Stock code: 1305

China General Plastics Corporation

2018 Annual Report

Check the Annual Report at:

CGPC Company Website: https://www.cgpc.com.tw

Market Observation Post System: http://mops.twse.com.tw

Publication Date: April 30, 2019

I. Spokesperson:

Name: Hu,Chi-Hong

Title: Deputy General Manager

Tel:(02)2650-3708

Email Address: ottohu@cgpc.com.tw

Acting spokesperson:

Name: Liu,Chuan-Yuan

Title: Special Assistant, General Manager's Office

Tel:(02)2650-3716

Email Address: DavidLiu@cgpc.com.tw

II. Contact Information of Head Office and Plant:

Name	Address	Telephone
Head Office	12F, No.37, JiHu Road, NeiHu Dist., Taipei City 114	(02)8751-6888 (main line)
Toufen Plant	No.571, Min Tsu Rd., Toufen, Miaoli 351, Taiwan	(037)623-391 (main line)

III. Name, Address, Website and Telephone of The Share Transfer Agency:

Name: Stock Affairs Department, China General Plastics Corporation

Address: 6F, No.17, Lane 120, Section 1, Neihu Road, Neihu Dist., Taipei City 114

Joint Stock Affairs Website: https://www.usig.com.tw/USIGStockHome.aspx

Telephone: (02)2650-3773 (main line)

IV. Contact Information of the Certified Public Accountants for the Financial Report in the Most Recent Years

Name of CPAs: Wu,Shih-Tsung and Kuo,Tzu-Jung

Name of Accounting Firm: Deloitte & Touche, Taiwan

Address: 20th Floor, No.100, Songren Road, Shinyi District, Taipei City 110

Website: https://www2.deloitte.com/tw/tc.html

Tel:(02)2725-9988

V. The name of exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: None.

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

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Chapter 1 Letter to Shareholders

Dear Shareholders,

Thank you for your continued support to the Company over the years. The business report is provided here for your kind consideration.

I. 2018 Business Report

The Company's consolidated net revenue in 2018 was NT$15.193 billion, an increase of NT$491 million during the same period over the previous year, which is 101% of the forecast. The consolidated net operating income was NT$1.573 billion, a decrease of NT$78 million and a 5% decline from the same period last year, representing 86% of the forecast. The consolidated net income after tax was NT$1.356 billion, an increase of NT$17 million from the same period last year, representing 88% of the forecast. The consolidated net income after tax attributable to the Company was NT$1.276 billion, an increase of NT$6 million from the same period last year.

Review of operations in 2018: Ethylene prices remained high during the first three quarters due to rising oil prices and a series of annual overhauls of naphtha crackers. Oil prices began to decline in the fourth quarter and the trade war between China and the United States had affected buying. Spot prices declined sharply to under US$1,000 per ton toward the end of the year. The oversupply of EDC from the previous year ended due to production issues in Braskem, Brazil and inclement weather in the Gulf region. As the import of sodium hydroxide from India was affected by permit system and policies, its prices began to fall and production declined. The EU's anti-mercury laws and refurbishment of processes in various chloralkali process plants caused EDC prices to double from the beginning of the year till the end of the year. As new VCM production capacity in Asia continues to ramp up, the supply was relatively abundant. However, the relative increase in the cost of materials reduced the price gap with PVC from the previous year. PVC supply tