31	
	2017	2016
Number of shares authorized (in thousands)	500,000	500,000
Shares authorized	$ 5,000,000	$ 5,000,000
Number of shares issued and fully paid (in thousands)	492,000	477,699
Shares issued	$ 4,919,996	$ 4,776,695

The holders of issued ordinary shares with a par value of $10 are entitled to the right to vote and to receive dividends.

b. Capital surplus

The capital surplus generated from donations and the excess of the issuance price over the par value of share capital (including the shares issued from new capital) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or share dividends up to a certain percentage of the Company's paid-in capital.

The capital surplus arising from investments accounted for using the equity method may not be used for any purpose.

c. Retained earnings and dividends policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 13, 2016 and, in that meeting, resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividends distribution and the addition of the policy on the distribution of employees' compensation.

Under the dividends policy as set forth in the amended Articles, where the Company made a net income in a fiscal year, the profit shall be used first for offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The industry that the Company operates in is in the maturity stage. Consequently, in order to take R&D needs and diversification into consideration, shareholders' dividends shall not be less than 10% of the distributable earnings in the current year, of which the cash dividends shall not be less than 10% of the total dividends. However, if the distributable earnings of the year is less than $0.1 per share, it shall not be distributed. For the policies on the distribution of employees' compensation and remuneration of directors before and after amendment, refer to "Employees' compensation and remuneration of directors" in Note 26-f.

The appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2016 and 2015 approved in the shareholders' meetings on June 8, 2017 and June 13, 2016, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2016	**2015**	**2016**	**2015**
Legal reserve	$ 144,312	$ 76,757		
Cash dividends	812,038	468,303	$1.7	$1.0
Share dividends	143,301	93,661	0.3	0.2

The capital increase for share dividends were approved by the Securities and Futures Bureau, Financial Supervisory Commission on June 23, 2017, and the board of directors passed a resolution to set August 4, 2017 as the record date.

The appropriation of earnings for 2017 was proposed by the Company's board of directors on March 12, 2018. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 126,981	
Cash dividends	737,999	$1.5
Share dividends	147,600	0.3

The appropriation of earnings for 2017 are subject to resolution in the shareholders' meeting to be held on June 22, 2018.

d. Special reserve

The Company's unrealized revaluation increments and cumulative translation adjustments for retained earnings were respectively $653,026 thousand and $64,820 thousand, totaling $717,846 thousand. The increase in retained earnings arising from the initial adoption of IFRSs was not enough for a special reserve appropriation; thus, the Company appropriated a special reserve in the amount of $408,223 thousand after offsetting a deficit of $428,727 thousand, which was from the net increase of retained earnings arising from the initial adoption of IFRSs. As of December 31, 2017, there was no change.

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 12,612	$ 39,025
Exchange differences on translating foreign operations	(38,607)	(29,753)
Related income tax	6,563	5,059
Loss reclassified to profit or loss on disposal of foreign operations	-	(31)
Related income tax	-	5
Share of exchange differences of associates accounted for using the equity method	(151)	(1,693)
Balance at December 31	$ (19,583)	$ 12,612

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 28,526	$ 15,572
Unrealized gain on revaluation of available-for-sale financial assets	912	606

(Continued)

	For the Year Ended December 31	
	2017	2016
Cumulative loss reclassified to profit or loss on sale of available-for-sale financial assets	$ (892)	$ (20)
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	11,804	12,368
Balance at December 31	$ 40,350	$ 28,526

(Concluded)

f. Non-controlling interests

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 380,335	$ 309,166
Attributable to non-controlling interests:		
Share of profit for the year	69,466	99,959
Unrealized gains on available-for-sale financial assets	13	30
Distribution of cash dividends	(54,770)	(26,848)
Remeasurement on defined benefit plans	(537)	(1,972)
Balance at December 31	$ 394,507	$ 380,335

26. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

Net profit from continuing operations was attributable to:

	For the Year Ended December 31	
	2017	2016
Owners of the Company	$ 1,272,005	$ 1,421,348
Non-controlling interests	69,466	99,959
	$ 1,341,471	$ 1,521,307

a. Other income

	For the Year Ended December 31	
	2017	2016
Interest income		
Bank deposits	$ 7,223	$ 5,170
Financial assets classified as held for trading	5,941	6,462
Others	436	236
	13,600	11,868
Rental income	10,489	7,880
Others	23,313	11,133
	$ 47,402	$ 30,881

b. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Loss on disposal of property, plant and equipment	$ (579)	$ (22,989)
Gross foreign exchange gains	78,931	120,780
Gross foreign exchange losses	(131,633)	(149,539)
Gain on financial assets held for trading (see Note 7)	183	9,219
Loss on financial liabilities held for trading (see Note 7)	(25,489)	(18,991)
Others	(6,330)	(16,718)
	$ (84,917)	$ (78,238)

c. Interest expense

	For the Year Ended December 31	
	2017	2016
Interest on bank loans	$ 13,101	$ 22,255
Less: Capitalized interest (included in construction in progress)	(73)	(113)
	$ 13,028	$ 22,142

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2017	2016
Capitalized interest	$ 73	$ 113
Capitalization rate	0.95%	1.27%

d. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	$ 416,383	$ 369,665
Investment properties	2,491	-
Intangible assets	9,586	10,659
Others	15,169	20,800
	$ 443,629	$ 401,124
An analysis of depreciation by function		
Operating costs	$ 407,782	$ 359,025
Operating expenses	8,601	10,640
Non-operating expenses	2,491	-
	$ 418,874	$ 369,665
An analysis of amortization by function		
Operating costs	$ 20,247	$ 25,877
General and administrative expenses	4,508	5,582
	$ 24,755	$ 31,459

e. Employee benefits expense

	For the Year Ended December 31	
	2017	2016
Post-employment benefits (see Note 24)		
Defined contribution plans	$ 25,610	$ 28,576
Defined benefit plans	34,312	39,732
	59,922	68,308
Other employee benefits	1,211,510	1,194,427
Total employee benefits expense	$ 1,271,432	$ 1,262,735
An analysis of employee benefits expense by function		
Operating costs	$ 997,961	$ 991,610
Operating expenses	273,471	271,125
	$ 1,271,432	$ 1,262,735

f. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2017 and 2016, which have been approved by the Company's board of directors on March 12, 2018 and March 14, 2017, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2017	2016
Employees' compensation	1%	1%
Remuneration of directors	-	-

Amount

	For the Year Ended December 31	
	2017	2016
Employees' compensation	$ 14,300	$ 15,795
Remuneration of directors	-	-

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2016 and 2015.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

27. INCOME TAX RELATING TO CONTINUING OPERATIONS

a. Major components of income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	$ 179,090	$ 257,702
Income tax on unappropriated earnings	43,437	14,726
Adjustments for prior years	1,084	(2,052)
	223,611	270,376
Deferred tax		
In respect of the current year	52,205	8,868
Adjustments for prior years	(825)	2,240
Others	(319)	(1,637)
	51,061	9,471
Income tax expense recognized in profit or loss	$ 274,672	$ 279,847

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2017	2016
Profit before tax from continuing operations	$ 1,616,143	$ 1,801,154
Income tax expense calculated at the statutory rate	$ 397,786	$ 426,317
Domestic investment gains accounted for using the equity method	(126,094)	(157,126)
Others	(11,176)	442
Additional income tax under the Alternative Minimum Tax Act	10,389	-
Income tax on unappropriated earnings	43,437	14,726
Unrecognized deductible temporary differences	(40,837)	(4,153)
Effect of different tax rates	910	(547)
Adjustments for prior years' tax	257	188
Income tax expense recognized in profit or loss	$ 274,672	$ 279,847

The applicable corporate income tax rate used by the Company, TVCM and CGPCPOL is 17%, while the applicable tax rate used by CGPC (ZS) and CGPC (CP) in China is 25%, and the applicable tax rate used by CGPC America is a state tax rate of 9% and a federal tax rate of 30%.

In February 2018, it was announced that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and increase by $47,740 thousand and $367 thousand, respectively, in 2018.

As the status of the 2017 appropriation of earnings is uncertain, the potential income tax consequences on the 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
Deferred tax		
In respect of the current year		
Translation of foreign operations	$ 6,563	$ 5,059
Remeasurement on defined benefit plans	561	9,470
	7,124	14,529
Arising on income and expenses reclassified from equity to profit or loss:		
Disposal of subsidiaries accounted for using the equity method	-	5
	$ 7,124	$ 14,534

c. Current tax assets and liabilities

	December 31	
	2017	2016
Current tax assets		
Tax refund receivable	$ 42	$ 1,085
Current tax liabilities		
Income tax payable	$ 141,996	$ 215,670

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory valuation	$ 11,767	$ 2,526	$ -	$ 14,293
Share of profit of subsidiaries and associates accounted for using the equity method	71,480	308	6,563	78,351
Unrealized losses on property, plant and equipment	510	(332)	-	188
Deferred revenue	17,679	(2,101)	-	15,578
FVTPL financial assets	453	(265)	-	188
Provisions	2,990	2,023	-	5,013

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Defined benefit plans	$ 205,208	$ (60,612)	$ 561	$ 145,157
Payables for annual leave	4,616	1,316	-	5,932
Differences on depreciation period between finance and tax	1,199	(252)	-	947
Others	565	4,313	-	4,878
	$ 316,467	$ (53,066)	$ 7,124	$ 270,525
Deferred tax liabilities				
Temporary differences				
FVTPL financial assets	$ 545	$ (256)	$ -	$ 289
Unrealized foreign exchange gains	1,230	(958)	-	272
Differences on depreciation period between finance and tax	2,308	(791)	-	1,517
Revaluation increments of land	592,084	-	-	592,084
	$ 596,167	$ (2,005)	$ -	$ 594,162

(Concluded)

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory valuation	$ 12,824	$ (1,057)	$ -	$ 11,767
Share of profit of subsidiaries and associates accounted for using the equity method	73,299	(6,883)	5,064	71,480
Unrealized losses on property, plant and equipment	876	(366)	-	510
Deferred revenue	16,416	1,263	-	17,679
FVTPL financial assets	-	453	-	453
Provisions	3,405	(415)	-	2,990
Defined benefit plans	198,741	(3,003)	9,470	205,208
Payables for annual leave	4,677	(61)	-	4,616

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Differences on depreciation period between finance and tax	$ 1,957	$ (758)	$ -	$ 1,199
Others	544	21	-	565
	$ 312,739	$ (10,806)	$ 14,534	$ 316,467
Deferred tax liabilities				
Temporary differences				
FVTPL financial assets	$ -	$ 545	$ -	$ 545
Unrealized foreign exchange gains	1,298	(68)	-	1,230
Differences on depreciation period between finance and tax	4,120	(1,812)	-	2,308
Revaluation increments of land	592,084	-	-	592,084
	$ 597,502	$ (1,335)	$ -	$ 596,167

(Concluded)

e. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31 2017	December 31 2016
Loss carryforwards	$ 418,982	$ 676,948
Deductible temporary differences		
Share of loss of subsidiaries and associates accounted for using the equity method	$ 218,931	$ 226,159
Defined benefit plans	133,918	165,638
Allowance for inventory valuation	2,768	16,323
Differences on depreciation period between finance and tax	27,724	33,510
Others	13,157	12,987
	$ 396,498	$ 454,617

As of December 31, 2017, the Group’s unused loss carryforwards are $418,982 thousand which will expire in succession before 2030.

f. Integrated income tax

	December 31 2017	December 31 2016
Shareholder-imputed credits account		
The Company	$ 131,758 (Note)	$ 120,585

There are no unappropriated earnings generated before January 1, 1998 as of December 31, 2017 and 2016.

	For the Year Ended December 31	
	2017	2016
Creditable ratio for distribution of earnings	(Note)	16.21%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

g. Income tax assessments

The income tax returns of the Company, CGPCPOL and TVCM through 2015 have been assessed by the tax authorities.

h. Income tax related to subsidiaries

CGPC (BVI) and Krystal Star had no income tax expense for the years ended December 31, 2017 and 2016 due to relevant tax exemptions in compliance with the regulations of the location where the entities were established.

28. EARNINGS (LOSSES) PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2017	2016
Basic earnings (losses) per share		
From continuing operations and discontinued operations	$ 2.58	$ 2.93
From discontinued operations	0.01	(0.04)
From continuing operations	$ 2.59	$ 2.89
Diluted earnings (losses) per share		
From continuing operations and discontinued operations	$ 2.58	$ 2.93
From discontinued operations	-	(0.04)
From continuing operations	$ 2.58	$ 2.89

The weighted average number of shares outstanding used for the earnings (losses) per share computation was adjusted retroactively for the issuance of bonus shares on August 4, 2017. The basic and diluted earnings (losses) per share adjusted retrospectively for the year ended December 31, 2016 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic and diluted earnings (losses) per share		
From continuing and discontinued operations	$ 3.02	$ 2.93
From discontinued operations	(0.05)	(0.04)
From continuing operations	$ 2.97	$ 2.89

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2017	**2016**
Profit for the period attributable to owners of the Company (earnings used in computation of basic and diluted earnings per share)	$ 1,269,808	$ 1,443,125
Add: Profit (loss) for the period from discontinued operations	2,197	(21,777)
Earnings used in the computation of basic and diluted earnings per share from continuing operations	$ 1,272,005	$ 1,421,348

Weighted average number of ordinary shares outstanding (in thousand shares)

	For the Year Ended December 31	
	2017	**2016**
Weighted average number of ordinary shares used in computation of basic earnings per share	492,000	492,000
Effect of potentially dilutive ordinary shares:		
Employees' compensation	568	993
Weighted average number of ordinary shares used in the computation of diluted earnings per share	492,568	492,993

If the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation would be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

29. OPERATING LEASE AGREEMENTS

The Company's board of directors passed a resolution to pledge the right of superficies for the land leased to USIO as collateral in order to assist USIO to make borrowings from Chang Hwa Commercial Bank, Nankang Science Industrial Park Branch ("CHCB") in March 2012. The Company also promised CHCB that the Company shall not transfer or concede the land nor set the land as a trust asset to others. Additionally, the Company shall not provide a creation of mortgage, a lien or other rights of securities to other creditors, and the Company shall not terminate the lease contract. The Company leased the land in Toufen to USIO with a lease term from October 1, 2010 to June 30, 2027. USIO does not have a bargain purchase option to acquire the leased land at the expiry of the lease period.

The Group acquired the plant and some electricity equipment located on the leased land from USIO in June 2017, and also agreed to terminate the lease contract. In the meantime, USIO canceled the right of superficies and the creation of mortgage mentioned above. The two parties entered into a new lease wherein the Company leased part of the plant to USIO with a lease term from June 16, 2017 to June 15, 2018. USIO does not have a bargain purchase option to acquire the leased factory at the expiry of the lease period.

30. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

31. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management of the Group believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair value or their fair value cannot be reliably measured.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 2,297	$ -	$ 2,297
Non-derivative financial assets held for trading	1,393,601	-	-	1,393,601
	$ 1,393,601	$ 2,297	$ -	$ 1,395,898
Available-for-sale financial assets				
Securities listed in the ROC	$ 2,194	$ -	$ -	$ 2,194
Financial liabilities at FVTPL				
Derivatives financial liabilities	$ -	$ 1,701	$ -	$ 1,701

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 3,324	$ -	$ 3,324
Non-derivative financial assets held for trading	2,083,764	-	-	2,083,764
	$ 2,083,764	$ 3,324	$ -	$ 2,087,088

(Continued)

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Securities listed in the ROC	$ 5,174	$ -	$ -	$ 5,174
Financial liabilities at FVTPL				
Derivatives financial liabilities	$ -	$ 3,116	$ -	$ 3,116

(Concluded)

There were no transfers between Levels 1 and 2 for the years ended December 31, 2017 and 2016.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	December 31	
	2017	2016
Financial assets		
Financial assets at fair value through profit or loss (FVTPL)		
Held for trading	$ 1,395,898	$ 2,087,088
Loans and receivables		
Cash and cash equivalents	663,145	1,408,954
Debt investments with no active market	268,805	268,656
Notes receivable	179,929	152,341
Trade receivables (including related parties)	1,498,990	1,280,151
Other receivables (including related parties and excluded tax refund receivable)	11,749	153,270
Refundable deposits	16,440	16,851
Available-for-sale financial assets (including financial assets measured at cost)	93,194	108,425
Financial liabilities		
Financial liabilities at fair value through profit or loss (FVTPL)		
Held for trading	1,701	3,116
Financial liabilities measured at amortized cost		
Short-term borrowings	-	160,000
Short-term bills payable	-	299,929

(Continued)

	December 31			
	2017		2016	
Notes payable	$	183	$	351
Trade payables (including related parties)		852,454		1,023,180
Other payables (including related parties)		703,836		696,397
Long-term borrowings (including current portion)		1,050,000		1,050,000
Long-term payables to related parties		-		2,183
Guarantee deposits		2,041		3,635

(Concluded)

d. Financial risk management objectives and policies

The Group's conduct of risk controlling and hedging strategy is influenced by the operational environment. The Group monitors and manages the financial risk by business nature and risk dispersion.

These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's operating activities exposed itself primarily to the market risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group conducted foreign currency sales and purchases, which exposed the Group to foreign currency risk. In order to avoid the impact of foreign currency exchange rate changes, which lead to deductions in foreign currency denominated assets and fluctuations in their future cash flows, the Group maintains a balance of hedged net foreign currency denominated assets and liabilities. The Group also utilizes foreign exchange forward contracts to hedge the currency exposure. The use of foreign exchange forward contracts is regulated by the policies passed by the Group's board of directors. Internal auditors focus on reviewing the observance of the policies and the quota of risk exposures. The foreign exchange forward contracts that the Group engaged in were not for speculation purposes.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 35.

<u>Sensitivity analysis</u>

The Group's sensitivity analysis mainly focuses on the foreign currency risk of U.S. dollars at the end of the reporting period. Assuming a 3% strengthening/weakening of the functional currency against U.S. dollars, the net income before tax for the years ended December 31, 2017 and 2016 would have decreased/increased by $29,107 thousand and $22,492 thousand, respectively.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign currency risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Group was exposed to the fair value risk of interest rate fluctuations for the fixed interest rate bearing financial assets and financial liabilities; the Group was exposed to the cash flow risk of interest rate fluctuations for the floating interest rate bearing financial assets and financial liabilities. The Group's management regularly monitors the fluctuations on market rates and then adjusted its balance of floating rate bearing financial liabilities to make the Group's interest rates more closely approach market rates in response to the interest rate risk.

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2017	**2016**
Fair value interest rate risk		
Financial assets	$ 756,397	$ 1,543,198
Financial liabilities	-	459,929
Cash flow interest rate risk		
Financial assets	148,864	124,344
Financial liabilities	1,050,000	1,050,000

<u>Sensitivity analysis</u>

The fixed-rate financial assets and liabilities held by the Group are not included in the analysis as they are all measured at amortized cost. For floating rate assets and liabilities, the analysis was prepared assuming that the amount of the assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 50 point fluctuation in interest rate was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2017 and 2016 would have decreased/increased by $4,506 thousand and $4,628 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in domestic listed shares, mutual fund beneficiary certificates and other equity securities investments. The Group manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor price risk.

<u>Sensitivity analysis</u>

The sensitivity analysis below was determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices fluctuates by 5%, the pre-tax profit for the years ended December 31, 2017 and 2016 would have increased/decreased by $69,680 thousand and $104,188 thousand, respectively, as a result of the changes in fair value of held-for-trading investments, and the pre-tax other comprehensive income for the years ended December 31, 2017 and 2016 would have increased/decreased by $110 thousand and $259 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Group, could arise from:

a) The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets; and

b) The amount of contingent liabilities in relation to financial guarantees issued by the Group.

The Group adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

The counterparties of the Group's trade receivable included numerous clients distributed over a variety of areas, and were not centered on a single client or location. Furthermore, the Group continuously assesses the financial condition of its clients, and then the Group's credit risk was limited. At the end of the reporting period, the Group's largest exposure on credit risk approximates to the carrying amounts of its financial assets.

3) Liquidity risk

The Group managers mitigate liquidity risk by maintaining a level of cash and cash equivalents and financing facilities deemed adequate.

a) Liquidity and interest rate risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

December 31, 2017

	Weighted Average Interest Rate	**On Demand or Less than 1 Year**	**1-5 Years**	**5+ Years**
Non-derivative financial liabilities				
Non-interest bearing liabilities		$ 1,267,618	$ 22,281	$ -
Floating interest rate liabilities	1.04%	-	1,050,000	-
		$ 1,267,618	$ 1,072,281	$ -

December 31, 2016

	Weighted Average Interest Rate	On Demand or Less than 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities				
Non-interest bearing liabilities		$ 1,403,152	$ 25,190	$ -
Floating interest rate liabilities	1.02%	-	1,050,000	-
Fixed interest rate liabilities	0.75%	460,000	-	-
		$ 1,863,152	$ 1,075,190	$ -

b) Financing facilities

The Group relies on bank loans as a significant source of liquidity. As of December 31, 2017 and 2016, the unused amounts of bank loan facilities were as follows:

	December 31	
	2017	2016
Bank loan facilities		
Amount unused	$ 6,718,178	$ 6,193,929

32. TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2017 and 2016, USI Corporation held directly and indirectly through its subsidiary, Union Polymer Int'l Investment Corporation 24.97% of the Company's outstanding ordinary shares.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party names and categories

Related Party Name	Related Party Category
USI Corporation ("USI")	Parent company
Taita Chemical Company, Limited ("TTC")	Investor with significant influence
Asia Polymer Corporation ("APC")	Investor with significant influence
China General Terminal & Distribution Corporation ("CGTD")	Associate
Acme Electronics Corporation	Associate
Thintec Materials Corporation	Associate
USI Optronics Corporation ("USIO")	Fellow subsidiary
USI Management Consulting Corporation ("UM")	Fellow subsidiary
Swanson Plastics Corporation ("SPC")	Fellow subsidiary
Taiwan United Venture Management Corporation	Fellow subsidiary
Chong Loong Trading Co., Ltd.	Fellow subsidiary

(Continued)

Related Party Name	Related Party Category
Dynamic Ever Investments Limited	Fellow subsidiary
USIFE Investment Co., Ltd.	Fellow subsidiary
INOMA Corporation ("INOMA")	Fellow subsidiary
Taita Chemical (Zhong Shan) Co., Ltd. ("TTC (ZS)")	Subsidiary of investor with significant influence
APC Investment Corporation	Subsidiary of investor with significant influence

(Concluded)

b. Sales of goods

Related Party Category	For the Year Ended December 31 2017	2016
Investor with significant influence	$ 5,168	$ 3,586
Parent company	2,134	-
Fellow subsidiary	501	484
	$ 7,803	$ 4,070

Sales of goods to related parties had no material differences from those of general sales transactions.

c. Trade receivables from related parties

Related Party Category	December 31 2017	2016
Investor with significant influence		
TTC	$ 493	$ 476
Fellow subsidiary		
SPC	101	-
	$ 594	$ 476

The outstanding trade receivables from related parties were unsecured. For the years ended December 31, 2017 and 2016, no impairment loss was recognized for trade receivables from related parties.

d. Purchases of goods

Related Party Category	For the Year Ended December 31 2017	2016
Fellow subsidiary	$ 5,310	$ 5,315
Investor with significant influence	-	25
	$ 5,310	$ 5,340

Purchases from related parties had no material differences from those of general purchase transactions.

e. Trade payables to related parties

Related Party Category/Name	December 31 2017	December 31 2016
Parent company		
USI	$ 231,305	$ 232,976
Fellow subsidiary	706	1,137
Investor with significant influence	-	14
	$ 232,011	$ 234,127

TVCM appointed USI to import ethylene, and the trade payables to USI are to be paid off when USI makes a payment.

The outstanding trade payables to related parties were unsecured.

f. Other receivables from related parties

Related Party Category/Name	December 31 2017	December 31 2016
Subsidiary of investor with significant influence		
TTC (ZS)	$ 4,180	$ 19,087
Others	1	1
Investor with significant influence	662	1,488
Parent company		
USI	560	119,389
Associate	18	5
Fellow subsidiary	51	29
	$ 5,472	$ 139,999

g. Other payables to related parties

Related Party Category/Name	December 31 2017	December 31 2016
Associate		
CGTD	$ 13,171	$ 7,286
Parent company		
USI	1,991	8,788
Subsidiary of investor with significant influence		
TTC (ZS)	2,381	4,062
Investor with significant influence		
APC	3,389	378
Others	834	835
	4,223	1,213
Fellow subsidiary		
UM	181	7,048
Others	658	28
	839	7,076
	$ 22,605	$ 28,425

h. Long-term payables to related parties (including other non-current liabilities)

Related Party Category/Name	December 31 2017	December 31 2016
Investor with significant influence		
APC	$ -	$ 2,183

i. Acquisitions of property, plant and equipment

Related Party Category/Name	Purchase Price For the Year Ended December 31 2017	Purchase Price For the Year Ended December 31 2016
Fellow subsidiary		
USIO	$ 290,000	$ -
Others	600	-
	$ 290,600	$ -

j. Storage tank operating expenses

Related Party Category/Name	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Associate		
CGTD	$ 93,186	$ 81,609

The Company's subsidiaries appointed CGTD to handle the storage tank used to transport, store and load vinyl chloride monomer, ethylene and dichloromethane. The storage tank operating expenses are due by the end of next month.

k. Rental expenses

Related Party Category/Name	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Investor with significant influence		
APC	$ 18,987	$ 16,861
TTC	9,426	9,360
Associate		
CGTD	8,453	7,323
Parent company		
USI	7,083	7,295
	$ 43,949	$ 40,839

The Company leases offices in Neihu from USI and APC. The leases will expire in April 2019 and December 2018, respectively, and the rentals are paid on a monthly basis.

The factory belonging to the Company's subsidiaries located on the land in Linyuan was rented from APC. The original lease term expired in December 2011. However, if neither counterparties argued, the lease term would automatically extend one more year.

The Company's subsidiaries leased storage tanks for vinyl chloride monomer from TTC. The original lease term expired in December 2010 and renewed at both parties' discretion.

The Company's subsidiary leased land for their warehouses from APC. The lease term will expire in May 2026. The lease contract is renewable, and the rental is paid on a monthly basis.

l. Management service expenses

Related Party Category/Name	For the Year Ended December 31 2017	2016
Fellow subsidiary		
UM	$ 61,599	$ 49,249
Others	114	114
	61,713	49,363
Parent company		
USI	6,204	6,297
	$ 67,917	$ 55,660

Contracts stating that UM and USI should provide labor support, equipment and other related services to the Company were effective since July 1, 2001 and July 1, 2002, respectively. Contracts stating that the fellow subsidiaries should provide labor support, equipment and other related services to the subsidiaries of the Company were effective since July 1, 2009. The service expenses were based on the actual quarterly expenses which should be paid in the subsequent quarter.

m. Rental income

Related Party Category/Name	For the Year Ended December 31 2017	2016
Fellow subsidiary		
USIO	$ 9,841	$ 7,297
Others	78	26
	9,919	7,323
Investor with significant influence	116	102
Parent company		
USI	78	78
	$ 10,113	$ 7,503

USIO leased the land and facility located in Toufen from the Company, the detailed lease term can be referred to Note 29.

k. Compensation of key management personnel

The compensation of directors and key executives for the years ended December 31, 2017 and 2016 were as follows:

	For the Year Ended December 31 2017	2016
Salaries and others	$ 24,704	$ 20,390
Post-employment benefits	301	135
	$ 25,005	$ 20,525

The compensation of directors and key executives of the Company was determined by the remuneration committee based on the performance of individuals and market trends.

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, endorsement guarantees and the tariffs of imported raw materials:

	December 31	
	2017	**2016**
Pledge deposits (classified as debt investments with no active market or other non-current assets)	$ 281,725	$ 281,447
Property, plant and equipment		
Land	1,650,957	1,758,202
Buildings and improvements	547,692	584,308
Machinery and equipment	710,245	810,485
	$ 3,190,619	$ 3,434,442

The Company signed a long-term secured loan contract with a revolving credit limit of $1,000,000 thousand for 5 years with Chang Hwa Commercial Bank on March 6, 2012 to enrich working capital. The Company extended its contract expiration date to July 31, 2022. The Company set the land and plants located at the north side of its Toufen factory, which is owned by the Company, as collateral. As of December 31, 2017 and 2016, the Company has not used its revolving credit.

The Company pledged its land and plant located at the south side of its Toufen factory to Taishin International Bank as collateral for its revolving credit limit. The financing contract with Taishin International Bank expired, and the fixed assets which were pledged as collateral were released in July 2017.

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of the end of the reporting period were as follows:

a. As of December 31, 2017 and 2016, the Group’s unused letters of credit amounted to $538,554 thousand and $683,604 thousand, respectively.

b. The Company endorsed bank loans for CGPCPOL. As of December 31, 2017 and 2016, the amount endorsed by the Company was $3,297,600 thousand and $31,000,000 thousand, respectively, and CGPCPOL had drawn the amount of $514,880 thousand and $969,675 thousand, respectively. The information of the Company’s endorsement guarantees for others are set out in Note 36 and Table 2.

c. Description of Kaohsiung explosions:

   Regarding the associate, China General Terminal & Distribution Corporation (hereinafter “CGTD”), who had been commissioned to operate LCY Chemical Corp.’s propene pipeline, resulting in a gas explosion on July 31, 2014, the Kaohsiung District Prosecutor Office instituted a public prosecution against the related personnel of the Kaohsiung Government, LCY Chemical Corp. and CGTD employees on December 18, 2014. As of the reporting date, the attribution of responsibility for the gas explosion and the subsequent impact is still pending the conclusion of the in-progress trial of the Kaohsiung District Court.

CGTD arrived at an agreement with the Kaohsiung City Government on February 12, 2015, pledging certificates of bank deposits of $226,983 thousand, interests included, to the Kaohsiung City Government as collateral for the loss caused by the gas explosion. The Kaohsiung City Government also filed civil procedure requests in succession against LCY Chemical Corp., CGTD and CPC Corporation, Taiwan ("CPC"). Taiwan Power Company applied for provisional attachment against CGTD's property on August 27 and November 26, 2015. Taiwan Water Corporation also applied for provisional attachment against CGTD's property on February 3 and March 2, 2017. At the end of February 2018, the provisionally attached property was worth $151,229 thousand.

As for the victims, CGTD, LCY Chemical Corp. and the Kaohsiung City Government signed a tripartite agreement for the compensation of the 32 victims' families on July 17, 2015. Each victim's family received $12,000 thousand, and the compensation was $384,000 thousand in total, which was paid in four annual payments by LCY Chemical Corp. LCY Chemical Corp. was in charge of negotiating the compensation with the victims' families and signing the settlement agreement on behalf of the three parties.

As for the seriously injured, CGTD, LCY Chemical Corp. and the Kaohsiung City Government signed a tripartite agreement for the compensation of the 65 seriously injured victims' families on October 25, 2017. Compensation was paid by CGTD and the Kaohsiung City Government, and CGTD was in charge of negotiating the compensation with the seriously injured victims' families and signing the settlement agreement on behalf of the three parties.

Up to February 2018, victims and victims' families had written letters or filed civil procedures (and criminal procedures) against CGTD, LCY Chemical Corp. and CPC for compensation. Along with the formerly mentioned compensation, the accumulated amount of compensation is $4,038,198 thousand, and the actual payment of CGTD depends on the verdict of the civil procedures. The date of the criminal procedures is estimated to be on May 11, 2018 and part of the civil procedures will be held on June 22, 2018.

d. TVCM signed a dichloromethane purchase contract with Formosa Plastics Corporation, Sabic Asia Pacific Pte. Ltd., Mitsubishi Corp., Mitsui Corp., Tricon Energy Ltd. and Marubeni Corp. The purchase price was negotiated by both parties according to a pricing formula.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The group entities' significant financial assets and liabilities denominated in foreign currencies and aggregated by foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

Unit: Foreign and Functional Currencies in Thousands

December 31, 2017

	Foreign Currencies	Exchange Rate (In Single Dollars)	Functional Currencies	NT$
Financial assets				
Monetary items				
USD	$ 45,956	29.760 (USD:NTD)	$ 1,367,651	$ 1,367,651
EUR	663	35.570 (EUR:NTD)	23,583	23,583
AUD	754	23.185 (AUD:NTD)	17,481	17,481
JPY	86,195	0.264 (JPY:NTD)	22,755	22,755

(Continued)

	Foreign Currencies	Exchange Rate (In Single Dollars)		Functional Currencies	NT$
USD	$ 296	6.534	(USD:CNY)	$ 1,934	$ 8,809
GBP	41	40.110	(GBP:NTD)	1,645	1,645
Financial liabilities					
Monetary items					
USD	13,649	29.760	(USD:NTD)	406,194	406,194
EUR	58	35.570	(EUR:NTD)	2,063	2,063
JPY	7,270	0.264	(JPY:NTD)	1,919	1,919

(Concluded)

December 31, 2016

	Foreign Currencies	Exchange Rate (In Single Dollars)		Functional Currencies	NT$
Financial assets					
Monetary items					
USD	$ 37,349	32.250	(USD:NTD)	$ 1,204,505	$ 1,204,505
EUR	783	33.900	(EUR:NTD)	26,544	26,544
AUD	923	23.285	(AUD:NTD)	21,492	21,492
JPY	44,392	0.276	(JPY:NTD)	12,252	12,252
Non-monetary items					
Financial assets measured at cost - non-current					
USD	101	32.250	(USD:NTD)	3,257	3,257
Financial liabilities					
Monetary items					
USD	13,636	32.250	(USD:NTD)	439,761	439,761

For the years ended December 31, 2017 and 2016, net foreign exchange losses were $52,702 thousand and $28,759 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

36. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others: See Table 1 attached;

2) Endorsements/guarantees provided: See Note 34 and Table 2 attached;

3) Marketable securities held: See Table 3 attached;

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: See Table 4 attached;

5) Acquisitions of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None;

6) Disposals of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None;

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 5 attached;

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 6 attached;

9) Trading in derivative instruments: See Note 7;

10) Intercompany relationships and significant intercompany transactions: See Table 7 attached; and

11) Information on investees: See Table 8 attached.

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: See Table 9 attached; and

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: See Table 1 attached.

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance during the period, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

37. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments, including departments of VCM products and PVC products, under IFRS 8 "Operating Segments" were as follows:

a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments.

For the year ended December 31, 2017

	VCM Products	PVC Products	Total
Revenue from external customers	$ 1,005,595	$ 13,696,146	$ 14,701,741
Inter-segment revenue	8,250,397	439,771	8,690,168
Segment revenue	$ 9,255,992	$ 14,135,917	23,391,909
Eliminations			(8,690,168)
Consolidated revenue			$ 14,701,741
Segment income	$ 69,046	$ 1,581,742	$ 1,650,788
Share of profit of associates accounted for using the equity method			15,898
Interest income			13,600
Rental income			10,489
Loss on disposal of property, plant and equipment			(579)
Foreign exchange losses			(52,702)
Loss on financial instruments held for trading			(25,306)
Interest expense			(13,028)
Others			16,983
Profit before tax from continuing operations			$ 1,616,143

For the year ended December 31, 2016

	VCM Products	PVC Products	Total
Revenue from external customers	$ 1,346,542	$ 12,810,847	$ 14,157,389
Inter-segment revenue	7,285,969	483,958	7,769,927
Segment revenue	$ 8,632,511	$ 13,294,805	21,927,316
Eliminations			(7,769,927)
Consolidated revenues			$ 14,157,389
Segment income	$ 145,885	$ 1,728,585	$ 1,874,470
Share of loss of associates accounted for using the equity method			(3,817)
Interest income			11,868
Rental income			7,880

(Continued)

	VCM Products	PVC Products	Total
Loss on disposal of property, plant and equipment			$ (22,989)
Foreign exchange losses			(28,759)
Loss on financial instruments held for trading			(9,772)
Interest expense			(22,142)
Others			(5,585)
Profit before tax from continuing operations			$ 1,801,154

(Concluded)

Segment profit represented the profit before tax earned by each segment without the share of profit (loss) of associates, interest income, rental income, loss on disposal of property, plant and equipment, foreign exchange losses, loss arising on financial instruments held for trading, and interest expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. However, the measure of segment assets and liabilities was not provided to the chief operating decision maker.

b. Product information

The Company and its subsidiaries are mainly engaged in the manufacturing and marketing of petrochemical products, which is a single product category. As a result, there is no need to disclosure product information.

c. Geographical information

The amounts of the Group's revenue from continuing operations from external customers and non-current assets by location are detailed below.

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2017	2016	2017	2016
Asia	$ 11,283,238	$ 11,765,770	$ 5,996,781	$ 5,147,466
America	1,720,058	1,321,391	3,112	2,754
Oceania	320,664	254,881	-	-
Europe	145,870	154,404	-	-
Middle East	1,076,708	557,461	-	-
Africa	155,203	103,482	-	-
	$ 14,701,741	$ 14,157,389	$ 5,999,893	$ 5,150,220

Non-current assets exclude those which were classified as financial instruments, deferred tax assets, and guarantee deposits.

d. Information about major customers

Included in revenue arising from direct sales of VCM products of $1,005,595 thousand and $1,346,542 thousand in the years ended December 31, 2017 and 2016, respectively, is revenue of approximately $936,489 thousand and $868,923 thousand arising from sales to the Group’s largest customer.

TABLE 1

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 4)	Ending Balance (Notes 4 and 5)	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 3)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 2 and 4)	Aggregate Financing Limits (Notes 2 and 4)
													Item	Value		
1	CGPC (BVI) Holding Co., Ltd. ("CGPC (BVI)")	Continental General Plastics (Zhong Shan) Co., Ltd.	Other receivables from related parties	Yes	$ 119,040 (US$ 4,000 thousand)	$ 119,040	$ -	-	b	$ -	Operating capital needed	$ -	-	-	$ 347,575	$ 347,575

Note 1: The total amount of financing by the Company to others shall not exceed 40% of the net worth of the Company. The Company has no financing provided to others as of December 31, 2017.

Note 2: The total amount of financing by the CGPC (BVI) to others collectively and to any individual entity shall not exceed 40% of its net worth. However, the total amount of financing provided to any subsidiary wholly-owned by the Company shall not exceed 100% of the net worth of the Company according to the most recent audit.

Note 3: The alphabetic indications for the nature of financing are described as follows:

a. Existing transactions.
b. Needed short-term operating capital.

Note 4: The amount is calculated using the spot exchange rate as on December 31, 2017.

Note 5: The above transactions were written off when preparing the consolidated financial statements.

TABLE 2

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period (Note 3)	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) (Note 1)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	China General Plastics Corporation	CGPC Polymer Corporation	Subsidiary	$ 11,709,512	$ 3,297,600	$ 3,297,600	$ 514,880	None	42.24	$ 11,709,512	Yes	No	No

Note 1: The ratio is calculated using the ending balance of equity of the Company as of December 31, 2017.

Note 2: The maximum total endorsement/guarantee shall not exceed 150% of the equity attributable to owners of the Company. The maximum amount of endorsement/guarantee was calculated based on the equity of the Company as of December 31, 2017.

Note 3: The amount is calculated using the spot exchange rate as on December 31, 2017.

TABLE 3

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Maximum Shares/Units Held During the Year	Note
				Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value		
China General Plastics Corporation	Closed-end fund beneficiary certificates								
	Fubon No. 2 Real Estate Investment Trust	-	Financial assets at fair value through profit or loss - current	5,000,000	$ 56,850	-	$ 56,850	5,000,000	1
	Cathay No. 1 Real Estate Investment Trust	-	Financial assets at fair value through profit or loss - current	4,268,000	56,551	-	56,551	4,268,000	1
	Shin Kong No. 1 Real Estate Investment Trust	-	Financial assets at fair value through profit or loss - current	3,000,000	43,530	-	43,530	3,000,000	1
	Cathay No. 2 Real Estate Investment Trust	-	Financial assets at fair value through profit or loss - current	2,500,000	33,275	-	33,275	2,500,000	1
	Open-end fund beneficiary certificates								
	FSITC Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	9,518,158	144,744	-	144,744	9,725,859	1
	TCB Money Market Fund	-	Financial assets at fair value through profit or loss - current	10,991,775	111,032	-	111,032	14,575,209	1
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,249,509	84,037	-	84,037	10,428,170	1
	Prudential Financial Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,194,133	50,220	-	50,220	3,194,133	1
	Eastspring Investments Well Pool Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,710,217	50,179	-	50,179	3,710,217	1
	Shin Kong Chi-Shin Money-market Fund	-	Financial assets at fair value through profit or loss - current	3,247,534	50,030	-	50,030	3,247,534	1
	Nomura Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,805,646	45,515	-	45,515	3,087,201	1
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss - current	248,133	44,013	-	44,013	1,019,529	1
	Franklin Templeton SinoAm Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,188,217	43,027	-	43,027	4,201,266	1
	Capital Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,431,581	39,002	-	39,002	3,122,502	1
	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,106,999	35,009	-	35,009	3,013,955	1
	CTBC Hwa-win Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,101,771	23,026	-	23,026	7,219,104	1

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Maximum Shares/Units Held During the Year	Note
				Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value		
China General Plastics Corporation	Fubon Chi-Hsiang Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,378,417	$ 21,502	-	$ 21,502	5,141,781	1
	Cathay Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,615,339	20,004	-	20,004	1,615,339	1
	Mirae Asset Solomon Money Market Fund	-	Financial assets at fair value through profit or loss - current	877,683	11,002	-	11,002	877,683	1
	Deutsche Far Eastern DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	430,108	5,001	-	5,001	1,121,821	1
	Ordinary shares								
	KHL IB Venture Capital Co., Ltd.	-	Financial assets measured at cost - non-current	9,100,000	91,000	5.95	-	10,000,000	1
Taiwan VCM Corporation	Open-end fund beneficiary certificates								
	Fubon Chi-Hsiang Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,205,806	50,008	-	50,008	3,215,434	1
	Taishin Ta-Chong Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,540,976	50,008	-	50,008	3,990,828	1
	Paradigm Pion Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,352,443	50,008	-	50,008	4,367,804	1
	Prudential Financial Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,180,641	50,008	-	50,008	3,180,641	1
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,085,429	50,008	-	50,008	3,093,887	1
	Hua Nan Kirin Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,200,022	50,007	-	50,007	6,561,826	1
	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,805,815	30,004	-	30,004	3,021,349	1
	Ordinary shares								
	Asia Polymer Corporation	The major shareholders are the same as the those of the Company	Available-for-sale financial assets - non-current	113,656	2,194	0.02	2,194	113,656	1
CGPC Polymer Corporation	Open-end fund beneficiary certificates								
	Hua Nan Kirin Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,199,457	50,001	-	50,001	4,206,170	1
	TCB Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,969,885	30,000	-	30,000	15,183,823	1
	Taishin Ta-Chong Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,132,944	16,000	-	16,000	3,541,628	1
CGPC (BVI) Holding Co., Ltd.	Ordinary shares								
	Teratech Corporation	-	Financial assets measured at cost - non-current	112,000	-	0.67	-	112,000	1 and 3
	Sohoware, Inc. - preference shares	-	Financial assets measured at cost - non-current	100,000	-	-	-	100,000	1, 2 and 3

(Continued)

Note 1: The marketable securities were not pledged as guarantees or collateral for borrowings and are not subject to restrictions.

Note 2: The preference shares are not used in the calculation of the shareholding ratio and net worth.

Note 3: The carrying amount has been fully recognized as accumulated impairment loss.

(Concluded)

TABLE 4

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount (Note)	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount (Note)
China General Plastics Corporation	Beneficiary certificates													
	FSITC Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	203,859	$ 36,000	3,385,939	$ 599,500	3,341,665	$ 591,717	$ 591,500	$ 217	248,133	$ 44,000
	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	6,495,273	87,000	33,848,684	454,500	34,094,448	457,603	457,500	103	6,249,509	84,000
	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	9,763,872	142,937	39,158,039	575,500	48,921,911	719,337	718,437	900	-	-
	TCB Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	68,459,581	690,500	57,467,806	579,579	579,500	79	10,991,775	111,000
	Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	19,995,988	246,958	8,042,918	100,000	28,038,906	348,425	346,958	1,467	-	-
Taiwan VCM Corporation	Beneficiary certificates													
	Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	20,275,936	250,000	20,110,824	250,000	40,386,760	501,958	500,000	1,958	-	-
	FSITC Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	192,475	34,000	2,847,354	504,000	3,039,829	538,280	538,000	280	-	-
	Hua Nan Kirin Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	29,953,256	356,000	25,753,234	306,048	306,000	48	4,200,022	50,000
	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	13,051,361	191,001	19,594,354	288,000	32,645,715	479,769	479,001	768	-	-
	TCB Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	4,968,796	50,000	47,817,505	482,000	52,786,301	532,174	532,000	174	-	-
CGPC Polymer Corporation	Beneficiary certificates													
	TCB Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	62,363,316	628,900	59,393,431	598,967	598,900	67	2,969,885	30,000
	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	28,066,041	412,746	28,066,041	412,787	412,746	41	-	-

Note: The amount as of December 31, 2017 was accounted for as the original cost.

TABLE 5

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivables (Payables)	
			Purchase/ Sale	Amount (Note)	% of Total	Payment Terms	Unit Price	Payment Terms	Financial Statement Account and Ending Balance (Note)	% of Total
China General Plastics Corporation	Taiwan VCM Corporation	Subsidiary	Purchase	$ 3,970,741	72	45 days	No major difference	No major difference	Trade payables to related parties $ (710,651)	(77)
	CGPC America Corporation	Subsidiary	Sale	(437,174)	(5)	90 days	No major difference	No major difference	Trade receivables from related parties 118,018	12
Taiwan VCM Corporation	China General Plastics Corporation	Parent company	Sale	(3,970,741)	(43)	45 days	No major difference	No major difference	Trade receivables from related parties 710,651	47
	CGPC Polymer Corporation	Fellow subsidiary	Sale	(4,279,656)	(46)	45 days	No major difference	No major difference	Trade receivables from related parties 724,061	48
CGPC Polymer Corporation	Taiwan VCM Corporation	Fellow subsidiary	Purchase	4,279,656	96	45 days	No major difference	No major difference	Trade payables to related parties (724,061)	(97)
CGPC America Corporation	China General Plastics Corporation	Parent company	Purchase	437,174	86	90 days	No major difference	No major difference	Trade payables to related parties (118,018)	(99)

Note: All the transactions were written off when preparing the consolidated financial statements.

TABLE 6

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Financial Statement Account and Ending Balance (Note 3)		Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 2)	Allowance for Impairment Loss
						Amount	Actions Taken		
China General Plastics Corporation	CGPC America Corporation	Subsidiary	Trade receivables from related parties	$ 118,018	3.66	$ -	-	$ 49,397	Note 1
Taiwan VCM Corporation	China General Plastics Corporation	Parent company	Trade receivables from related parties	$ 710,651	7.51	-	-	710,651	Note 1
	CGPC Polymer Corporation	Fellow subsidiary	Trade receivables from related parties	$ 724,061	8.27	-	-	724,061	Note 1

Note 1: There is no allowance of impairment loss after an impairment assessment.

Note 2: The subsequent period is between January 1 and February 26, 2018.

Note 3: All the transactions were written off when preparing the consolidated financial statements.

TABLE 7

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Accounts	Amount	Transaction Terms	% of Total Sales or Assets (Note 3)
0	China General Plastics Corporation	Taiwan VCM Corporation	1	Trade payables to related parties	$ 710,651	No major difference	6
			1	Purchases	3,970,741	No major difference	27
		CGPC America Corporation	1	Trade receivables from related parties	118,018	No major difference	1
			1	Sales revenue	437,174	No major difference	3
			1	Provisions	3,541	No major difference	-
		CGPC Polymer Corporation	1	Other receivables from related parties	1,410	No major difference	-
			1	Purchases	2,584	No major difference	-
			1	Other revenue	1,351	No major difference	-
			1	Trade payables to related parties	1,988	No major difference	-
1	CGPC Polymer Corporation	Taiwan VCM Corporation	3	Trade payables to related parties	724,061	No major difference	6
			3	Other payables to related parties	23,323	No major difference	-
			3	Purchases	4,279,656	No major difference	29

Note 1: The information correlation between the numeral and the entity are stated as follows:

a. The parent company: 0.
b. The subsidiaries: 1 onward.

Note 2: The direction of the investment is as follows:

a. The parent company to its subsidiary: 1.
b. The subsidiary to the parent company: 2.
c. Between subsidiaries: 3.

Note 3: The ratio of transactions related to total sales revenue or assets is calculated as follows:

a. Assets or liabilities: The ratio was calculated based on the ending balance of total consolidated assets; and
b. Income or loss: The ratio was calculated based on the midterm accumulated amount of total consolidated sales revenue.

TABLE 8

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Business Content	Original Investment Amount		As of December 31, 2017			Net Income (Loss) of Investee	Share of Profit (Loss)	Note
				December 31, 2017	December 31, 2016	Number of Shares	%	Carrying Amount			
China General Plastics Corporation	Taiwan VCM Corporation	No. 1, Gongye 1st Rd., Linyuan Dist., Kaohsiung City 832, Taiwan (R.O.C.)	Manufacturing & marketing for VCM	$ 2,930,994	$ 2,930,994	196,198,860	87.22	$ 2,642,545	$ 543,460	$ 477,156	Subsidiary
	CGPC Polymer Corporation	12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing & marketing for PVC resins	800,000	800,000	56,478,291	100.00	845,548	248,678	248,678	Subsidiary
	CGPC (BVI) Holding Co., Ltd.	Citco Building, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	Reinvestment	1,073,906	1,073,906	16,308,258	100.00	347,575	(4,427)	(4,427)	Subsidiary
	China General Terminal & Distribution Corporation	No. 1, Jianji St., Qianzhen Dist., Kaohsiung City 806, Taiwan (R.O.C.)	Warehouse & transportation of petrochemical raw materials	41,106	41,106	17,079,108	33.33	272,509	53,358	17,786	Associate accounted for using the equity method
	CGPC America Corporation	1181 California Ave., Suite 235 Corona, CA 92881 U.S.A.	Marketing for PVC film and leather products	648,931	648,931	100	100.00	198,483	9,101	9,101	Subsidiary
	Krystal Star International Corporation	Citco Building, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	Marketing for PVC film and consumer products	283,502	283,502	5,780,000	100.00	72,489	744	744	Subsidiary
	Acme Electronics Corporation	8F., No. 39, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing & marketing for Mn-Zn ferrite cores, Ni-Zn ferrite cores.	33,995	33,995	3,176,019	1.74	23,731	(103,454)	(1,801)	Associate accounted for using the equity method
	Thintec Materials Corporation	12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing & marketing for reinforced plastic products	15,000	15,000	600,000	10.00	2,504	(866)	(87)	Associate accounted for using the equity method

Note: All the transactions were written off when preparing the consolidated financial statements.

TABLE 9

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Business Content	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017 (Note 1)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017 (Note 1)	Net Income (Loss) of Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 5 and 6)	Carrying Amount as of December 31, 2017 (Notes 1 and 6)	Accumulated Repatriation of Investment Income as of December 31, 2017
					Outflow	Inflow						
Continental General Plastics (Zhong Shan) Co., Ltd. ("CGPC (ZS)") (Note 4)	Manufacturing & marketing for PVC film and consumer products	$ 595,200 (US$20,000 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. ("CGPC (BVI)")	$ 595,200 (US$20,000 thousand)	$ -	$ -	$ 595,200 (US$20,000 thousand)	$ (4,449) (US$ 148 thousand)	100.00	$ (4,449) (US$ 148 thousand)	$ 261,767 (US$ 8,796 thousand)	$ -
CGPC Consumer Products Corporation ("CGPC (CP)") (Note 4)	Manufacturing & marketing for PVC consumer products	44,640 (US$ 1,500 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. ("CGPC (BVI)")	44,640 (US$ 1,500 thousand)	-	-	44,640 (US$ 1,500 thousand)	2,252 (US$ 74 thousand)	100.00	2,252 (US$ 74 thousand)	14,167 (US$ 476 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017 (Notes 1 and 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 2)
$805,960 (US$27,082 thousand)	$1,020,619 (US$34,295 thousand)	$4,683,805

Note 1: The calculation was based on the spot exchange rate as on December 31, 2017.

Note 2: Pursuant to the Jing-Shen-Zi Letter No. 09704604680 of the Ministry of Economic Affairs, the amount is determined as 60% of the equity attributable to owners of the Company as of December 31, 2017.

Note 3: QuanZhou Continental General Plastics Co., Ltd. ("CGPC (QZ)") and Union (Zhong Shan) Co., Ltd. ("Union (ZS)") completed dissolution procedures, and CGPC (BVI) retrieved the residual assets. The shares of Continental General Plastics (San He) Co., Ltd. ("CGPC (SH)") were fully sold, and CGPC (BVI) retrieved the residual assets. However, the amount of capital has not been wired back to Taiwan. The accumulated amount includes the investment amount of CGPC (QZ) of $20,356 thousand (US$684 thousand), the investment amount of Union (ZS) of $26,724 thousand (US$898 thousand) and the investment amount of CGPC (SH) of $119,040 thousand (US$4,000 thousand).

Note 4: The board of directors of the Company passed a resolution to dissolve CGPC (ZS) and CGPC (CP) in October 2011. As of December 31, 2017, the dissolution procedures have not yet been completed.

Note 5: The investment income (loss) recognition in 2017 is based on the financial statements audited by the parent company's R.O.C. - based CPA.

Note 6: All the transactions were written off when preparing the consolidated financial statements.

V. CPA audited parent company only financial report for the most recent year

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
China General Plastics Corporation

Opinion

We have audited the accompanying financial statements of China General Plastics Corporation (the Company), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters related to the Company's financial statements for the year ended December 31, 2017 are stated as follows:

Occurrence of Specific Revenue

As the transaction volume is huge and customers are diversified, part of the Company sales were conducted by granting customers one-off credit increase, and the reasonableness of the terms in these exceptional sales is significant to the Company's revenue recognized in 2017. Therefore, the occurrence of these specific sales is identified as one of the key audit matters.

For the accounting policy of revenue recognition, refer to Note 4 to the accompanying financial statements.

Below are our main audit procedures performed for the occurrence of specific revenue:

1. Obtained an understanding of and tested the internal control design and operating effectiveness over the credit line setting, modification and approval process;

2. Sampled the transaction documents supporting specific revenue recognized, including shipping, customs and receipt documents;

3. Sampled sales returns, provisions and cash collections occurred subsequent to the balance sheet date to verify the reasonableness of revenue recognition.

Recognition of Defined Benefit Liabilities

As of December 31, 2017, the carrying amount of the defined benefit liabilities was NT$863,130 thousand, which accounted for 31% of the total liabilities on the balance sheet. The carrying amount of defined benefit liabilities was determined and recognized based on independent actuaries' report. The underlying assumptions utilized in the actuarial report were dependent on management's judgment and estimates with which there is a high degree of uncertainty. Thus, the recognition of defined benefit liabilities, in our professional judgment, is identified as one of the key audit matters.

For the estimates and judgments related to the recognition of defined benefit liabilities, refer to Notes 4, 5 and 19 to the financial statements.

Below are the main audit procedures performed for recognition of defined benefit liabilities:

1. Assessed the professionalism, competency, objectivity and qualification of independent actuaries engaged by management;

2. Obtained an understanding of and tested the rationality of the supporting data provided by management in the actuarial report;

3. For the methodology and major underlying assumptions utilized in the actuarial report, including discount rate and expected wage growth rate, we compared the data used with data used by peers as well as historical ones, and evaluated the appropriateness of management's judgments.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation preludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Wu, Shih-Tsung and Kuo, Tzu-Jung.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 12, 2018

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

CHINA GENERAL PLASTICS CORPORATION

BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 86,856	1	$ 451,739	5
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	968,999	9	998,200	10
Available-for-sale financial assets - current (Notes 4, 8 and 20)	-	-	3,072	-
Notes receivable (Notes 4 and 10)	175,609	2	143,385	1
Trade receivables (Notes 4, 10 and 27)	811,181	8	797,826	8
Other receivables (Notes 4 and 10)	25,070	-	19,364	-
Other receivables from related parties (Notes 4, 10 and 27)	1,979	-	3,350	-
Inventories (Notes 4 and 11)	681,785	6	699,811	7
Prepayments	18,188	-	25,674	-
Other current assets	388	-	706	-
Total current assets	2,770,055	26	3,143,127	31
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current (Notes 4 and 9)	91,000	1	100,000	1
Investments accounted for using equity method (Notes 4 and 12)	4,405,384	42	4,055,639	40
Property, plant and equipment (Notes 4, 13 and 28)	2,914,824	28	2,534,996	25
Investment properties (Notes 4, 14 and 24)	140,260	1	27,715	-
Intangible assets (Notes 4 and 15)	4,178	-	7,907	-
Deferred tax assets (Notes 4 and 22)	260,296	2	310,059	3
Refundable deposits (Note 28)	2,474	-	2,453	-
Total non-current assets	7,818,416	74	7,038,769	69
TOTAL	$ 10,588,471	100	$ 10,181,896	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	$ 508	-	$ 2,784	-
Notes payable (Note 16)	183	-	351	-
Trade payables (Note 16)	210,127	2	230,019	2
Trade payables to related parties (Notes 16 and 27)	712,689	7	347,270	3
Other payables (Note 17)	340,506	3	348,989	4
Other payables to related parties (Note 27)	1,796	-	8,830	-
Current tax liabilities (Notes 4 and 22)	88,007	1	87,591	1
Provisions - current (Notes 4 and 18)	27,849	-	17,583	-
Other current liabilities	50,074	-	55,971	1
Total current liabilities	1,431,739	13	1,099,388	11
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 22)	484,890	5	486,751	5
Net defined benefit liabilities - non-current (Notes 4 and 19)	863,130	8	1,216,371	12
Other non-current liabilities	2,371	-	3,901	-
Total non-current liabilities	1,350,391	13	1,707,023	17
Total liabilities	2,782,130	26	2,806,411	28
EQUITY (Notes 4, 8, 12, 19 and 20)				
Share capital				
Ordinary Shares	4,919,996	47	4,776,695	47
Capital surplus	8,236	-	8,220	-
Retained earnings				
Legal reserve	385,973	4	241,661	2
Special reserve	408,223	4	408,223	4
Unappropriated earnings	2,063,146	19	1,899,548	19
Total retained earnings	2,857,342	27	2,549,432	25
Other equity	20,767	-	41,138	-
Total equity	7,806,341	74	7,375,485	72
TOTAL	$ 10,588,471	100	$ 10,181,896	100

The accompanying notes are an integral part of the financial statements.

CHINA GENERAL PLASTICS CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
NET REVENUE (Notes 4 and 27)	$ 8,110,347	100	$ 7,461,520	100
COST OF REVENUE (Notes 4, 11, 21 and 27)	6,936,238	86	6,396,635	86
GROSS PROFIT	1,174,109	14	1,064,885	14
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	-	-	(4,210)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	7,002	-	-	-
REALIZED GROSS PROFIT	1,181,111	14	1,060,675	14
OPERATING EXPENSES (Notes 21 and 27)				
Selling and marketing expenses	295,934	4	281,212	4
General and administrative expenses	153,109	2	132,872	2
Research and development expenses	31,581	-	31,184	-
Total operating expenses	480,624	6	445,268	6
PROFIT FROM OPERATIONS	700,487	8	615,407	8
NON-OPERATING INCOME AND EXPENSES (Notes 4, 7, 8, 12, 21 and 27)				
Other income	24,328	-	23,858	-
Other gains and losses	(56,210)	-	(34,596)	-
Interests expense	(60)	-	(38)	-
Share of profit or loss of subsidiaries and associates	747,150	9	959,053	13
Total non-operating income and expenses	715,208	9	948,277	13
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	1,415,695	17	1,563,684	21
INCOME TAX EXPENSE (Notes 4 and 22)	145,887	2	120,559	2
NET PROFIT FOR THE YEAR	1,269,808	15	1,443,125	19

(Continued)

CHINA GENERAL PLASTICS CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 8, 12, 19, 20 and 22)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ (3,299)	-	$ (55,709)	(1)
Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method - remeasurement of defined benefit plans	(3,821)	-	(15,648)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	561	-	9,470	-
	(6,559)	-	(61,887)	(1)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(38,607)	-	(29,784)	-
Unrealized gain (loss) on available-for-sale financial assets	(60)	-	380	-
Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method - exchange differences on translating foreign operations	(151)	-	(1,693)	-
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method - unrealized gain on available-for-sale financial assets	11,884	-	12,574	-
Income tax relating to items that may be reclassified subsequently to profit or loss	6,563	-	5,064	-
	(20,371)	-	(13,459)	-
Other comprehensive loss for the year, net of income tax	(26,930)	-	(75,346)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,242,878	15	$ 1,367,779	18
EARNINGS PER SHARE (Note 23)				
Basic	$ 2.58		$ 2.93	
Diluted	$ 2.58		$ 2.93	

The accompanying notes are an integral part of the financial statements. (Concluded)

CHINA GENERAL PLASTICS CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

		Capital Surplus (Notes 4 and 20)			Retained Earnings (Notes 4, 19, 20 and 22)				Other Equity (Notes 4, 8, 12, 20 and 22)			
	Share Capital (Note 20)	Unpaid Dividends	Others	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total	Total Equity
BALANCE AT JANUARY 1, 2016	$ 4,683,034	$ 7,914	$ 307	$ 8,221	$ 164,904	$ 408,223	$ 1,157,031	$ 1,730,158	$ 39,025	$ 15,572	$ 54,597	$ 6,476,010
Appropriation of the 2015 earnings												
Legal reserve	-	-	-	-	76,757	-	(76,757)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(468,303)	(468,303)	-	-	-	(468,303)
Share dividends distributed by the Company	93,661	-	-	-	-	-	(93,661)	(93,661)	-	-	-	-
Cash dividends distributed by subsidiaries	-	(1)	-	(1)	-	-	-	-	-	-	-	(1)
Other changes in capital surplus	-	-	-	-	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2016	-	-	-	-	-	-	1,443,125	1,443,125	-	-	-	1,443,125
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	-	(61,887)	(61,887)	(26,413)	12,954	(13,459)	(75,346)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	-	1,381,238	1,381,238	(26,413)	12,954	(13,459)	1,367,779
BALANCE AT DECEMBER 31, 2016	4,776,695	7,913	307	8,220	241,661	408,223	1,899,548	2,549,432	12,612	28,526	41,138	7,375,485
Appropriation of the 2016 earnings												
Legal reserve	-	-	-	-	144,312	-	(144,312)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(812,038)	(812,038)	-	-	-	(812,038)
Share dividends distributed by the Company	143,301	-	-	-	-	-	(143,301)	(143,301)	-	-	-	-
Other changes in capital surplus	-	16	-	16	-	-	-	-	-	-	-	16
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	1,269,808	1,269,808	-	-	-	1,269,808
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	(6,559)	(6,559)	(32,195)	11,824	(20,371)	(26,930)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	1,263,249	1,263,249	(32,195)	11,824	(20,371)	1,242,878
BALANCE AT DECEMBER 31, 2017	$ 4,919,996	$ 7,929	$ 307	$ 8,236	$ 385,973	$ 408,223	$ 2,063,146	$ 2,857,342	$ (19,583)	$ 40,350	$ 20,767	$ 7,806,341

The accompanying notes are an integral part of the financial statements.

CHINA GENERAL PLASTICS CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,415,695	$ 1,563,684
Adjustments for:		
Depreciation expenses	146,961	127,067
Amortization expenses	3,889	3,742
Net loss on fair value change on financial assets carried at fair value through profit or loss	18,058	8,033
Interest expense	60	38
Interest income	(6,607)	(7,516)
Dividend income	(13)	-
Share of profit of subsidiaries and associates	(747,150)	(959,053)
Gain on disposal of property, plant and equipment	(1,427)	(1,222)
Net (gain) loss on disposal of available-for-sale financial assets	(2,936)	20
(Reversal of) write-down of inventories	2,192	(5,381)
Reversal of impairment loss recognized on property, plant and equipment	(951)	-
Unrealized gain on the transactions with subsidiaries	-	4,210
Realized gain on the transactions with subsidiaries	(7,002)	-
Loss on disposal of subsidiaries	-	11
Changes in operating assets and liabilities		
Financial assets held for trading	8,867	(175,766)
Notes receivable	(32,224)	(28)
Trade receivables	(13,355)	(77,890)
Other receivables	(5,748)	(1,285)
Other receivables from related parties	1,371	1,374
Inventories	15,834	89,983
Prepayments	7,486	(4,305)
Other current assets	318	361
Notes payable	(168)	90
Trade payables	(19,892)	30,346
Trade payables to related parties	365,419	101,222
Other payables	(2,436)	45,978
Other payables to related parties	(7,034)	(1,711)
Provisions	10,266	(2,445)
Other current liabilities	(5,897)	12,912
Net defined benefit liabilities	(356,540)	(17,664)
Cash generated from operations	787,036	734,805
Interest received	6,649	7,484
Interest paid	(60)	(38)
Income tax paid	(90,445)	(44,158)
Net cash generated from operating activities	703,180	698,093

(Continued)

CHINA GENERAL PLASTICS CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale financial assets	$ -	$ (151)
Proceeds from sale of available-for-sale financial assets	5,948	165
Refunds of financial assets measured at cost by capital reduction	9,000	-
Dividends received from subsidiaries	-	978
Payments for property, plant and equipment	(644,671)	(236,442)
Proceeds from disposal of property, plant and equipment	1,686	1,633
Increase in refundable deposits	(21)	(47)
Decrease in long-term receivables from related parties	-	11,278
Payments for intangible assets	(160)	(459)
Dividends received	373,725	183,192
Net cash used in investing activities	(254,493)	(39,853)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from guarantee deposits received	732	2,173
Refunds of guarantee deposits received	(2,192)	(71)
Decrease in other non-current liabilities	(70)	-
Dividends paid	(812,040)	(468,595)
Net cash used in financing activities	(813,570)	(466,493)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(364,883)	191,747
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	451,739	259,992
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 86,856	$ 451,739

The accompanying notes are an integral part of the financial statements. (Concluded)

CHINA GENERAL PLASTICS CORPORATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

China General Plastics Corporation (the "Company") was incorporated and began operations on April 29 1964. The Company mainly engages in the production and sale of PVC films, PVC leather, PVC pipes, PVC compounds, PVC resins, construction products, chlor-alkali products and other related products.

The Company's ordinary shares have been listed on the Taiwan Stock Exchange since March 1973.

The financial statements are presented in the Company's functional currency, the New Taiwan dollar (NT$).

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors on March 12, 2018.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the FSC

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company's accounting policies:

   - Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

     The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

     The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Company, or is the spouse or second immediate family of the chairman of the board of directors or president of the Company are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Company has significant transaction. If the transaction amount or balance with a specific related party is 10% or more of the Company's respective total transaction amount or balance, such transaction should be separately disclosed by the name of each related party.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 27 for related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 are retrospectively applied for annual periods beginning on or after January 1, 2018.

- IFRS 9 "Financial Instruments" and related amendments

Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Company's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

1) For debt instruments held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method; and

2) For debt instruments held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Company analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9, unlisted shares measured at cost will be measured at fair value instead, and will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Company takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Company has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables. In relation to debt instrument investments, the Company will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or fill-lifetime expected credit losses. In general, the Company anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Company elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Impact on assets, liabilities and equity			
Financial assets measured at cost - non-current	$ 91,000	$ (91,000)	$ -
Financial assets at fair value through other comprehensive income - non-current	-	107,562	107,562
Total effect on assets	$ 91,000	$ 16,562	$ 107,562
Other equity	$ 20,767	$ 16,562	$ 37,329
Total effect on equity	$ 20,767	$ 16,562	$ 37,329

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3 On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

- IFRS 16 “Leases”

  IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

  Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to the low-value and short-term leases. On the statements of comprehensive income, the Company should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

  The application of IFRS 16 is not expected to have a material impact on the accounting of the Company as lessor.

  When IFRS 16 becomes effective, the Company may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”).

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the

Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to "investments accounted for using the equity method", "share of profit or loss of subsidiaries and associates", "share of other comprehensive income of subsidiaries and associates" and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation which are attributable to the owners of the Company are reclassified to profit or loss.

e. Inventories

Inventories consist of raw materials, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the investee. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in these parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates

An associate is an entity over which the Company has significant influence and that is not a subsidiary.

The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates attributable to Company.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent that interests in the associate are not related to the Company.

h. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If a lease term is shorter than the assets' useful lives, such assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction cost. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each year, with the effects of any changes in the estimates accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

k. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to an acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such financial assets are held for trading.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on the financial asset. Fair value is determined in the manner described in Note 26.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets (relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments) are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investments are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company’s right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

Loans and receivables (including cash and cash equivalents, notes receivable, trade receivables and other receivables) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.
Cash equivalents include time deposits and repurchase agreements collateralized by bonds which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial assets, that the estimated future cash flows of the investment have been affected.

For financial assets measured at amortized cost, such as notes receivable, trade receivables and other receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets measured at amortized cost, the amount of the impairment loss recognized is the difference between such an asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For any available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

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

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of notes receivable, trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When notes receivable, trade receivables and other receivables are considered uncollectable, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectable notes receivable, trade receivables and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

3) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

n. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar provisions. Provisions for sales returns and liabilities for returns are recognized at the time of sale based on past experience and other relevant factors.

1) Sale of goods

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

a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Company; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Dividend and interest income

Dividend income from investments is recognized when a shareholder’s right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Company and that amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

o. Leasing

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Company as lessee

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

p. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expenses in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profit against which to utilize the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Recognition and Measurement of Defined Benefit Plans

The net defined benefit liabilities (assets) and the resulting defined benefit costs under the defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of expenses and liabilities.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash on hand and petty cash	$ 145	$ 216
Checking accounts and demand deposits	74,807	76,565
Cash equivalents		
Time deposits	11,904	225,775
Reverse repurchase agreements collateralized by bonds	-	149,183
	$ 86,856	$ 451,739

The market rate intervals of cash in banks and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	December 31	
	2017	2016
Cash in banks	0.001%-0.28%	0.001%-0.98%
Repurchase agreements collateralized by bonds	-	0.35%-0.42%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	December 31	
	2017	2016
Financial assets at FVTPL		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	$ 1,450	$ 118
Non-derivative financial assets		
Open-end fund beneficiary certificates	777,343	783,004
Closed-end fund beneficiary certificates	190,206	215,078
	$ 968,999	$ 998,200
Financial liabilities at FVTPL		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ 508	$ 2,784

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2017			
Sell	USD/NTD	2018.01.03-2018.03.30	USD10,830/NTD323,535
	JPY/USD	2018.01.19-2018.01.26	JPY40,000/USD354
	EUR/USD	2018.01.26-2018.02.26	EUR340/USD405
	AUD/USD	2018.01.26-2018.03.23	AUD600/USD461
December 31, 2016			
Sell	EUR/USD	2017.01.13-2017.01.20	EUR650/USD684
	USD/NTD	2017.01.18-2017.03.06	USD4,346/NTD137,369

The Company entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. These contracts did not meet the criteria for hedge accounting. Therefore, the Company did not apply a hedge accounting treatment for these contracts.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Domestic listed shares		
Wafer Works Corporation	$ -	$ 3,072

The Company deposed of certain available-for-sale financial assets during 2017 and 2016, and generated a disposal gain of $2,936 thousand and a disposal loss of $20 thousand, respectively.

9. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31	
	2017	2016
Domestic unlisted ordinary shares		
KHL IB Venture Capital Co., Ltd. (“KHL”)	$ 91,000	$ 100,000

Management believes that the above unlisted equity investments held by the Company have fair values which cannot be reliably measured, because the range of reasonable fair value estimates are so significant. Therefore, they are measured at cost less impairment at the end of each reporting period.

In order to adjust its capital structure, KHL returned part of its capital to shareholders pursuant to the resolution made in the shareholders meeting in June 2017. The return was made by reducing 9% capital, in aggregation to 15,120 thousand shares (proportionately reducing 90 shares per 1,000 shares) and refunding to shareholders at $900 per 1,000 shares The capital reduction was officially registered on August 15, 2017, and the Company received the capital refund of $9,000 thousand in September 2017.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2017	2016
Notes receivable and trade receivables		
Notes receivable	$ 175,609	$ 143,385
Trade receivables	$ 703,220	$ 687,061
Less: Allowance for impairment loss	(10,652)	(10,652)
	$ 692,568	$ 676,409
Trade receivables from related parties (Note 27)	$ 118,613	$ 121,417
Other receivables		
Tax refund receivables	$ 24,724	$ 17,528
Compensation receivables	-	4,274
Others	346	1,836
Less: Allowance for impairment loss	-	(4,274)
	$ 25,070	$ 19,364
Other receivables from related parties (Note 27)	$ 1,979	$ 3,350

a. Trade receivables

The Company's credit period of sales of goods ranges from 10 days to 60 days. In determining the recoverability of trade receivables, the Company considered any change in the credit quality of the trade receivables since the date credit was initially granted to the end of the reporting period. The impairment assessment of receivables was to first confirm whether objective evidence which revealed an impairment on a significant individual receivable existing. Those receivables with impairment evidence existed should be individually assessed, and then the remaining individually non-significant receivables with objective evidence of impairment and receivables without objective evidence of impairment were collectively assessed by groups categorizing with similar credit risk characteristics.

Before accepting a new customer, the Company surveys the customers' credit history and measures the potential customer's credit quality to grant a credit term. A customer's credit term and rating are reviewed annually. Therefore, the trade receivable balances which were not past due not impaired were mainly due from customers with good credit and financial condition and who had no records of default.

The aging of notes receivable and trade receivables was as follows:

	December 31	
	2017	2016
Not past due	$ 982,488	$ 935,029
Less than 60 days	14,148	16,640
Over 60 days	806	194
	$ 997,442	$ 951,863

The above aging schedule was based on the number of past due days from the end of the credit term.

The aging of trade receivables that were past due but not impaired was as follows:

	December 31	
	2017	2016
Less than 60 days	$ 14,148	$ 16,640
Over 60 days	806	194
	$ 14,954	$ 16,834

The above aging schedule was based on the number of past due days from the end of the credit term.

For the balance of trade receivables that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss, because there was no significant change in credit quality and the Company's management still considered such receivables to be recoverable. The Company did not hold any collateral or other credit enhancements for these balances. In addition, the Company did not have the legal right to offset any amounts owed by the Company against those payable to the respective counterparties.

As of December 31, 2017, and 2016, the allowance for doubtful trade receivables of the Company was based on a collective assessment.

b. Other receivables

As of December 31, 2017, and 2016, there were no other receivables which were past due and for which there was an unrecognized allowance for the respective doubtful accounts.

11. INVENTORIES

	December 31	
	2017	2016
Finished goods	$ 354,113	$ 436,296
Work in progress	39,207	49,619
Raw materials	288,465	213,896
	$ 681,785	$ 699,811

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016, was $6,936,238 thousand and $6,396,635 thousand, respectively.

The cost of goods sold for the years ended December 31, 2017 and 2016 included inventory write-downs of $2,192 thousand and reversals of inventory write-downs of $5,381 thousand, respectively. Previous write-downs were reversed as a result of increased selling prices in certain markets.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2017	2016
Investments in subsidiaries	$ 4,106,640	$ 3,784,285
Investments in associates	298,744	271,354
	$ 4,405,384	$ 4,055,639

a. Investments in subsidiaries

	December 31	
	2017	2016
Unlisted company		
Taiwan VCM Corporation (“TVCM”)	$ 2,642,545	$ 2,542,681
CGPC (BVI) Holding Co., Ltd. (“CGPC (BVI)”)	347,575	364,005
CGPC Polymer Corporation (“CGPCPOL”)	845,548	596,870
CGPC America Corporation (“CGPC America”)	198,483	202,967
Krystal Star International Corporation (“Krystal Star”)	72,489	77,762
China General Plastics (Hong Kong) Co., Ltd. (“CGPC (Hong Kong)”)	-	-
	$ 4,106,640	$ 3,784,285

At the end of the reporting periods, the percentage of ownership and voting rights held by the Company in the subsidiaries were as follows:

	December 31	
Name of Subsidiaries	2017	2016
TVCM	87.22%	87.22%
CGPCPOL	100.00%	100.00%
CGPC (BVI)	100.00%	100.00%
CGPC America	100.00%	100.00%
Krystal Star	100.00%	100.00%
CGPC (Hong Kong)	-	100.00%

The board of directors of CGPCPOL, on behalf of the shareholders, resolved to increase its capital by declaring a share dividend of $243,465 thousand and $45,318 thousand, representing 24,347 thousand and 4,532 thousand shares, on May 22, 2017 and May 19, 2016, respectively. The record date of the capital increases was July 7, 2017 and July 8, 2016, respectively.

The TVCM shareholders in their meeting passed a resolution to increase TVCM’s capital by declaring a share dividend of $107,120 thousand and $42,008 thousand, representing 10,712 thousand and 4,201 thousand shares, on May 4, 2017 and May 5, 2016, respectively. The record date of the capital increases was July 7, 2017 and July 8, 2016, respectively.

The board of directors of the Company resolved to dissolve CGPC (Hong Kong) in June 2013. The Company retrieved the residual assets in April 2016. The dissolution procedures were completed on March 17, 2017.

As of December 31, 2017, CGPC (BVI) remitted a total amount of US$33,606 thousand to invest mainly in Teratech Corporation, Sohoware, Inc., Continental General Plastics (Zhong Shan) Co., Ltd. ("CGPC (ZS)") and CGPC Consumer Products Corporation ("CGPC (CP)"). The board of directors of the Company resolved to dissolve CGPC (ZS) and CGPC (CP) in October 2011. As of December 31, 2017, the dissolution procedures have not yet been completed.

Except for CGPC (Hong Kong)'s financial statements for the period prior to the completion of its dissolution procedures, all other amounts for subsidiaries included in these financial statements were calculated based on financial statements that have been audited. The management believes that an audit of the aforementioned financial statements of CGPC (Hong Kong) would not result in a significant impact on the Company's financial statements.

b. Investments in associates

1) Associates that are not individually material

	December 31	
	2017	**2016**
Listed company		
Acme Electronics Corporation ("ACME")	$ 23,731	$ 25,717
Unlisted company		
China General Terminal & Distribution Corporation ("CGTD")	272,509	243,046
Thintec Materials Corporation ("TMC")	2,504	2,591
	$ 298,744	$ 271,354

2) Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2017	**2016**
The Company's share of:		
Gain (loss) from continuing operations	$ 15,898	$ (3,817)
Other comprehensive income	11,492	8,479
Total comprehensive income for the year	$ 27,390	$ 4,662

At the end of the reporting periods, the percentage of ownership and voting rights held by the Company in the associates were as follows:

	December 31	
Name of Associates	**2017**	**2016**
ACME	1.74%	1.74%
CGTD	33.33%	33.33%
TMC	10.00%	10.00%

The Company with its affiliates jointly held more than 20% of the shareholdings of ACME and TMC and had significant influence over each entity. Therefore, the Company adopted the equity method to evaluate the above investments.

Fair values (Level 1) of investments in associates with available published price quotations are summarized as follows:

	December 31	
Name of Associate	**2017**	**2016**
ACME	$ 58,439	$ 38,747

All associates are accounted for using the equity method.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2017 and 2016 were based on the associates' financial statements which have been audited for the same years.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Miscellaneous Equipment	Construction in Progress and Machinery in Transit	Total
Cost							
Balance at January 1, 2016	$ 1,629,671	$ 731,980	$ 4,425,628	$ 46,967	$ 169,714	$ 168,499	$ 7,172,459
Additions	-	-	-	-	-	255,219	255,219
Disposals	-	(6,538)	(26,940)	(3,383)	(1,678)	-	(38,539)
Reclassification	-	9,762	90,585	4,839	3,929	(109,115)	-
Balance at December 31, 2016	$ 1,629,671	$ 735,204	$ 4,489,273	$ 48,423	$ 171,965	$ 314,603	$ 7,389,139
Accumulated depreciation and impairment							
Balance at January 1, 2016	$ -	$ 571,461	$ 4,000,676	$ 34,667	$ 158,400	$ -	$ 4,765,204
Depreciation expenses	-	22,713	96,126	3,862	4,366	-	127,067
Disposals	-	(6,538)	(26,566)	(3,349)	(1,675)	-	(38,128)
Balance at December 31, 2016	$ -	$ 587,636	$ 4,070,236	$ 35,180	$ 161,091	$ -	$ 4,854,143
Carrying amounts at December 31, 2016	$ 1,629,671	$ 147,568	$ 419,037	$ 13,243	$ 10,874	$ 314,603	$ 2,534,996
Cost							
Balance at January 1, 2017	$ 1,629,671	$ 735,204	$ 4,489,273	$ 48,423	$ 171,965	$ 314,603	$ 7,389,139
Additions	-	-	-	-	-	638,642	638,642
Disposals	-	(1,618)	(62,927)	(1,546)	(5,209)	-	(71,300)
Reclassification	14,511	212,949	266,218	6,752	3,267	(618,733)	(115,036)
Balance at December 31, 2017	$ 1,644,182	$ 946,535	$ 4,692,564	$ 53,629	$ 170,023	$ 334,512	$ 7,841,445
Accumulated depreciation and impairment							
Balance at January 1, 2017	$ -	$ 587,636	$ 4,070,236	$ 35,180	$ 161,091	$ -	$ 4,854,143
Depreciation expenses	-	28,447	107,147	4,389	4,487	-	144,470
Disposals	-	(1,532)	(62,756)	(1,545)	(5,208)	-	(17,041)
Impairment losses reversed	-	-	(951)	-	-	-	(951)
Balance at December 31, 2017	$ -	$ 614,551	$ 4,113,676	$ 38,024	$ 160,370	$ -	$ 4,926,621
Carrying amounts at December 31, 2017	$ 1,644,182	$ 331,984	$ 578,888	$ 15,605	$ 9,653	$ 334,512	$ 2,914,824

In order to expand storage capacity, the board of directors of the Company passed a resolution on February 22, 2017 to acquire the plant and electricity equipment attached to the plant located in Toufen at $290,000 thousand from its land lessee, USI Optronics Corporation ("USIO"). The title of the plant purchased by the Company was transferred in June 2017. Some of the facilities were then leased to USIO, with the rest used as storage.

The above items of property, plant and equipment were depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings and improvements	
Dormitories, restaurants and office buildings	26 to 60 years
Cell room and improvements	5 to 21 years
General plants and improvements	3 to 45 years
Machinery and equipment	
Chemical industry equipment	5 to 8 years
Machinery manufacturing equipment	5 to 8 years
Electrical equipment and tanks	10 to 26 years
Other equipment	2 to 15 years
Transportation equipment	
Cars	2 to 7 years
Forklifts	5 to 7 years
Other vehicles	2 to 15 years
Other equipment	2 to 10 years
Miscellaneous equipment	
General office computers	2 to 5 years
Industrial computers	3 to 15 years
Other miscellaneous equipment	3 to 21 years

The Company set out the property, plant and equipment pledged as collateral for bank borrowings in Note 28.

14. INVESTMENT PROPERTIES

	For the Year Ended December 31	
	2017	**2016**
Cost		
Balance at January 1	$ 27,715	$ 27,715
Transferred from property, plant and equipment	142,751	-
Transferred to property, plant and equipment	(27,715)	-
Balance at December 31	$ 142,751	$ 27,715
Accumulated depreciation		
Balance at January 1	$ -	$ -
Depreciation expenses	2,491	-
Balance at December 31	$ 2,491	$ -
Carrying amounts at December 31	$ 140,260	$ 27,715

The Company's investment properties are located in Toufen Industrial District. Due to the characteristics of the district, the market for comparable properties is inactive and alternative reliable measurements of fair value were not available. Therefore, the Company determined that the fair value of its investment properties is not reliably measurable.

As the Company leased portion of the facilities acquired from USIO, the leased facilities were reclassified as investment property in proportion to the acres leased.

The lease on the land in Toufen factory between the Group and USIO, refer to Note 24 for related disclosures.

15. INTANGIBLE ASSETS

	Computer Software For the Year Ended December 31	
	2017	2016
Cost		
Balance at January 1	$ 14,963	$ 14,504
Additions	160	459
Balance at December 31	15,123	14,963
Accumulated amortization		
Balance at January 1	7,056	3,314
Amortization expenses	3,889	3,742
Balance at December 31	10,945	7,056
Carrying amounts at December 31	$ 4,178	$ 7,907

Intangible assets were amortized on a straight-line basis over their estimated useful lives of 3 years.

16. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2017	2016
Notes payable		
Operating	$ 183	$ 351
Trade payables (including related parties)		
Operating	$ 922,816	$ 557,289

The average payment period of trade payables was 2 months. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

17. OTHER PAYABLES

	December 31	
	2017	2016
Payables for salaries or bonuses	$ 227,287	$ 213,726
Payables for freight	32,258	46,816
Payables for transportation charges	27,998	28,002
Payables for purchases of equipment	20,085	26,114
Others	32,878	34,331
	$ 340,506	$ 348,989

18. PROVISIONS

	December 31	
	2017	2016
Customer returns and rebates	$ 27,849	$ 17,583

The provision for customer returns and rebates is based on historical experience, management's judgments and other known reasons for which estimated product returns and rebates may occur in the year. The provision is recognized as a reduction of operating income in the periods of the sales of the related goods.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of a specific period before retirement. The Company contribute amounts equal to 9% (the percentage increased to 10% since February 2017) of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2017	2016
Present value of defined benefit obligation	$ 1,355,238	$ 1,376,635
Fair value of plan assets	(492,108)	(160,264)
Net defined benefit liabilities	$ 863,130	$ 1,216,371

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2016	$ 1,342,596	$ (164,270)	$ 1,178,326
Service cost			
Current service cost	17,690	-	17,690
Net interest expense (income)	18,205	(2,344)	15,861
Recognized in profit or loss	35,895	(2,344)	33,551
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	1,217	1,217
Actuarial loss - changes in demographic assumptions	1,118	-	1,118
Actuarial loss - changes in financial assumptions	31,538	-	31,538
Actuarial loss - experience adjustments	21,836	-	21,836
Recognized in other comprehensive income	54,492	1,217	55,709
Contributions from the employer	-	(51,215)	(51,215)
Benefits paid	(56,348)	56,348	-
Balance at December 31, 2016	1,376,635	(160,264)	1,216,371
Service cost			
Current service cost	14,996	-	14,996
Net interest expense (income)	15,234	(1,841)	13,393
Recognized in profit or loss	30,230	(1,841)	28,389
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,062)	(1,062)
Actuarial loss - changes in demographic assumptions	26	-	26
Actuarial loss - changes in financial assumptions	28,515	-	28,515
Actuarial gain - experience adjustments	(24,180)	-	(24,180)
Recognized in other comprehensive income	4,361	(1,062)	3,299
Contributions from the employer	-	(384,929)	(384,929)
Benefits paid	(55,988)	55,988	-
Balance at December 31, 2017	$ 1,355,238	$ (492,108)	$ 863,130

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2017	2016
Operating costs	$ 22,509	$ 26,663
Selling and marketing expenses	2,694	3,083
General and administrative expenses	2,184	2,674
Research and development expenses	1,002	1,131
	$ 28,389	$ 33,551

The Company accumulated net losses after taxes of the remeasurement of the defined benefit plans in other comprehensive loss, which were $126,490 thousand and $123,752 thousand as of December 31, 2017 and 2016, respectively.

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic or foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate of a 2-year time deposit with local banks.

2) Interest risk: A decrease in government and corporate bond interest rates will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2017	**2016**
Discount rate	1.125%	1.125%
Expected rate of salary increase	2.500%	2.250%

If possible reasonable changes in each of the significant actuarial assumptions were to occur and all other assumptions were to remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2017	**2016**
Discount rates		
0.25% increase	$ (29,269)	$ (31,540)
0.25% decrease	$ 30,255	$ 32,644
Expected rates of salary increase		
0.25% increase	$ 29,318	$ 31,709
0.25% decrease	$ (28,515)	$ (30,799)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that changes in the assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The Company expects to make contributions of $258,657 thousand to the defined benefit plans in the next year starting from January 1, 2018. The weighted average duration of defined benefit obligation is 9 years.

20. EQUITY

a. Ordinary shares

	December 31	
	2017	2016
Number of shares authorized (in thousands)	500,000	500,000
Shares authorized	$ 5,000,000	$ 5,000,000
Number of shares issued and fully paid (in thousands)	492,000	477,699
Shares issued	$ 4,919,996	$ 4,776,695

The holders of issued ordinary shares with a par value of $10 are entitled to the right to vote and to receive dividends.

b. Capital surplus

The capital surplus generated from donations and the excess of the issuance price over the par value of share capital (including the shares issued from new capital) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or share dividends up to a certain percentage of the Company's paid-in capital.

The capital surplus arising from investments accounted for using the equity method may not be used for any purpose.

c. Retained earnings and dividends policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 13, 2016 and, in that meeting, resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividends distribution and the addition of the policy on the distribution of employees' compensation.

Under the dividends policy as set forth in the amended Articles, where the Company made a net income in a fiscal year, the profit shall be used first for offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The industry that the Company operates in is in the maturity stage. Consequently, in order to take R&D needs and diversification into consideration, shareholders' dividends shall not be less than 10% of the distributable earnings in the current year, of which the cash dividends shall not be less than 10% of the total dividends. However, if the distributable earnings of the year is less than $0.1 per share, it shall not be distributed. For the policies on the distribution of employees' compensation and remuneration of directors before and after amendment, refer to "Employees' compensation and remuneration of directors" in Note 21-e.

The appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2016 and 2015 approved in the shareholders' meetings on June 8, 2017 and June 13, 2016, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2016	2015	2016	2015
Legal reserve	$ 144,312	$ 76,757		
Cash dividends	812,038	468,303	$1.7	$1.0
Share dividends	143,301	93,661	0.3	0.2

The capital increase for share dividends were approved by the Securities and Futures Bureau, Financial Supervisory Commission on June 23, 2017, and the board of directors passed a resolution to set August 4, 2017 as the record date.

The appropriation of earnings for 2017 was proposed by the Company's board of directors on March 12, 2018. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 126,981	
Cash dividends	737,999	$1.5
Share dividends	147,600	0.3

The appropriation of earnings for 2017 are subject to resolution in the shareholders' meeting to be held on June 22, 2018.

d. Special reserve

The Company's unrealized revaluation increments and cumulative translation adjustments for retained earnings were respectively $653,026 thousand and $64,820 thousand, totaling $717,846 thousand. The increase in retained earnings arising from the initial adoption of IFRSs was not enough for a special reserve appropriation; thus, the Company appropriated a special reserve in the amount of $408,223 thousand after offsetting a deficit of $428,727 thousand, which was from the net increase of retained earnings arising from the initial adoption of IFRSs. As of December 31, 2017, there was no change.

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 12,612	$ 39,025
Exchange differences on translating foreign operations	(38,607)	(29,753)
Related income tax	6,563	5,059
Loss reclassified to profit or loss on disposal of foreign operations	-	(31)
Related income tax	-	5
Share of exchange differences of associates accounted for using the equity method	(151)	(1,693)
Balance at December 31	$ (19,583)	$ 12,612

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 28,526	$ 15,572
Unrealized gain on revaluation of available-for-sale financial assets	832	400
Cumulative loss reclassified to profit or loss on sale of available-for-sale financial assets	(892)	(20)
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	11,884	12,574
Balance at December 31	$ 40,350	$ 28,526

21. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2017	2016
Interest income		
Bank deposits	$ 573	$ 786
Financial assets classified as held for trading	5,941	6,287
Others	93	443
	6,607	7,516
Rental income	10,333	7,763
Others	7,388	8,579
	$ 24,328	$ 23,858

b. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Gain on disposal of property, plant and equipment	$ 1,427	$ 1,222
Gross foreign exchange gains	13,972	42,431
Gross foreign exchange losses	(55,755)	(55,932)
Loss on financial assets held for trading (see Note 7)	(8,399)	(5,005)
Loss on financial liabilities held for trading (see Note 7)	(3,391)	(5,868)
Depreciation expense of investment properties	(2,491)	-
Others	(1,573)	(11,444)
	$ (56,210)	$ 34,596

c. Depreciation and amortization

	For the Year Ended December 31	
	2017	**2016**
Property, plant and equipment	$ 144,470	$ 127,067
Investment properties	2,491	-
Intangible assets	3,889	3,742
	$ 150,850	$ 130,809
An analysis of depreciation by function		
Operating costs	$ 141,696	$ 123,921
Operating expenses	2,774	3,146
Non-operating expenses	2,491	-
	$ 146,961	$ 127,067
An analysis of amortization by function		
General and administrative expenses	$ 3,889	$ 3,742

d. Employee benefits expense

	For the Year Ended December 31	
	2017	**2016**
Post-employment benefits		
Defined contribution plans	$ 13,990	$ 12,720
Defined benefit plans (see Note 19)	28,389	33,551
	42,379	46,271
Other employee benefits	879,817	841,318
Total employee benefits expense	$ 922,196	$ 887,589
An analysis of employee benefits expense by function		
Operating costs	$ 739,629	$ 711,466
Operating expenses	182,567	176,123
	$ 922,196	$ 887,589

Refer to Note 12 for information related to employee benefits expense.

e. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2017 and 2016, which have been approved by the Company's board of directors on March 12, 2018 and March 14, 2017, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2017	**2016**
Employees' compensation	1%	1%
Remuneration of directors	-	-

Amount

	For the Year Ended December 31	
	2017	2016
Employees' compensation	$ 14,300	$ 15,795
Remuneration of directors	-	-

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2016 and 2015.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	$ 61,771	$ 102,042
Income tax on unappropriated earnings	28,159	12,156
Adjustments for prior years	931	(1,876)
	90,861	112,322
Deferred tax		
In respect of the current year	56,170	7,635
Effect of different tax rates	910	(547)
Unrecognized deductible temporary differences	(1,229)	(1,091)
Adjustments for prior years	(825)	2,240
	55,026	8,237
Income tax expense recognized in profit or loss	$ 145,887	$ 120,559

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2017	2016
Profit before tax from continuing operations	$ 1,415,695	$ 1,563,684
Income tax expense calculated at the statutory rate	$ 240,668	$ 265,826
Domestic investment gains accounted for using the equity method	(126,094)	(157,126)
Others	3,367	977

(Continued)

	For the Year Ended December 31	
	2017	2016
Income tax on unappropriated earnings	$ 28,159	$ 12,156
Unrecognized deductible temporary differences	(1,229)	(1,091)
Effect of different tax rates	910	(547)
Adjustments for prior years' tax	106	364
Income tax expense recognized in profit or loss	$ 145,887	$ 120,559

(Concluded)

The applicable corporate income tax rate used by the Company is 17%.

In February 2018, it was announced that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and increase by $45,935 thousand and $296 thousand, respectively, in 2018.

As the status of the 2017 appropriation of earnings is uncertain, the potential income tax consequences on the 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
Deferred tax		
In respect of the current year		
Translation of foreign operations	$ 6,563	$ 5,059
Remeasurement on defined benefit plans	561	9,470
	7,124	14,529
Arising on income and expenses reclassified from equity to profit or loss		
Disposal of subsidiaries accounted for using the equity method	-	5
	$ 7,124	$ 14,534

c. Current tax liabilities

	December 31	
	2017	2016
Current tax liabilities		
Income tax payable	$ 88,007	$ 87,591

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory valuation	$ 6,801	$ 372	$ -	$ 7,173
Share of profit of subsidiaries and associates accounted for using the equity method	71,480	308	6,563	78,351
Unrealized losses on property, plant and equipment	510	(322)	-	188
Deferred revenue	17,679	(2,101)	-	15,578
FVTPL financial assets	453	(453)	-	-
Provisions	2,990	1,908	-	4,898
Defined benefit plans	205,208	(60,612)	561	145,157
Payables for annual leave	4,616	1,028	-	5,644
Unrealized foreign exchange losses	-	532	-	532
Others	322	2,453	-	2,775
	$ 310,059	$ (56,887)	$ 7,124	$ 260,296
Deferred tax liabilities				
Temporary differences				
Unrealized foreign exchange gains	$ 1,230	$ (1,230)	$ -	$ -
Differences on depreciation period between finance and tax	2,308	(791)	-	1,517
FVTPL financial assets	-	160	-	160
Revaluation increments of land	483,213	-	-	483,213
	$ 486,751	$ (1,861)	$ -	$ 484,890

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory valuation	$ 7,715	$ (914)	$ -	$ 6,801
Share of profit of subsidiaries and associates accounted for using the equity method	73,299	(6,883)	5,064	71,480
Unrealized losses on property, plant and equipment	876	(366)	-	510
Deferred revenue	16,416	1,263	-	17,679
FVTPL financial assets	-	453	-	453
Provisions	3,405	(415)	-	2,990
Defined benefit plans	198,741	(3,003)	9,470	205,208
Payables for annual leave	4,677	(61)	-	4,616
Others	338	(16)	-	322
	$ 305,467	$ (9,942)	$ 14,534	$ 310,059
Deferred tax liabilities				
Temporary differences				
Unrealized foreign exchange gains	$ 1,123	$ 107	$ -	$ 1,230
Differences on depreciation period between finance and tax	4,120	(1,812)	-	2,308
Revaluation increments of land	483,213	-	-	483,213
	$ 488,456	$ (1,705)	$ -	$ 486,751

e. Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

As of December 31, 2017 and 2016, the deductible temporary differences for which no deferred tax assets have been recognized in the Company’s balance sheets were respectively $218,969 thousand and $226,159 thousand.

f. Integrated income tax

	December 31	
	2017	2016
Shareholder-imputed credits account	$ 131,758 (Note)	$ 120,585

There are no unappropriated earnings generated before January 1, 1998 as of December 31, 2017 and 2016.

	For the Year Ended December 31	
	2017	2016
Creditable ratio for distribution of earnings	(Note)	16.21%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

g. Income tax assessments

The income tax returns of the Company through 2015 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2017	2016
Basic and diluted earnings per share	$ 2.58	$ 2.93

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 4, 2017. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2016 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic and diluted earnings per share	$ 3.02	$ 2.93

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2017	2016
Earnings used in the computation of basic and diluted earnings per share	$ 1,269,808	$ 1,443,125

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Year Ended December 31	
	2017	**2016**
Weighted average number of ordinary shares used in computation of basic earnings per share	492,000	492,000
Effect of potentially dilutive ordinary shares:		
Employees' compensation	568	993
Weighted average number of ordinary shares used in the computation of diluted earnings per share	492,568	492,993

If the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation would be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

24. OPERATING LEASE AGREEMENTS

The Company's board of directors passed a resolution to pledge the right of superficies for the land leased to USIO as collateral in order to assist USIO to make borrowings from Chang Hwa Commercial Bank, Nankang Science Industrial Park Branch ("CHCB") in March 2012. The Company also promised CHCB that the Company shall not transfer or concede the land nor set the land as a trust asset to others. Additionally, the Company shall not provide a creation of mortgage, a lien or other rights of securities to other creditors, and the Company shall not terminate the lease contract. The Company leased the land in Toufen to USIO with a lease term from October 1, 2010 to June 30, 2027. USIO does not have a bargain purchase option to acquire the leased land at the expiry of the lease period.

The Company acquired the plant and some electricity equipment located on the leased land from USIO in June 2017, and also agreed to terminate the lease contract. In the meantime, USIO canceled the right of superficies and the creation of mortgage mentioned above. The two parties entered into a new lease wherein the Company leased part of the plant to USIO with a lease term from June 16, 2017 to June 15, 2018. USIO does not have a bargain purchase option to acquire the leased factory at the expiry of the lease period.

25. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management of the Company believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair value or their fair value cannot be reliably measured.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 1,450	$ -	$ 1,450
Non-derivative financial assets held for trading	967,549	-	-	967,549
	$ 967,549	$ 1,450	$ -	$ 968,999
Financial liabilities at FVTPL				
Derivatives financial liabilities	$ -	$ 508	$ -	$ 508

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 118	$ -	$ 118
Non-derivative financial assets held for trading	998,082	-	-	998,082
	$ 998,082	$ 118	$ -	$ 998,200
Available-for-sale financial assets				
Securities listed in the ROC	$ 3,072	$ -	$ -	$ 3,072
Financial liabilities at FVTPL				
Derivatives financial liabilities	$ -	$ 2,784	$ -	$ 2,784

There were no transfers between Levels 1 and 2 for the years ended December 31, 2017 and 2016.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	December 31	
	2017	2016
Financial assets		
Financial assets at fair value through profit or loss (FVTPL)		
Held for trading	$ 968,999	$ 998,200
Loans and receivables		
Cash and cash equivalents	86,856	451,739
Notes receivable	175,609	143,385
Trade receivables (including related parties)	811,181	797,826
Other receivables (including related parties and excluded tax refund receivable)	2,325	5,186
Refundable deposits	2,454	2,453
Available-for-sale financial assets (including financial assets measured at cost)	91,000	103,072
Financial liabilities		
Financial liabilities at fair value through profit or loss (FVTPL)		
Held for trading	508	2,784
Financial liabilities measured at amortized cost		
Notes payable	183	351
Trade payables (including related parties)	922,816	577,289
Other payables (including related parties)	342,302	357,819
Guarantee deposits	2,041	3,501

d. Financial risk management objectives and policies

The Company's conduct of risk controlling and hedging strategy is influenced by the operational environment. The Company monitors and manages the financial risk by business nature and risk dispersion.

These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Company's operating activities exposed itself primarily to the market risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company conducted foreign currency sales and purchases, which exposed the Company to foreign currency risk. In order to avoid the impact of foreign currency exchange rate changes, which lead to deductions in foreign currency denominated assets and fluctuations in their future cash flows, the Company maintains a balance of hedged net foreign currency denominated assets and liabilities. The Company also utilizes foreign exchange forward contracts to hedge the currency exposure. The use of foreign exchange forward contracts is regulated by the policies passed by the Company's board of directors. Internal auditors focus on reviewing the observance of the policies and the quota of risk exposures. The foreign exchange forward contracts that the Company engaged in were not for speculation purposes.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 30.

Sensitivity analysis

The Company's sensitivity analysis mainly focuses on the foreign currency risk of U.S. dollars at the end of the reporting period. Assuming a 3% strengthening/weakening of the functional currency against U.S. dollars, the net income before tax for the years ended December 31, 2017 and 2016 would have decreased/increased by $13,205 thousand and $16,575 thousand, respectively.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign currency risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Company was exposed to the fair value risk of interest rate fluctuations for the fixed interest rate bearing financial assets; the Company was exposed to the cash flow risk of interest rate fluctuations for the floating interest rate bearing financial assets. The Company's management regularly monitors the fluctuations on market rates and then adjusted its balance of floating rate bearing financial liabilities to make the Company's interest rates more closely approach market rates in response to the interest rate risk.

The carrying amount of the Company's financial assets with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2017	**2016**
Fair value interest rate risk		
Financial assets	$ 14,058	$ 377,091
Cash flow interest rate risk		
Financial assets	59,394	57,907

Sensitivity analysis

The fixed-rate financial assets held by the Company are not included in the analysis as they are all measured at amortized cost. For floating rate assets, the analysis was prepared assuming that the amount of the assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 50 point fluctuation in interest rate was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2017 and 2016 would have decreased/increased by $297 thousand and $290 thousand, respectively.

c) Other price risk

The Company was exposed to equity price risk through its investments in domestic listed shares, mutual fund beneficiary certificates and other equity securities investments. The Company manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Company has appointed a special team to monitor price risk.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices fluctuates by 5%, the pre -tax profit for the years ended December 31, 2017 and 2016 would have increased/decreased by $48,377 thousand and $49,904 thousand, respectively, as a result of the changes in fair value of held-for-trading investments, and the pre-tax other comprehensive income for the years ended December 31, 2016 would have increased/decreased by $154 thousand, as a result of the changes in fair value of available-for-sale financial assets (for the years ended December 31, 2017: None).

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Company, could arise from:

a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and

b) The amount of contingent liabilities in relation to financial guarantees issued by the Company.

The Company adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

The counterparties of the Company's trade receivable included numerous clients distributed over a variety of areas, and were not centered on a single client or location. Furthermore, the Company continuously assesses the financial condition of its clients, and then the Company's credit risk was limited. At the end of the reporting period, the Company's largest exposure on credit risk approximates to the carrying amounts of its financial assets.

3) Liquidity risk

The Company managers mitigate liquidity risk by maintaining a level of cash and cash equivalents and financing facilities deemed adequate.

a) Liquidity and interest rate risk tables

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

December 31, 2017

	On Demand or Less than 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities			
Non-interest bearing liabilities	$ 1,038,014	$ -	$ -

December 31, 2016

	On Demand or Less than 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities			
Non-interest bearing liabilities	$ 723,533	$ -	$ -

b) Financing facilities

The Company relies on bank loans as a significant source of liquidity. As of December 31, 2017 and 2016, the unused amounts of bank loan facilities were as follows:

	December 31	
	2017	2016
Bank loan facilities		
Amount unused	$ 2,186,877	$ 2,193,875

27. TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2017 and 2016, USI Corporation held directly and indirectly through its subsidiary, Union Polymer Int'l Investment Corporation 24.97% of the Company's outstanding ordinary shares.

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party names and categories

Related Party Name	Related Party Category
USI Corporation ("USI")	Parent company
Taiwan VCM Corporation ("TVCM")	Subsidiary
CGPC Polymer Corporation ("CGPCPOL")	Subsidiary
Krystal Star International Corporation ("Krystal Star")	Subsidiary
CGPC America Corporation ("CGPC America")	Subsidiary
CGPC (BVI) Holding Co., Ltd.	Subsidiary
Taita Chemical Company, Limited ("TTC")	Investor with significant influence
Asia Polymer Corporation ("APC")	Investor with significant influence
China General Terminal & Distribution Corporation	Associate

(Continued)

Related Party Name	Related Party Category
Acme Electronics Corporation	Associate
Thintec Materials Corporation	Associate
USI Optronics Corporation (“USIO”)	Fellow subsidiary
USI Management Consulting Corporation (”UM”)	Fellow subsidiary
Swanson Plastics Corporation	Fellow subsidiary
Taiwan United Venture Management Corporation	Fellow subsidiary
Chong Loong Trading Co., Ltd.	Fellow subsidiary
Dynamic Ever Investments Limited	Fellow subsidiary
USIFE Investment Co., Ltd.	Fellow subsidiary
INOMA Corporation	Fellow subsidiary
Taita Chemical (Zhong Shan) Co., Ltd.	Subsidiary of investor with significant influence
APC Investment Corporation	Subsidiary of investor with significant influence

(Concluded)

b. Sales of goods

Related Party Category	For the Year Ended December 31 2017	2016
Subsidiary	$ 437,187	$ 482,336
Investor with significant influence	5,169	3,586
Parent company	2,133	-
Fellow subsidiary	501	484
	$ 444,990	$ 486,406

Sales of goods to related parties had no material differences from those of general sales transactions.

c. Trade receivables from related parties

Related Party Category/Name	December 31 2017	2016
Subsidiary		
CGPC America	$ 118,018	$ 120,941
Investor with significant influence	493	476
Fellow subsidiary	102	-
	$ 118,613	$ 121,417

The outstanding trade receivables from related parties were unsecured. For the years ended December 31, 2017 and 2016, no impairment loss was recognized for trade receivables from related parties.

d. Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2017	2016
Subsidiary		
TVCM	$ 3,970,741	$ 3,403,528
Others	2,584	1,622
Fellow subsidiary	712	908
Investor with significant influence	-	25
	$ 3,974,037	$ 3,406,083

The Company signed a VCM purchase contract with TVCM. The purchase price was negotiated by both parties according to the current domestic price of PVC, the spot price of VCM, EDC and ethylene in Asia.

Purchases from related parties had no material differences from those of general purchases transactions.

e. Trade payables to related parties

Related Party Category/Name	December 31 2017	2016
Subsidiary		
TVCM	$ 710,651	$ 346,956
Others	1,988	-
Fellow subsidiary	50	300
Investors with significant influence	-	14
	$ 712,689	$ 347,270

The outstanding trade payables to related parties were unsecured.

f. Other receivables from related parties

Related Party Category/Name	December 31 2017	2016
Subsidiary		
CGPCPOL	$ 1,410	$ 1,527
Krystal star	-	1,185
Others	14	65
Investor with significant influence		
TTC	490	532
Others	3	2
Fellow subsidiary	39	23
Associate	12	6
Parent company	10	10
Subsidiary of investor with significant influence	1	-
	$ 1,979	$ 3,350

g. Other payables to related parties

Related Party Category/Name	December 31 2017	December 31 2016
Parent company		
USI	$ 1,291	$ 1,572
Subsidiary		
TVCM	290	-
Fellow subsidiary		
UM	177	7,042
Others	29	28
Investor with significant influence	9	188
	$ 1,796	$ 8,830

h. Acquisition of property, plant and equipment

Related Party Category/Name	Purchase Price For the Year Ended December 31 2017	Purchase Price For the Year Ended December 31 2016
Fellow subsidiary		
USIO	$ 290,000	$ -

i. Endorsements and guarantees

Related Party Category/Name	December 31 2017	December 31 2016
Subsidiary		
CGPCPOL	$ 3,297,600	$ 3,100,000

j. Rental expenses

Related Party Category/Name	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Parent company		
USI	$ 5,282	$ 5,307
Investor with significant influence		
APC	2,380	1,988
	$ 7,662	$ 7,295

The Company leases offices in Neihu from USI and APC. The leases will expire in April 2019 and December 2018, respectively, and the rentals are paid on a monthly basis.

k. Management service expenses

Related Party Category/Name	For the Year Ended December 31 2017	2016
Fellow subsidiary		
UM	$ 41,530	$ 30,003
Others	114	115
Parent company	3,981	2,729
	$ 45,625	$ 32,847

Contracts stating that UM and parent company should provide labor support, equipment and other related services to the Company were effective since July 1, 2001. The service expenses were based on the actual quarterly expenses which should be paid in the subsequent quarter.

l. Rental income

Related Party Category/Name	For the Year Ended December 31 2017	2016
Fellow subsidiary		
USIO	$ 9,841	$ 7,297
Investor with significant influence	116	89
	$ 9,957	$ 7,386

USIO leased the land and facility located in Toufen from the Company, the detailed lease term can be referred to Note 24.

m. Other revenue

Related Party Category/Name	For the Year Ended December 31 2017	2016
Investor with significant influence		
TTC	$ 1,565	$ 1,978
Subsidiary		
CGPCPOL	1,351	1,843
Others	71	56
	$ 2,987	$ 3,877

n. Compensation of key management personnel

	For the Year Ended December 31 2017	2016
Salaries and others	$ 18,336	$ 14,898
Post-employment benefits	194	81
	$ 18,530	$ 14,979

The compensation of directors and key executives of the Company was determined by the remuneration committee based on the performance of individuals and market trends.

28. ASSETS PLEDGED AS COLLATERAL

The following assets were provided as collaterals for bank borrowings, endorsement guarantees and the tariffs of imported raw materials:

	December 31	
	2017	2016
Pledge deposits (classified as refundable deposits)	$ 2,154	$ 2,133
Property, plant and equipment		
Land	1,517,928	1,625,173
Buildings and improvements, net	72,678	86,906
	$ 1,592,760	$ 1,714,212

The Company signed a long-term secured loan contract with a revolving credit limit of $1,000,000 thousand for 5 years with Chang Hwa Commercial Bank on March 6, 2012 to enrich working capital. The Company extended its contract expiration date to July 31, 2022. The Company set the land and plants located at the north side of its Toufen factory, which is owned by the Company, as collateral. As of December 31, 2017 and 2016, the Company has not used its revolving credit.

The Company pledged its land and plant located at the south side of its Toufen factory to Taishin International Bank as collateral for its revolving credit limit. The financing contract with Taishin International Bank expired, and the fixed assets which were pledged as collateral were released in July 2017.

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of the end of the reporting period were as follows:

a. As of December 31, 2017 and 2016, the Company’s unused letters of credit amounted to $23,123 thousand and $16,125 thousand, respectively.

b. The Company endorsed bank loans for CGPCPOL. As of December 31, 2017 and 2016, the amount endorsed by the Company was $3,297,600 thousand and $3,100,000 thousand, respectively, and CGPCPOL had drawn the amount of $514,880 thousand and $969,675 thousand, respectively. The information of the Company’s endorsement guarantees for others are set out in Note 31 and Table 2.

c. Description of Kaohsiung explosions:

Regarding the associate, China General Terminal & Distribution Corporation (hereinafter “CGTD”), who had been commissioned to operate LCY Chemical Corp.’s propene pipeline, resulting in a gas explosion on July 31, 2014, the Kaohsiung District Prosecutor Office instituted a public prosecution against the related personnel of the Kaohsiung Government, LCY Chemical Corp. and CGTD employees on December 18, 2014. As of the reporting date, the attribution of responsibility for the gas explosion and the subsequent impact is still pending the conclusion of the in-progress trial of the Kaohsiung District Court.

CGTD arrived at an agreement with the Kaohsiung City Government on February 12, 2015, pledging certificates of bank deposits of $226,983 thousand, interests included, to the Kaohsiung City Government as collateral for the loss caused by the gas explosion. The Kaohsiung City Government also filed civil procedure requests in succession against LCY Chemical Corp., CGTD and CPC Corporation, Taiwan (“CPC”). Taiwan Power Company applied for provisional attachment against CGTD’s property on August 27 and November 26, 2015. Taiwan Water Corporation also applied for provisional attachment against CGTD's property on February 3 and March 2, 2017. At the end of February 2018, the provisionally attached property was worth $151,229 thousand.

As for the victims, CGTD, LCY Chemical Corp. and the Kaohsiung City Government signed a tripartite agreement for the compensation of the 32 victims' families on July 17, 2015. Each victim's family received $12,000 thousand, and the compensation was $384,000 thousand in total, which was paid in four annual payments by LCY Chemical Corp. LCY Chemical Corp. was in charge of negotiating the compensation with the victims' families and signing the settlement agreement on behalf of the three parties.

As for the seriously injured, CGTD, LCY Chemical Corp. and the Kaohsiung City Government signed a tripartite agreement for the compensation of the 65 seriously injured victims' families on October 25, 2017. Compensation was paid by CGTD and the Kaohsiung City Government, and CGTD was in charge of negotiating the compensation with the seriously injured victims' families and signing the settlement agreement on behalf of the three parties.

Up to February 2018, victims and victims' families had written letters or filed civil procedures (and criminal procedures) against CGTD, LCY Chemical Corp. and CPC for compensation. Along with the formerly mentioned compensation, the accumulated amount of compensation is $4,038,198 thousand, and the actual payment of CGTD depends on the verdict of the civil procedures. The date of the criminal procedures is estimated to be on May 11, 2018 and part of the civil procedures will be held on June 22, 2018.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies and aggregated by foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

Unit: Foreign and Functional Currencies in Thousands

December 31, 2017

	December 31, 2017		
	Foreign Currencies	**Exchange Rate (In Single Dollars)**	**NT$ (Functional Currencies)**
Financial assets			
Monetary items			
USD	$ 15,158	29.760 (USD:NTD)	$ 451,104
EUR	663	35.570 (EUR:NTD)	23,567
JPY	86,158	0.264 (JPY:NTD)	22,763
AUD	754	23.185 (AUD:NTD)	17,492
Non-monetary items			
Subsidiaries accounted for using the equity method			
USD	20,785	29.760 (USD:NTD)	618,549
Financial liabilities			
Monetary items			
USD	367	29.760 (USD:NTD)	10,930

December 31, 2016

	December 31, 2016			
	Foreign Currencies	Exchange Rate (In Single Dollars)		NT$ (Functional Currencies)
Financial assets				
Monetary items				
USD	$ 17,416	32.250	(USD:NTD)	$ 561,663
EUR	783	33.900	(EUR:NTD)	26,559
AUD	923	23.285	(AUD:NTD)	21,486
JPY	44,392	0.276	(JPY:NTD)	12,235
Non-monetary items				
Subsidiaries accounted for using the equity method				
USD	19,992	32.250	(USD:NTD)	644,736
Financial liabilities				
Monetary items				
USD	284	32.250	(USD:NTD)	9,152

For the years ended December 31, 2017 and 2016, net foreign exchange losses were $41,783 thousand and $13,501 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities.

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others: See Table 1 attached;

2) Endorsements/guarantees provided: See Notes 27, 29 and Table 2 attached;

3) Marketable securities held (not included investment subsidiary and affiliated companies): See Table 3 attached;

4) Marketable securities acquired and disposed of costs or prices of at least NT$300 million or 20% of the paid-in capital: See Table 4 attached;

5) Acquisitions of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None;

6) Disposals of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None;

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 5 attached;

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 6 attached;

9) Trading in derivative instruments: See Note 7 attached; and

10) Information on investees: See Table 7 attached.

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: See Table 8 attached; and

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: See Table 1 attached.

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance during the period, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

TABLE 1

CHINA GENERAL PLASTICS CORPORATION

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 4)	Ending Balance (Notes 4 and 5)	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 3)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 2 and 4)	Aggregate Financing Limits (Notes 2 and 4)
													Item	Value		
1	CGPC (BVI) Holding Co., Ltd. ("CGPC (BVI)")	Continental General Plastics (Zhong Shan) Co., Ltd.	Other receivables from related parties	Yes	$ 119,040 (US$ 4,000 thousand)	$ 119,040	$ -	-	b	$ -	Operating capital needed	$ -	-	-	$ 347,575	$ 347,575

Note 1: The total amount of financing by the Company to others shall not exceed 40% of the net worth of the Company. The Company has no financing provided to others as of December 31, 2017.

Note 2: The total amount of financing by the CGPC (BVI) to others collectively and to any individual entity shall not exceed 40% of its net worth. However, the total amount of financing provided to any subsidiary wholly-owned by the Company shall not exceed 100% of the net worth of the Company according to the most recent audit.

Note 3: The alphabetic indications for the nature of financing are described as follows:

a. Existing transactions.
b. Needed short-term operating capital.

Note 4: The amount is calculated using the spot exchange rate as on December 31, 2017.

TABLE 2

CHINA GENERAL PLASTICS CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) (Note 1)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	China General Plastics Corporation	CGPC Polymer Corporation	Subsidiary	$ 11,709,512	$ 3,297,600	$ 3,297,600	$ 514,880	None	42.24	$ 11,709,512	Yes	No	No

Note 1: The ratio is calculated using the ending balance of equity of the Company as of December 31, 2017.

Note 2: The maximum total endorsement/guarantee shall not exceed 150% of the equity attributable to owners of the Company. The maximum amount of endorsement/guarantee was calculated based on the equity of the Company as of December 31, 2017.

TABLE 3

CHINA GENERAL PLASTICS CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Maximum Shares/Units Held During the Year	Note
				Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value		
China General Plastics Corporation	Closed-end fund beneficiary certificates								
	Fubon No. 2 Real Estate Investment Trust	-	Financial assets at fair value through profit or loss - current	5,000,000	$ 56,850	-	$ 56,850	5,000,000	1
	Cathay No. 1 Real Estate Investment Trust	-	Financial assets at fair value through profit or loss - current	4,268,000	56,551	-	56,551	4,268,000	1
	Shin Kong No. 1 Real Estate Investment Trust	-	Financial assets at fair value through profit or loss - current	3,000,000	43,530	-	43,530	3,000,000	1
	Cathay No. 2 Real Estate Investment Trust	-	Financial assets at fair value through profit or loss - current	2,500,000	33,275	-	33,275	2,500,000	1
	Open-end fund beneficiary certificates								
	FSITC Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	9,518,158	144,744	-	144,744	9,725,859	1
	TCB Money Market Fund	-	Financial assets at fair value through profit or loss - current	10,991,775	111,032	-	111,032	14,575,209	1
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,249,509	84,037	-	84,037	10,428,170	1
	Prudential Financial Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,194,133	50,220	-	50,220	3,194,133	1
	Eastspring Investments Well Pool Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,710,217	50,179	-	50,179	3,710,217	1
	Shin Kong Chi-Shin Money-market Fund	-	Financial assets at fair value through profit or loss - current	3,247,534	50,030	-	50,030	3,247,534	1
	Nomura Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,805,646	45,515	-	45,515	3,087,201	1
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss - current	248,133	44,013	-	44,013	1,019,529	1
	Franklin Templeton SinoAm Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,188,217	43,027	-	43,027	4,201,266	1
	Capital Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,431,581	39,002	-	39,002	3,122,502	1
	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,106,999	35,009	-	35,009	3,013,955	1
	CTBC Hwa-win Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,101,771	23,026	-	23,026	7,219,104	1
	Fubon Chi-Hsiang Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,378,417	21,502	-	21,502	5,141,781	1

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Maximum Shares/Units Held During the Year	Note
				Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value		
China General Plastics Corporation	Open-end fund beneficiary certificates	-							
	Cathay Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,615,339	$ 20,004	-	$ 20,004	1,615,339	1
	Mirae Asset Solomon Money Market Fund	-	Financial assets at fair value through profit or loss - current	877,683	11,002	-	11,002	877,683	1
	Deutsche Far Eastern DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	430,108	5,001	-	5,001	1,121,821	1
	Ordinary shares								
	KHL IB Venture Capital Co., Ltd.	-	Financial assets measured at cost - non-current	9,100,000	91,000	5.95	-	10,000,000	1
Taiwan VCM Corporation	Open-end fund beneficiary certificates								
	Fubon Chi-Hsiang Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,205,806	50,008	-	50,008	3,215,434	1
	Taishin Ta-Chong Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,540,976	50,008	-	50,008	3,990,828	1
	Paradigm Pion Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,352,443	50,008	-	50,008	4,367,804	1
	Prudential Financial Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,180,641	50,008	-	50,008	3,180,641	1
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,085,429	50,008	-	50,008	3,093,887	1
	Hua Nan Kirin Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,200,022	50,007	-	50,007	6,561,826	1
	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,805,815	30,004	-	30,004	3,021,349	1
	Ordinary shares								
	Asia Polymer Corporation	The major shareholders are the same as the those of the Company	Available-for-sale financial assets - non-current	113,656	2,194	0.02	2,194	113,656	1
CGPC Polymer Corporation	Open-end fund beneficiary certificates								
	Hua Nan Kirin Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,199,457	50,001	-	50,001	4,206,170	1
	TCB Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,969,885	30,000	-	30,000	15,183,823	1
	Taishin Ta-Chong Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,132,944	16,000	-	16,000	3,541,628	1
CGPC (BVI) Holding Co., Ltd.	Ordinary shares								
	Teratech Corporation	-	Financial assets measured at cost - non-current	112,000	-	0.67	-	112,000	1 and 3
	Sohoware, Inc. - preference shares	-	Financial assets measured at cost - non-current	100,000	-	-	-	100,000	1, 2 and 3

(Continued)

Note 1: The marketable securities were not pledged as guarantees or collateral for borrowings and are not subject to restrictions.

Note 2: The preference shares are not used in the calculation of the shareholding ratio and net worth.

Note 3: The carrying amount has been fully recognized as accumulated impairment loss.

(Concluded)

TABLE 4

CHINA GENERAL PLASTICS CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount (Note)	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount (Note)
China General Plastics Corporation	Beneficiary certificates													
	FSITC Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	203,859	$ 36,000	3,385,939	$ 599,500	3,341,665	$ 591,717	$ 591,500	$ 217	248,133	$ 44,000
	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	6,495,273	87,000	33,848,684	454,500	34,094,448	457,603	457,500	103	6,249,509	84,000
	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	9,763,872	142,937	39,158,039	575,500	48,921,911	719,337	718,437	900	-	-
	TCB Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	68,459,581	690,500	57,467,806	579,579	579,500	79	10,991,775	111,000
	Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	19,995,988	246,958	8,042,918	100,000	28,038,906	348,425	346,958	1,467	-	-
Taiwan VCM Corporation	Beneficiary certificates													
	Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	20,275,936	250,000	20,110,824	250,000	40,386,760	501,958	500,000	1,958	-	-
	FSITC Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	192,475	34,000	2,847,354	504,000	3,039,829	538,280	538,000	280	-	-
	Hua Nan Kirin Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	29,953,256	356,000	25,753,234	306,048	306,000	48	4,200,022	50,000
	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	13,051,361	191,001	19,594,354	288,000	32,645,715	479,769	479,001	768	-	-
	TCB Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	4,968,796	50,000	47,817,505	482,000	52,786,301	532,174	532,000	174	-	-
CGPC Polymer Corporation	Beneficiary certificates													
	TCB Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	62,363,316	628,900	59,393,431	598,967	598,900	67	2,969,885	30,000
	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	28,066,041	412,746	28,066,041	412,787	412,746	41	-	-

Note: The amount as of December 31, 2017 was accounted for as the original cost.

TABLE 5

CHINA GENERAL PLASTICS CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivables (Payables)		
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Financial Statement Account and Ending Balance		% of Total
China General Plastics Corporation	Taiwan VCM Corporation	Subsidiary	Purchase	$ 3,970,741	72	45 days	No major difference	No major difference	Trade payables to related parties	$ (710,651)	(77)
	CGPC America Corporation	Subsidiary	Sale	(437,174)	(5)	90 days	No major difference	No major difference	Trade receivables from related parties	118,018	12
Taiwan VCM Corporation	China General Plastics Corporation	Parent company	Sale	(3,970,741)	(43)	45 days	No major difference	No major difference	Trade receivables from related parties	710,651	47
	CGPC Polymer Corporation	Fellow subsidiary	Sale	(4,279,656)	(46)	45 days	No major difference	No major difference	Trade receivables from related parties	724,061	48
CGPC Polymer Corporation	Taiwan VCM Corporation	Fellow subsidiary	Purchase	4,279,656	96	45 days	No major difference	No major difference	Trade payables to related parties	(724,061)	(97)
CGPC America Corporation	China General Plastics Corporation	Parent company	Purchase	437,174	86	90 days	No major difference	No major difference	Trade payables to related parties	(118,018)	(99)

TABLE 6

CHINA GENERAL PLASTICS CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Financial Statement Account and Ending Balance		Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 2)	Allowance for Impairment Loss
						Amount	Actions Taken		
China General Plastics Corporation	CGPC America Corporation	Subsidiary	Trade receivables from related parties	$ 118,018	3.66	$ -	-	$ 49,397	Note 1
Taiwan VCM Corporation	China General Plastics Corporation	Parent company	Trade receivables from related parties	$ 710,651	7.51	-	-	710,651	Note 1
	CGPC Polymer Corporation	Fellow subsidiary	Trade receivables from related parties	$ 724,061	8.27	-	-	724,061	Note 1

Note 1: There is no allowance of impairment loss after an impairment assessment.

Note 2: The subsequent period is between January 1 and February 26, 2018.

TABLE 7

CHINA GENERAL PLASTICS CORPORATION

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Business Content	Original Investment Amount		As of December 31, 2017			Net Income (Loss) of Investee	Share of Profit (Loss)	Note
				December 31, 2017	December 31, 2016	Number of Shares	%	Carrying Amount			
China General Plastics Corporation	Taiwan VCM Corporation	No. 1, Gongye 1st Rd., Linyuan Dist., Kaohsiung City 832, Taiwan (R.O.C.)	Manufacturing & marketing for VCM	$ 2,930,994	$ 2,930,994	196,198,860	87.22	$ 2,642,545	$ 543,460	$ 477,156	Subsidiary
	CGPC Polymer Corporation	12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing & marketing for PVC Resins	800,000	800,000	56,478,291	100.00	845,548	248,678	248,678	Subsidiary
	CGPC (BVI) Holding Co., Ltd.	Citco Building, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	Reinvestment	1,073,906	1,073,906	16,308,258	100.00	347,575	(4,427)	(4,427)	Subsidiary
	China General Terminal & Distribution Corporation	No. 1, Jianji St., Qianzhen Dist., Kaohsiung City 806, Taiwan (R.O.C.)	Warehouse & transportation of petrochemical raw materials	41,106	41,106	17,079,108	33.33	272,509	53,358	17,786	Associate accounted for using the equity method
	CGPC America Corporation	1181 California Ave., Suite 235 Corona, CA 92881 U.S.A.	Marketing for PVC film and leather products	648,931	648,931	100	100.00	198,483	9,101	9,101	Subsidiary
	Krystal Star International Corporation	Citco Building, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	Marketing for PVC film and consumer products	283,502	283,502	5,780,000	100.00	72,489	744	744	Subsidiary
	Acme Electronics Corporation	8F., No. 39, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing & marketing for Mn-Zn ferrite cores, Ni-Zn ferrite cores.	33,995	33,995	3,176,019	1.74	23,731	(103,454)	(1,801)	Associate accounted for using the equity method
	Thintec Materials Corporation	12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing & marketing for reinforced plastic products	15,000	15,000	600,000	10.00	2,504	(866)	(87)	Associate accounted for using the equity method

TABLE 8

CHINA GENERAL PLASTICS CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Business Content	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017 (Note 1)	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017 (Note 1)	Net Income (Loss) of Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 5)	Carrying Amount as of December 31, 2017 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2017
Continental General Plastics (ZhongShan) Co., Ltd. ("CGPC (ZS)") (Note 4)	Manufacturing & marketing for PVC film and consumer products	$ 595,200 (US$20,000 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. ("CGPC (BVI)")	$ 595,200 (US$20,000 thousand)	$ -	$ -	$ 595,200 (US$20,000 thousand)	$ (4,449) (US$ 148 thousand)	100.00	$ (4,449) (US$ 148 thousand)	$ 261,767 (US$ 8,796 thousand)	$ -
CGPC Consumer Products Corporation ("CGPC (CP)") (Note 4)	Manufacturing & marketing for PVC consumer products	44,640 (US$ 1,500 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. ("CGPC (BVI)")	44,640 (US$ 1,500 thousand)	-	-	44,640 (US$ 1,500 thousand)	2,252 (US$ 74 thousand)	100.00	2,252 (US$ 74 thousand)	14,167 (US$ 476 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017 (Notes 1 and 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 2)
$805,960 (US$27,082 thousand)	$1,020,619 (US$34,295 thousand)	$4,683,805

Note 1: The calculation was based on the spot exchange rate as on December 31, 2017.

Note 2: Pursuant to the Jing-Shen-Zi Letter No. 09704604680 of the Ministry of Economic Affairs, the amount is determined as 60% of the equity attributable to owners of the Company as of December 31, 2017.

Note 3: QuanZhou Continental General Plastics Co., Ltd. ("CGPC (QZ)") and Union (Zhong Shan) Co., Ltd. ("Union (ZS)") completed dissolution procedures, and CGPC (BVI) retrieved the residual assets. The shares of Continental General Plastics (San He) Co., Ltd. ("CGPC (SH)") were fully sold, and CGPC (BVI) retrieved the residual assets. However, the amount of capital has not been wired back to Taiwan. The accumulated amount includes the investment amount of CGPC (QZ) of $20,356 thousand (US$684 thousand), the investment amount of Union (ZS) of $26,724 thousand (US$898 thousand) and the investment amount of CGPC (SH) of $119,040 thousand (US$4,000 thousand).

Note 4: The board of directors of the Company passed a resolution to dissolve CGPC (ZS) and CGPC (CP) in October 2011. As of December 31, 2017, the dissolution procedures have not yet been completed.

Note 5: The investment income (loss) recognition in 2017 is based on the financial statements audited by the parent company's R.O.C. - based CPA.

VI. If there are any financial difficulties experienced by the company and its affiliated businesses during the most recent year up to the publication date of this report, the impact of the said difficulties on the financial condition of the Company shall be explained. Affiliate companies refer to those that meet requirements specified in Article 309-1 of the Company Act: None.

Chapter 7Review and Analysis of Financial Conditions and Performance and Risk Items

I. Financial Position

Comparison and analysis of financial position

Unit: NT$ thousands

Item / Year	December 31, 2016	December 31, 2017	Increase (decrease) amount	Increase/ decrease (%)	Details
Current assets	7,200,056	5,993,631	(1,206,425)	(16.76)	
Investment using equity method	271,354	298,744	27,390	10.09	
Property, plant and equipment	5,227,157	5,729,861	502,704	9.62	
Other assets	610,420	650,985	40,565	6.65	
Total assets	13,308,987	12,673,221	(635,766)	(4.78)	
Current liabilities	2,480,133	1,785,947	(694,186)	(27.99)	1
Long-term borrowing	1,050,000	1,050,000	0	0.00	
Deferred income tax liabilities	596,167	594,162	(2,005)	(0.34)	
Net defined benefit liabilities	1,420,641	1,039,875	(380,766)	(26.80)	2
Other liabilities	6,226	2,389	(3,837)	(61.63)	
Total Liabilities	5,553,167	4,472,373	(1,080,794)	(19.46)	
Capital	4,776,695	4,919,996	143,301	3.00	
Capital reserve	8,220	8,236	16	0.19	
Retained earnings	2,549,432	2,857,342	307,910	12.08	
Other equity	41,138	20,767	(20,371)	(49.52)	3
Total equity attributable to owners of the company	7,375,485	7,806,341	430,856	5.84	
Non-controlling interests	380,335	394,507	14,172	3.73	
Total equity	7,755,820	8,200,848	445,028	5.74	

I. The main reasons and impact of any material change in the company's assets, liabilities, or shareholders' equity during the past two fiscal years (changes that exceed 20% or NT$10 million between the beginning and the end periods):

1. The main reason was the repayment of short-term loans (including bills) of NT$460 million and reduction of NT$170 million in accounts payable (including bills).
2. The main reason is the increase of NT$360 million in employee pension appropriated to the designated account in the Bank of Taiwan.
3. The main reason is the loss of NT$40 million in the exchange difference on translation of foreign operations' financial statements and unrealized profit of NT$10 million in available-for-sale financial assets.

II. Material impact on the financial status, if any, and description of plans for future response measures: None.

II. Financial Performance

(I) Comparison and analysis of financial performance

Unit: NT$ thousands

Item \ Year	2016	2017	Increase (decrease) amount	Increase/ decrease (%)	Details
Net sales revenue	14,157,389	14,701,741	544,352	3.85	
Cost of goods sold	11,217,020	11,924,810	707,790	6.31	
Gross profit	2,940,369	2,776,931	(163,438)	(5.56)	
Operating expenses	1,065,899	1,126,143	60,244	5.65	
Net operating profit	1,874,470	1,650,788	(223,682)	(11.93)	
Non-operating income and expenses	(73,316)	(34,645)	38,671	(52.75)	1
Net income before taxes from continuing operations	1,801,154	1,616,143	(185,011)	(10.27)	
Income tax expenses	279,847	274,672	(5,175)	(1.85)	
Net income from continuing operations for the year	1,521,307	1,341,471	(179,836)	(11.82)	
Gain (loss) from discontinued operations	21,777	(2,197)	(23,974)	(110.09)	2
Net income for the year	1,543,084	1,339,274	(203,810)	(13.21)	
Other comprehensive income for the year (net amount after taxes)	(77,288)	(27,454)	49,834	(64.48)	3
Total comprehensive income for the year	1,465,796	1,311,820	(153,976)	(10.50)	

I. Analysis of changes in ratios in the 2 most recent years (variance analysis shall be required for changes of over 20% in sales margin as in Table (2); analysis shall not be required if the change is within 20%):

1. The main reason was the increase of NT$11 million in net income from interest income (expenditure) and a decrease of NT$22 million in the disposal of equipment.
2. The main reason was profit from the disposal of equipment in 2016 by a subsidiary company in Mainland China that suspended business operations.
3. The main reason was the reduction of NT$57 million in remeasurement of defined benefit plans and the increase of NT$6 million in loss from foreign exchange differences in the translation of financial statements of foreign operating institutes.

II. The expected sales and its basis, and the possible impact on the company's future financial operations and response plans for the upcoming year:

2018 business operations: The global economy will continue to recover and the economies of various markets across the world continues to exemplify a positive outlook. Demand for crude oil grows and the international oil market is trending toward balanced supply and demand. Spot ethylene prices declined around Chinese New Year but a total of 11 light cracking plants in Asia with a total capacity of more than 8.8 million tons of ethylene is set to undergo annual overhaul from March to June. Ethylene demand will continue to increase. Chinese PVC futures and spot prices hovered at low points around Chinese New Year and are set to increase. Demand for piping materials increased in India due to shortages in PVC supplies and the high season for farming as offers for imported PVC continued to rise from December last year. The PVC market in Bangladesh continued to improve as processors and materials importers increased their inventory for reserve capacity. The PVC markets in Australia and Brazil have fallen behind but business opportunities for imports are expected to improve in Q2. High PVC demand in emerging markets, continuous economic recovery in Europe and the U.S., as well as the implementation of enhanced environmental audit and reduction of production using calcium carbide method in Mainland China will help increase PVC / VCM prices. The commercial operations of the new high-efficiency fluid bed steam boiler will effectively lower energy cost. Foam door panels have begun production and sales and high-efficiency flexible film/sheet production line were also completed at the end of last year. The subsidiary company Taiwan VCM Corporation updated the second cracking furnace in the Q3 last year. These measures are expected to continue to reduce costs, strengthen productivity, reduce energy consumption, ensure the safety of equipment operations, and increase production. The Company's PVC sales volume is expected to increase from the previous year and the management team shall adopt overall plans for the vinyl industry to maximize profits. We shall also strengthen the implementation of corporate governance strategies, improve the company website, fulfill corporate social responsibilities, establish dialogs with stakeholders, improve the Company's social recognition, and adopt vertical integration mechanisms and conduct active and effective management in order to build and expand our niches in the market and maximize business performance to reach/exceed the annual goal of 530,000 metric tons in sales.

(II) Analysis table of changes in sales margin:

Unit: NT$ thousands

	Increase (decrease) amount between the beginning and the end periods	Reason for the difference			
		Difference in sales prices	Difference in cost	Difference in product sales combination	Difference in volume
Sales margin	(163,438)	594,452	(747,162)	(24,052)	13,324
Details	The global economy continued to recover in 2017 and the supply and demand of crude oil remained stable. Oil prices rose and caused increase in prices of petrochemicals products. The favorable sales variation difference was NT$594,452 thousand and the price increase of main materials including EDC, ethylene, and plasticizers caused an unfavorable cost variation difference of NT$747,162 thousand. The sales volume increased slightly from the previous year and the sales portfolio and unfavorable quantity variation was NT$10,728 thousand. In conclusion, the comprehensive sales margin in the year declined by NT$163,438 thousand.				

III. Cash Flows

Cash flow analysis

Unit: NT$ thousands

Cash at the beginning of the period Balance	Annual net cash flow from business activities	Annual cash flows not derived from operating activities	Ending cash balance	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
1,408,954	1,611,489	(2,357,298)	663,145	-	-

1. Analysis of current year's cash flow change:
   (1) Business activities: Net cash inflow from business activities was NT$1,611,489 thousand and it was mainly caused by the NT$161 million in net income before taxes, amortization fees of NT$430 million, reduction of NT$660 million in financial assets held for trade, increase of NT$230 million in accounts receivable, reduction of NT$130 million in other accounts receivable-related parties, increase of NT$150 million in inventory, reduction of NT$170 million in accounts payable, reduction of NT$390 million in net defined benefit liabilities, and the payment of NT$290 million in income taxes.
   (2) Investment activities: Net cash outflow in investment activities amounted to NT$1,016,545 thousand mainly due to the NT$1.02 billion in the purchase of properties and investment of plant and equipment.
   (3) Financing activities: Net cash outflow in financing activities amounted to NT$1,330,620 thousand mainly due to the NT$870 million in the distribution of cash dividends and NT$460 million repayment of short-term loans.
   (4) The exchange rate effects on cash and cash equivalents resulted in a cash outflow of NT$10,133 thousand.
2. Liquidity improvement program: not applicable.
3. Cash liquidity analysis for the following year:

	Unit: NT$ thousands
Cash balance at the beginning of the period:	663,145
Expected annual net cash flows from operating activities:	1,441,927
Expected annual cash flows not derived from operating activities:	(1,427,136)
Expected annual cash flow:	14,791
Expected cash balance	677,936

IV. Material expenditures of the most recent year and impact on the company's finances and business

(I) The use and funding sources of major capital expenditures:

Unit: NT$ thousands

	Actual or expected source of funding	Actual or expected date of completion	Total capital required	Actual and expected expenditures		
				2016	2017	2018
(1) Expansion of new product lines						
Coincidence #5 dryer renewal project	Own funds	2018.05.31	100,700	6,174	16,089	259
S-321C stripper renewal project	Own funds	2016.11.28	19,213	4,290	0	0
Heat feeding production process improvement project	Own funds	2017.07.31	12,757	4,543	1,076	0
Additional coal-fired boiler construction project	Own funds	2018.06.30	230,000	131,749	52,717	404
Chlor-alkali evaporation chamber renewal project	Own funds	2018.05.31	40,000	12,417	23,983	420
Coincidence BIRD centrifuge replacement (including peripheral equipment) project	Own funds	2018.12.31	17,500	198	10,187	806
Additional one 2"-4" medium two-pipe extrusion production line for construction products	Own funds	2018.06.30	12,000	0	676	0
New #41 PVC film/sheet machine equipment project	Own funds	2018.06.30	158,000	561	94,589	7,472
New Silo 17 in shipping area	Own funds	2018.12.31	28,300	0	531	1,299
Coincidence Section's VCM recycling compressor renewal project	Own funds	2018.04.28	22,000	0	72	29
#7 dryer powder transportation pipeline (including M-274) renewal project	Own funds	2018.04.30	15,000	0	953	5,172
Construction of the new Silo 2 and the removal and replacement of the old Silo 1	Own funds	2018.06.30	45,000	0	631	39
Improvement of the transportation of powder from the intermediary silo to the product silo	Own funds	2018.10.31	42,136	0	65	5,093
Automatic packaging and stacking system for 25kg packaged PVC resin	Own funds	2018.09.30	81,440	0	19	26
Raw Materials Control Section's 800RT freezer chiller system modification and renewal project	Own funds	2018.11.30	32,000	0	3	65
Pressure container spare production project	Own funds	2016.12.31	30,861	1,826	0	0
Cracking boiler exhaust pipe waste heat recovery improvement project	Own funds	2017.11.30	17,342	15,196	2,146	0
Rotating machinery part replacement project	Own funds	2018.10.31	51,400	3,965	761	980
Pressure container spare production project	Own funds	2016.12.31	29,909	8,010	0	0
Compliance construction for the application of the Taiwan VCM Corporation Linyuan Plant building usage license	Own funds	2018.09.30	30,000	8,700	345	0
HBF high-efficiency biology system	Own funds	2018.01.31	21,656	4,676	16,980	0
F-6202 cracking boiler production and renewal project	Own funds	2018.10.31	134,300	119,795	2,198	0

	Actual or expected source of funding	Actual or expected date of completion	Total capital required	Actual and expected expenditures		
				2016	2017	2018
Pressure container spare production project	Own funds	2018.10.31	66,960	59,990	6,232	140
Rotating machinery part replacement project	Own funds	2018.10.31	10,550	9,063	1,346	0
Construction project for the Biotechnology Office and Fermentation Plant	Own funds	2018.12.31	40,000	0	10,070	7,106
Pressure container spare production project	Own funds	2018.10.31	34,700	0	21,559	7,933
Tank renewal project	Own funds	2020.03.31	70,000	0	16,324	15,641
2017 annual overhaul - pipeline update project	Own funds	2018.03.31	12,799	0	12,379	420
Spares for fixed equipment	Own funds	2018.11.30	73,800	0	0	1,013
Annual overhaul of pipelines and equipment maintenance	Own funds	2018.12.31	42,000	0	0	1,002
Rotating equipment parts	Own funds	2018.12.31	20,000	0	0	478
(2) Labor safety equipment						
T-911/T-912 hydrochloric acid tank renewal project	Own funds	2017.01.31	12,691	12,691	0	0
Office building wall repairs construction and additional entrance gate and guard post inspections and repairs	Own funds	2019.02.28	42,100	79	439	618
Steel frame rearrangement project of chlor-alkali salt silo	Own funds	2018.04.30	10,100	129	2,591	0
Remaining and waste materials warehouse construction project	Own funds	2018.04.30	13,000	0	7,553	3,726
Construction project for plant and auxiliary electrical and mechanical facilities purchased from USIO	Own funds	2017.06.30	292,931	0	292,931	0
Improvement project for the warehouse of processed finished products	Own funds	2018.05.30	13,750	0	2,085	3,578
(3) Pollution prevention						
New centrifuge process water recycling and processing equipment construction project	Own funds	2018.04.30	25,000	1	16,734	3,570
Rainwater canal construction project for the east side of the Northern Plant	Own funds	2018.12.31	20,000	0	0	57
Additional HBF high-efficiency biological wastewater treatment system project	Own funds	2018.07.31	38,000	0	16,679	17,559
F-6801 incinerator system improvement project	Own funds	2018.10.31	10,050	2,066	8,360	0
F-6201 cracking boiler production and renewal project	Own funds	2017.12.31	161,627	0	137,584	0
E-6151 reactor spare production project	Own funds	2018.12.31	166,000	0	24,043	14
E-6163 heat exchange energy-conservation system	Own funds	2018.04.30	13,500	0	22,018	2,594
Total				406,119	822,948	87,513

(II) Projected potential benefits:

With the exception of the coal-fired boiler project, the aforementioned major expenditures were renewals aimed to maintain the current production performance. The coal-fired boiler has begun operations in January 2017 and it helps reduce the cost of steam production.

V. Investment policy for the most recent year, main reasons for profit/losses resulting therefrom, improvement plan, and investment plans for the upcoming fiscal year:

(I) The Company 2017and subsidiary companies' investment amounts that exceeded 5% of paid-in capital: None.

(II) Investments expected in the next year that exceed 5% of paid-in capital: None.

VI.Risk Analysis and Evaluation

Risk management organization structure

Key risk assessment items		Execution and responsible units	Supervision unit
(I)	The Impacts of interest rates, exchange rate fluctuation and inflation situation on the Company's profit and loss, and the future countermeasures	Finance Division	Audit Division
(II)	Policies on high risk, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives trading, main reasons for the profits or losses generated thereby, and future response measures to be undertaken	Finance Division	
(III)	Future Research and Development (R&D) Plans and the R&D expenses expected to be invested	R&D Department and Production Technology Units	
(IV)	Impact of changes of the important domestic and foreign policies and laws on the company's finance and business, and countermeasures	Legal Division/Accounting Division	
(V)	Impact of technology changes and industry changes on our company's finance and business, and the countermeasures	Information Technology Division/Operations Division	
(VI)	Impact of change of corporate image on the enterprise crisis management and countermeasures	Human Resources Division	
(VII)	Expected benefits and possible risks to engage in mergers and acquisitions and countermeasures:	Finance Division/Legal Division /Accounting Division	
(VIII)	Expected benefits and possible risks to expand the plants and countermeasures	General Manager's Office	
(IX)	Risks faced with concentrated procurement and sales, and countermeasures	Procurement and Logistics Division/Operations Division	
(X)	Impact and risks arising from major exchange or transfer of shares by Directors, Supervisors or shareholders with over 10% of shares in the company and countermeasures	Finance Division/Legal Division	
(XI)	Impact, risk, and response measures related to any change in governance rights in the Company	Board of Directors	
(XII)	For any litigious or non-litigious matters, the company and company's Directors, Supervisors, General Managers, person with actual responsibility in the company, and substantial shareholders holding more than 10% of the company's shares, shall be disclosed. If there has been any substantial impact	Legal Division	

Key risk assessment items	Execution and responsible units	Supervision unit
upon shareholders' equity or prices for the company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the company that was finalized or remained pending during the most recent 2 fiscal years or during the current fiscal year up to the printing date of the annual report, the report shall disclose the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case as at the date of printing of the report		

(I) Impact of fluctuations in interest rates and foreign exchange rates and inflation on the Company's profitability and future response measures:

1. Income/expenses on interest and the profit/loss on exchange in 2017:

Item	2017 (NT$1,000)
Net interest income (expenses)	572
Net currency exchange gain (loss)	(52,702)
Ratio of net interest income (expense) to net revenue	0.00%
Ratio of net interest income (expense) to net income before taxes	0.04%
Ratio of net currency exchange gain (loss) to net revenue	(0.36%)
Ratio of net currency exchange gain (loss) to net income before taxes	(3.26%)

2. Interest rate: To replenish operating funds and avoid risks of rising interest rates, the Company and Chang Hwa Bank signed a five-year secured comprehensive credit line of NT$1,000,000 thousand with floating interest rates in 2018. The Company shall select a suitable time to perform IRS to avoid risks of rising interest rates.

   To replenish operating funds and avoid risks of rising interest rates, CGPC Polymer Corporation (CGPCPOL) and KGI Bank signed a three-year medium-term loan agreement for NT$500,000 thousand with floating interest rates and a five-year secured loan of NT$1,000,000 thousand with floating or fixed interest rates in 2016. CGPCPOL shall select a suitable time to perform IRS to avoid risks of rising interest rates.

   The current strategy of the Company is to apply excess funds to the diverse investments below, so that it not only mitigates the risk of interest rate fluctuation, but also contributes to the profitability of the Company:

2.1 Currency fund beneficiary certificates: The original investment was approximately NT$776,000 thousand and the investment return was approximately 0.38%.

2.2 REITs (domestic real estate investment trust): The average investment amount was approximately NT$82,832 thousand and income included a fixed return of approximately 4% which was superior to the yield of long-term bonds.

2.3 Stocks with superior yield: The original investment was approximately NT$0 thousand.

3. Exchange rate: The Company uses net exchange positions for hedging to avoid risks in exchange rate variations at lower costs.

4. Inflation: Inflation does not significantly impact the Company.

4.1 Certain countries (including Taiwan) have not experienced significant inflation and the inflation is considered moderate.

4.2 The Company's main costs are materials and the sales prices of products fluctuate in the same direction as the cost of materials.

(II) The policies, main causes of gain or loss and action plans with respect to high-risk, highly-leveraged investment, lending funds to other parties, endorsement and guarantee and derivative trading:

1. Engaging in high-risk, highly-leveraged investment and lending funds to other parties:

The "Asset Acquisition or Disposal Procedures" established by the Company stipulates that the Company shall not conduct high-risk and high leverage investments. The Company also established the "Procedures for Loaning of Funds to Others" and loans are only conducted between wholly-owned foreign subsidiary companies. Accounts receivable from (sub-) subsidiary companies that exceed a certain period are converted as other receivables and regarded as a loan to others. The aforementioned operations are processed in accordance with related operating procedures.

2. Endorsement and guarantee:

There have been no losses since the implementation of the Company's "Regulations Governing the Making of Endorsements / Guarantees".

3. Derivative trading:

The Company engages in derivative transactions with the purpose of hedging risks. Trading commodities are chosen primarily to hedge risks arising from the Company’s business operations. The counterparties for hedging transactions are reputable financial institutions in response to the Company’s operational needs to avoid credit risks.

3.1 Hedging transactions: Forward foreign exchange is mainly used to avoid exchange and interest rate fluctuations for transactions that have occurred or are yet to occur. The Company does not partake in speculative operations.

(III) Future research and development plans and projected R&D investment amount:

1. Future research and development plan: Planned and implemented by the Materials R&D Department, Product R&D Department, and Production Technology Units.
2. Expected R&D expenditures

Unit: NT$ thousands

Research and Development Project	Current progress	Required additional research expenses	Estimated time for the completion of mass production	Major factors that influence the success of R&D in the future
Low-membrane rapidly gelatinized PVC resin	10%	2,000	Before the end of 2019	Equipment, formulas and process conditions
TPE leather series for automotive upholstery	50%	600	Before the end of 2018	Equipment, formulas and process conditions
Water-based scratch-resistant soft PVC leather for automobiles	40%	500	Before the end of 2018	Raw materials formulas and process conditions
TPE leather series for construction products	50%	500	Before the end of 2018	Raw materials formulas and process conditions
TPE leather series for sporting goods	30%	400	Before the end of 2018	Equipment, formulas and process conditions
TPE leather series for furniture	50%	400	Before the end of 2018	Raw materials formulas and process conditions
Development of third generation stain-resistant PVC leather	80%	300	Before the end of 2018	Raw materials formulas and process conditions
Development of PU casting stain-resistant PVC leather	90%	200	Before the end of 2018	Raw materials formulas and process conditions
Development of TPE leather for high pressure exhaust pipe	90%	200	Before mid-2018	Raw materials formulas and process conditions
Development of TPE leather products for baby strollers	90%	200	Before mid-2018	Raw materials formulas and process conditions
Fire-retardant PVC compound for Grade 2 construction products	50%	100	Before the end of 2018	Raw materials formulas and process conditions
Development of TPE leather for conductive exhaust pipes	90%	100	Before mid-2018	Equipment, formulas and process conditions

(IV) The Impacts of changes of the important domestic and foreign policies and laws on the Company’s finance and business, and the countermeasures:

1. Impact on financial operations:
   (1) Please refer to (3) under Information Regarding Environmental Protection Expenditure in V. Operations Overview of the Annual Report for response measures to the European Union's Restriction of Hazardous Substances Directive (RoHS).
   (2) According to the "Greenhouse Gases Reduction and Management Act", the 5 subsidiary legislation and the performance standards, approval mechanisms, total volume controls, emissions trading mechanisms, and other regulations formulated by the Environmental Protection Administration, the Company shall comply with government policies and environmental protection technologies. Onsite improvements

shall be implemented in phases to achieve the long-term emissions reduction goal of reducing emissions in 2050 to 50% of emissions levels in 2005.

(3) According to the establishment, amendment and abolishment of the "Water Pollution Control Act" and 12 subsidiary legislations, we shall improve the rain and sewage water distribution system and increase high-efficiency industrial wastewater recycling and reuse facilities to achieve our target for water conservation and waste reduction.

(4) The Company shall continue to evaluate the impact of adopting each Statement of Financial Accounting Standards from 2017 (evaluation shall be based on each additional Statement regardless of the version; adoption shall begin after approval). For instance, IFRS 15 "Revenue from Contracts with Customers" shall replace the current applicable IAS 11 "Construction Contracts", IAS "Revenue" and related interpretations. IFRS 16 "Leases" shall replace the current applicable IAS 17 "Leases" and related interpretations and guidelines.

(5) The Company shall continue to evaluate the impact of the "anti-tax evasion clause".

2. Response measures:

The Company has established a Legal Department for evaluating legal risks and formulating response measures. The Department reviews important contracts in advance and provides legal consulting to process legal affairs at any time based on requirements. In addition, the accounting department evaluates the impacts of changes in accounting and tax-related laws and regulations on the financial operations of the Company at all times and come up with action plans. It would discuss with CPAs to make prior planning for the relevant changes.

(V) The impact of changes in technologies and industries on the Company’s finance and business, and the countermeasures:

1. Establish webcam system to make communication in the Company more mobile and save travel expenses and time.
2. Through the introduction of ERP and financial statement consolidation system, we will continue to deepen applications and upgrade to enhance the overall operational and financial efficiency.
3. Introduce the on-line approving system to optimize the processing speed of official documents and the procedures of substitute system. It facilitates the tracking of official documents, improve efficiency, save paper, and achieve the purpose of environmental protection.
4. Through the development and integration of the cash flow system, procedures and time taken for account processing is shortened.
5. Platforms of safety and health environment, procurement, sales, Customs, credit, etc. provide web-based electronic form. They offer

simplified procedures and information security and achieve the goal of e-management.

6. Promote social engineering drills to raise employees’ information security awareness, protect data integrity and prevent intrusions. The Company has continuously adopted the ERP system, knowledge management platform, online signature management system, and operations and management information system to reduce operating time, increase efficiency, and strengthen the Company's competitiveness. The Company implements targets for scientific management and dedicate itself to the research and development of new products. The Company has developed non-PVC products with high added value such as POE and TPO in response to environmental protection trends. The Company developed the low-toxic non-phthalate product formula to meet requirements in the European Union's Restriction of Hazardous Substances Directive (RoHS). The Company is RoHS-compliant, and RoHS has no effect of the Company's financial operations.

(VI) Impact of Change of Corporate Image on the Enterprise Crisis Management and the Countermeasures:

The Company always upholds the principles of professionalism and integrity. We value corporate governance and fulfill our corporate social responsibility. Therefore, there is no foreseeable risk associated with changes in corporate image.

(VII) Expected benefits and possible risks to engage in mergers and acquisitions (M&A) and the countermeasures:

No such occurrences.

(VIII) Expected benefits and possible risks to expand the plants and the countermeasures:

The Company does not have a plant expansion plan.

(IX) The risks faced with concentrated procurement and sales, and the countermeasures:

The Company has always been focused on studying information of the petrochemicals and plastics market and strengthening production, sales, and procurement business strategies to maximize profits. Therefore, we are able to minimize risks associated with over-concentration in purchase or sale.

(X) Effects and risks resulted from major equity transfer or replacement of directors, supervisors, or shareholders holding more than ten (10) percent of the Company's shares, and related response measures:

The Directors, or substantial shareholders holding more than 10% of shares in the Company did not conduct mass amounts of share transfers or replacement as of the publication date of the Annual Report. Therefore, there has been no impact on the Company's operations.

(XI) Impact, risk, and response measures related to any change in the administrative authority towards the Company's operations:

1. Implementation and Responsible Unit: Board of Directors.
2. There has not been any changes in management rights within the last year, up to the publication date of this annual report.

(XII) For any litigious or non-litigious matters, the Company and Company's Directors, Supervisors, General Managers, person with actual responsibility in the Company, and substantial shareholders holding more than 10% of the Company's shares, shall be disclosed. If there has been any substantial impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company that was finalized or remained pending during the most recent 2 fiscal years or during the current fiscal year up to the printing date of the annual report, the report shall disclose the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case as at the date of printing of the report:

1. Implementation and responsible unit: Legal Department.
2. Concluded or pending litigious, non-litigious or administrative litigation event in the most recent year and as of the date of report:
   (1) The Company: None.
   (2) Directors, General Managers, person with actual responsibility in the Company, and major shareholders holding more than 10 percent of the company's shares: None.
   (3) Investee companies using equity method:

With regard to the gas explosions in the evening on July 31, 2014, where the Company’s subsidiary using equity method, China General Terminal & Distribution Corporation (CGTD) was contracted by LCY Chemical Corp. (LCY) to operate the propene pipelines, the Kaohsiung District Prosecutors Office indicted relevant Kaohsiung City Government officials, relevant personnel of LCY and employees of CGTD on December 18, 2014.

CGTD reached an agreement with Kaohsiung City Government on February 12, 2015 and pledged a term deposit NT$226,983 thousand (including interest) to the Government as a guarantee for losses caused by the gas explosions. Kaohsiung City Government has also filed civil lawsuits against LCY, CGTD and CPC Corporation. Taiwan Power Company applied to the court to execute provisional attachments on the properties of CGTD on August 27 and November 26, 2015, respectively. Taiwan Water Corporation applied to the court to execute provisional attachments on the properties of CGTD on February 3 and March 2, 2017, respectively. Assets under attachment amounted to approximately NT$150,540 thousand as of April 30, 2018.

For the deceased, CGTD, LCY and the Kaohsiung City Government signed a tripartite agreement on July 17, 2015 agreeing to negotiate the compensation first with the 32 deceased's successors and persons entitled to the claims (hereinafter, "family of the deceased"). Each family was entitled to NT$12 million and the total compensation was NT$384 million. The compensation was paid in installments over a maximum of four years. LCY will pay the bill first and also represent the three parties in the settlement negotiation and the signing of settlement agreements with family of the deceased.

For the severely injured, CGTD, LCY and the Kaohsiung City Government signed a tripartite agreement for severe injuries on October 25, 2017 agreeing to negotiate the compensation first with the 65 severely injured victims. The compensation was first paid by CGTD, LCY and the Kaohsiung City Government. CGTD also represents the three parties in negotiating settlements with victims who suffered severe injuries in the incident. It has signed settlement agreements with 63 of the victims.

As of April 30, 2018, there has been civil (including civil claims on top of criminal claims) claims against LCY, CGTD, and CPC from individuals who suffered damage from the Kaohsiung gas explosions, victims, and their relatives. The total amount including the compensation paid to the deceased and severely injured specified in the preceding paragraph is approximately NT$4,067,082 thousand. However, the actual compensation to be paid by CGTD can only be verified after the sharing ratio of liabilities is determined in the civil litigation ruling. The ruling for the criminal suit for the Kaohsiung gas explosions in the court of first instance was announced on May 11, 2018. Three CGTD employees were sentenced to fixed-term imprisonment of four years and six months. CGTD will assist the employees in filing appeals after the judgment is received. The rulings for certain civil cases in the court of first instance are expected to be announced on June 22, 2018.

(XIII) Other significant matters and action plans:

1. Continue to focus on global climate change issues and implement phased control targets in five-year intervals in accordance with the "Greenhouse Gases Reduction and Management Act".
2. Response measures: In addition to continuous advancement of energy conservation and carbon emissions reduction tasks the Company also participates in the voluntary GHG reduction plan of the Industrial Development Bureau.

VII. Other Important Matters: The Company's key performance indicators

(I) Productivity achievement rate: Compared to the annual target, raw materials products reached 103.4% and PVC processed products reached 92.8%.

(II) Collection achievement rate: Compared to the annual target, raw materials products reached 102.2% and PVC processed products reached 100%.

(III) Customer complaints: The ratio of annual losses from customer complaints (excluding quantity discounts) was 0.08% (the losses from customer complaints as a ratio of the revenue) and it was within the Company's control.

(IV) Employee proposals: There were 450 proposals (established cases) and the estimated savings is NT$88.68 million.

(V) Labor safety incidents: Injury frequency (number of disability and injury per million hours): 1.33
Injury severity rate (total number of days of losses due to disability and injury per million hours): 65
Workplace accident incidence rate is still within a manageable range for the Company.

(VI) Pollution prevention:

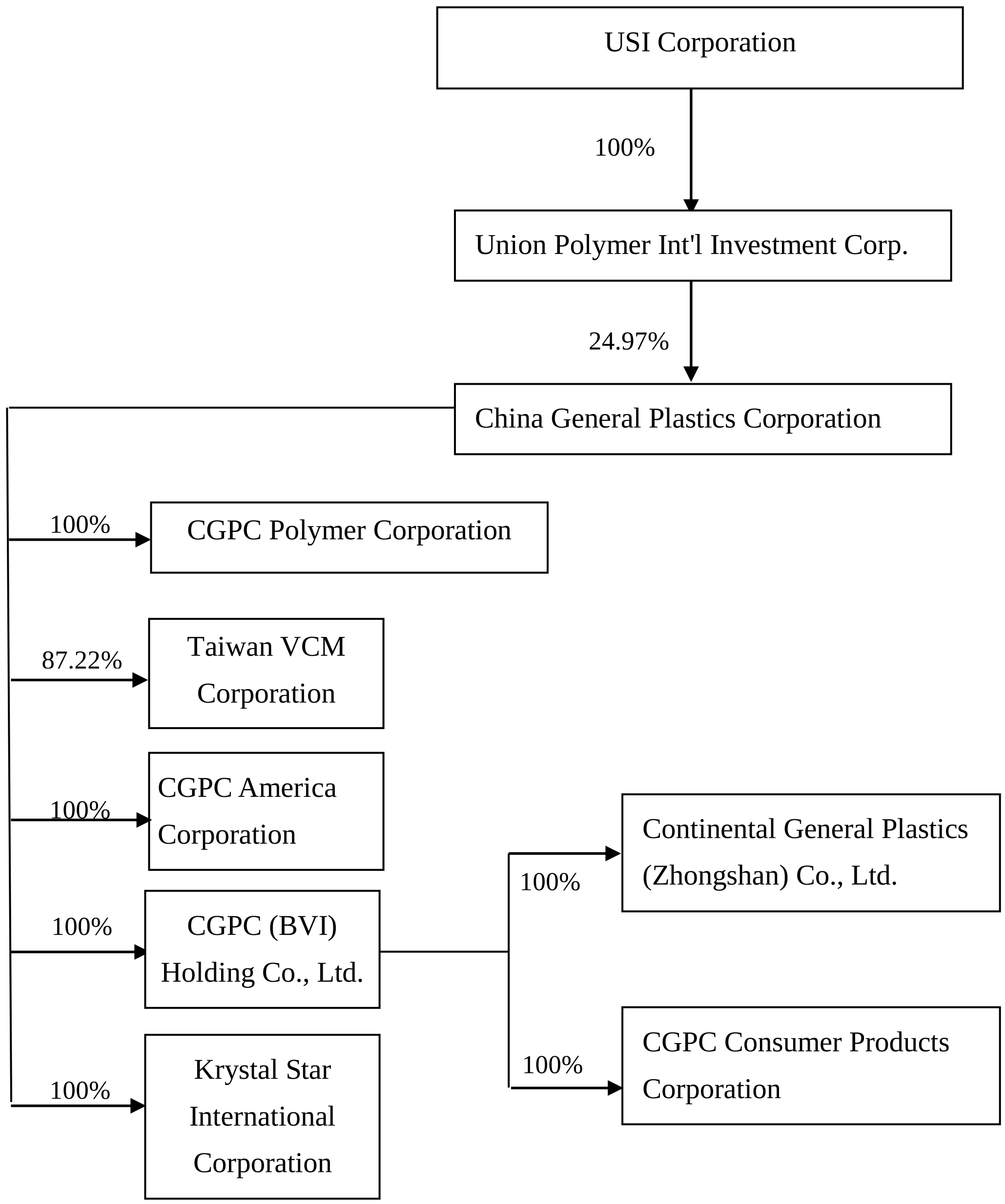
1. The Company's subsidiary Taiwan VCM Corporation rented part of the land occupied by the China Petrochemical Development Corporation's Qianzhen Plant from January 1, 1970 to December 31, 1989 to set up its plant and manufacture VCM. In October 2006, the area was deemed a groundwater pollution control site. After remediating the area using the "Physics + Chemistry + Biology" engineering method developed by Taiwan VCM Corporation, the groundwater pollution concentration level of the site decreased to less than the groundwater pollution control standard. Based on the findings of re-inspections by the Environmental Protection Bureau of the Kaohsiung City Government from January 11 to 12, 2016, it was announced on April 11, 2016 that the area had its status as a groundwater pollution control site terminated and was removed from the delineation of the groundwater pollution control region.
2. Small areas of the Company's Toufen Plant were listed by the environmental protection agency as groundwater pollution control sites and groundwater pollution control region in 2010. Toufen Plant adopted the "Physics + Chemistry + Biology" engineering method developed by the subsidiary Taiwan VCM Corporation for remediation and improvement. The environmental protection agency performed sampling and verification onsite and found all statistics to meet government control standards and the Environmental Protection Administration and Environmental Protection Bureau of Miaoli County announced the removal of the site from the list of controlled areas on February 24, 2017 and March 21, 2017.

Chapter 8 Special Notes

I. Information on Affiliated Companies

(I) 2017 Consolidated Business Report

1. Organization structure of affiliated companies



2. Basic information on affiliates

Unit: NTD thousands

Name of Company	Establishment Date	Address	Paid-in capital	Main Business or Product
Taiwan VCM Corporation	1970.01.21	No.1, Gongye 1st Road, Linyuan District, Kaohsiung City	2,249,528	Production and sale of vinyl chloride monomer
CGPC America Corporation	1988.06.21	1181 California Ave., Suite 235 Corona, CA 92881	596,688	Sale of secondary and tertiary processed products
CGPC (BVI) Holding Co., Ltd.	1997.04.10	Citco Bulding, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	485,334	Investment holding Company
Krystal Star International Corporation	1998.03.23	Citco Bulding, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	172,013	Sale of secondary and tertiary processed products
Continental General Plastics (Zhongshan) Co., Ltd.	1997.12.02	Yianjiang East 2nd Road, Zhongshan Torch Hi-Tech Industrial Development Zone, Zhongshan City, Guangdong Province, China	595,200	Manufacture and sale of secondary and tertiary processed PVC products
CGPC Consumer Products Corporation	2006.12.12	Yianjiang East 2nd Road, Zhongshan Torch Hi-Tech Industrial Development Zone, Zhongshan City, Guangdong Province, China	44,640	Manufacture and sale of tertiary processed PVC products
CGPC Polymer Corporation	2009.05.19	12F, No. 37, Jihu Road, Taipei City	564,783	Manufacture and sale of PVC resin

3. Information of shareholders with corporate governance power while working in the company: None.

4. Business of affiliates and their relationships

Industry	Name of affiliate	Business relationship with other affiliates
Petrochemicals manufacturing	CGPC Polymer Corporation	Procurement from Taiwan VCM Corporation
	Taiwan VCM Corporation	Sales of products to CGPC Polymer Corporation
Plastic products Manufacturing	Continental General Plastics (Zhongshan) Co., Ltd.	Business suspended
	CGPC Consumer Products Corporation	
Plastic products sales	CGPC America Corporation	Sales of products of China General Plastics Corporation
	Krystal Star International Corporation	Business suspended
Holding company	CGPC (BVI) Holding Co., Ltd.	The Company invested in the following businesses: 1. Continental General Plastics (Zhongshan) Co., Ltd. 2. CGPC Consumer Products Corporation

5. Information on the Directors, Supervisors, and General Managers of affiliated companies

Unit: Unless otherwise specified, all others are shares

Name of Company Responsible Unit	Title	Name or Representative	Number of shares held by the person /shareholding percentage	Number of shares held by juristic persons represented /shareholding percentage
Taiwan VCM Corporation	Chairman	Lin,Han-Fu (Representative of China General Plastics Corporation)	0/0	196,198,860/87.22
	Director	Wu,Yi-Gui (representative of China General Plastics Corporation)	0/0	
	Director	Wang,Ping-I (Representative of China General Plastics Corporation)	0/0	
	Director	Chen,Yao-Sheng (Representative of China General Plastics Corporation)	0/0	
	Director	Li, Kuo-Hung (Representative of China General Plastics Corporation)	0/0	
	Director	Liu,Han-Tai (Representative of China General Plastics Corporation)	0/0	
	Director	Chen,Chin-Yuan (Representative of Ocean Plastics Co. Ltd.)	0/0	28,029,923/12.46
	Supervisor	Huang,Kuang-Che	21,420/0.01	—
	Supervisor	Ko,I-Shao (Representative of Taiwan Union International Investment Co.)	0/0	10,710/0.00
	President	Lin,Han-Fu	0/0	—
CGPC America Corporation	Director	Wu,Yi-Gui	0/0	—
	Director	Lin,Han-Fu	0/0	—
	Director and President	Hu,Chi-Hong	0/0	—
CGPC (BVI) Holding Co., Ltd.	Director	Wu,Yi-Gui	0/0	—
	Director	Lin,Han-Fu	0/0	—
	Director	Matthew F. C. Miau	0/0	—
	Director	Liu,Zhen-Tu	0/0	—
Krystal Star International Corporation	Director	Wu,Yi-Gui	0/0	—
	Director	Matthew F. C. Miau	0/0	—
	Director	Lin,Han-Fu	0/0	—
Continental General Plastics (Zhongshan) Co., Ltd. (Business suspended)	Chairman and General Manager	Lin,Han-Fu (Appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	Capital contribution: US$ 20,000,000/100
	Director	Miau,Feng-Lian (Appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	
	Director	Liu,Zhen-Tu (Appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	
	Director	Hu,Chi-Hong (Appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	
	Director	Huang,Yung-Hui (Appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	

Name of Company Responsible Unit	Title	Name or Representative	Number of shares held by the person /shareholding percentage	Number of shares held by juristic persons represented /shareholding percentage
CGPC Consumer Products Corporation (Business suspended)	Chairman and General Manager	Lin,Han-Fu (Appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	Capital contribution USD1,500,000/100
	Director	Liu,Zhen-Tu (Appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	
	Director	Hu,Chi-Hong (Appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	
	Director	Chen,Wan-Ta (Appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	
	Director	Huang,Yung-Hui (Appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	
	Supervisor	Huang,Hui-Chen (Appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	
CGPC Polymer Corporation	Chairman	Wu,Yi-Gui (representative of China General Plastics Corporation)	0/0	56,478,291/100.00
	Director	Wang,Ping-I (Representative of China General Plastics Corporation)	0/0	
	Director	Lin,Han-Fu(Representative of China General Plastics Corporation)	0/0	
	Supervisor	Huang,Ya-I (Representative of China General Plastics Corporation)	0/0	
	President	Lin,Han-Fu	0/0	

Note 1: If the affiliated company is a foreign company, list the personnel holding key positions.

Note 2: If the invested company is a company limited by shares, fill in the number of shares and proportion of shareholding. For others, fill in the investment amount and indicate the proportion of contribution.

Note 3: If the director or supervisor is a legal person, the related information of the representatives shall be disclosed.

6. Business overview of affiliates in 2017

Unit: NT$ thousands

Name of Company	Capital Contribution	Total Assets	Total Liabilities	Net Value	Net Operating Revenue	Operating income (loss)	Current Period Profit and Loss (After tax)	Earnings per share (loss) (NTD) (After tax)
Taiwan VCM Corporation	2,249,528	4,267,712	1,181,338	3,086,374	9,255,991	635,536	543,460	2.42
CGPC America Corporation	596,688	381,386	130,972	250,414	651,377	9,761	9,101	91,008.38
CGPC (BVI) Holding Co., Ltd.	485,334	347,575	0	347,575	0	(128)	(4,428)	(0.27)
Krystal Star International Corporation	172,013	72,608	118	72,490	0	(147)	745	0.13
Continental General Plastics (Zhongshan) Co., Ltd. (Note 3)	595,200	286,010	24,243	261,767	0	(6,684)	(4,449)	-
CGPC Consumer Products Corporation (Note 3)	44,640	14,211	44	14,167	0	0	2,252	-
CGPC Polymer Corporation	564,783	2,779,079	1,933,531	845,548	5,374,193	301,369	248,678	4.40

Note 1: All related enterprises regardless of size, should be disclosed.

Note 2: If the affiliated company is a foreign company, related statistics shall be disclosed in NTD based on the spot exchange rate on December 31, 2017.

Note 3: The Company's Board of Directors resolved to dissolve CGPC (ZS) and CGPC (CP) on October 24, 2011. The profits and losses of the aforementioned companies deducted by the profits and expenses for distribution and consolidation between entities are listed in the losses of the suspended unit in the Consolidated Comprehensive Income Statement.

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(II) Consolidated financial statements of affiliated companies

Statement of Consolidated Financial Statements of Affiliated Companies

For 2017 (January 1 to December 31, 2017), affiliated businesses of this Company that shall be included according to the rules prescribed by the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises were the same as those companies that shall be included into the parent and subsidiary consolidated financial statement as prescribed by the International Financial Reporting Standards No. 10 (IFRS 10). All information to be disclosed in the consolidated financial statements of affiliated enterprises have already been disclosed in the consolidated financial statement of the parent company and subsidiaries. Hence, consolidated financial statements of affiliated businesses were therefore not generated separately.

We hereby make this statement.

Company Name: China General Plastics Corporation

Legal Representative: Wu,Yi-Gui

March 12, 2018

(III) Affiliation report

1. Statement of Affiliation Report

Statement of Affiliation Report

The Company's 2017 (from January 1 to December 31, 2017) affiliation report is compiled in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises and the disclosed information is largely consistent with the related information disclosed in the financial statements of the period.

We hereby make this statement.

Company Name: China General Plastics Corporation

Legal Representative: Wu,Yi-Gui

March 12, 2018

2. Independent auditor's opinion on affiliation report

Chin Shen No. 10704755, dated April 13, 2018

Recipient: China General Plastics Corporation
Subject: CPA opinion on the 2017 Statement of Affiliation Report prepared by your Company, in which no material inconsistency has been found
Explanation:

I. Your Company has issued a statement on the 2017 Affiliation Report (from January 1, 2017 to December 31, 2017) prepared by your Company, on March 12, 2018 in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises. No material inconsistency has been found between the information disclosed and the relevant information disclosed in the notes to the financial statements for the abovementioned period. The statement is attached in this letter.

II. We have audited the affiliation report in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises and compared the report to your Company's financial statements for year 2017. No material inconsistency has been found in the abovementioned statement.

Deloitte & Touche, Taiwan, Republic of China

CPA Wu, Shih-Tsung

CPA Kuo, Tzu-Jung

3. The general relationship between the subsidiary company and the controlling company

Unit: shares

<table>
<tr><th rowspan="2">Name of Holding Company (Note 1)</th><th rowspan="2">Reason for Control</th><th colspan="3">Shares held and pledged by the controlling company</th><th colspan="2">Controlling company's appointment of Directors, Supervisors or managers</th></tr>
<tr><th>Number of Shares Held</th><th>Shareholding Percentage</th><th>Pledged Shares</th><th>Title</th><th>Name</th></tr>
<tr><td>Shing Lee Enterprise (Hong Kong) Limited</td><td>The major shareholder and representative of USI was elected as Chairman</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>USI Corporation (USI)</td><td>The parent company of the major shareholder (Union Polymer Int'l Investment Corp.) and the chairman are the same</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td rowspan="2">Union Polymer Int'l Investment Corp. (UPIIC)</td><td rowspan="2">Major shareholder with more than half of the director seats</td><td rowspan="2">122,844,609</td><td rowspan="2">24.97%</td><td rowspan="2">27,500,000</td><td>Chairman</td><td>Wu,Yi-Gui</td></tr>
<tr><td>Director</td><td>Zhang,Ji-Zhong
Lin,Han-Fu
Ying,Bao-Luo
Liu,Han-Tai
Liu,Zhen-Tu</td></tr>
</table>

Note 1: Where the controlling company of a subsidiary company is a subsidiary company of another company, the other company's related information shall also be filled in. Where the other company is a subsidiary company of another company, the same shall apply.

Note 2: As of December 31, 2017, the number of shares pledged by Union Polymer Int'l Investment Corp. is 27,500,000 shares; as of the book closure date on April 24, 2018, the number of shares pledged by Union Polymer International Investment Co., Ltd. is 27,500,000 shares.

4. Purchase and sales transactions

Unit: NT$ thousands

Name of Holding Company	Transaction status with controlling company				Transaction conditions with controlling company		General transaction Criteria		Cause of variation	Accounts receivable (payable) and notes		Overdue accounts receivable (payable)			Remark (s)
	Purchase (sales)	Amount	Percentage to total purchases (sales)	Sales margin	Unit Price (NTD)	Credit Extension Period	Unit Price (NTD)	Loan tenor:		Balance	Ratio of total accounts receivable (payable) and notes	Amount	Processing method	Allowance for Bad Debts	
USI Corporation	Sales	(2,133)	(0.03)	74	70	60 days	70	60 days	-	-	-	-	-	-	-

Note: In case of advance payment (prepayment), the reasons, terms of the contract, the amount and differences with general transactions shall be specified in Remark(s) column.

5. Status of property transactions: None.

6. Status of financial intermediation: None.

7. Lease of assets

Unit: NT$ thousands

Transaction type (leased or rented)	Subject		Lease Period	Lease Nature	Rent Setting Basis	Collection (Payment) Method	Comparison with general rent levels	Current Period Rent Total	Current Period Collection and Payment Status	Other Agreement Item
	Name	Location								
Lease	USI Corporation	7F and basement parking spaces, No. 37, Lane 10, Jihu Road, Neihu District, Taipei City	2015.05 ~ 2019.04	Operating lease	Market price	Monthly payment	Same	2,728	Normal	None
		Part of 6F-10F, No. 37 and 39, Jihu Road, Neihu District, Taipei City	2015.01 ~ 2018.12	Operating lease	Market price	Monthly payment	Same	2,554	Normal	None

8. Other significant transactions: None.

9. Endorsement and guarantee: None.

II. Private placement of securities of the past year up to the publication date of this report: None.

III. Holding or disposition of Company shares of the most recent fiscal year up to the publication date of this annual report: None.

IV. Other necessary supplementary items to be included: None.

V. Any event that results in substantial impact on the shareholders' equity or prices of the Company's securities as prescribed by Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act that have occurred in the most recent year, up to the printing date of this report: None.

China General Plastics Corporation

Person in charge: Wu,Yi-Gui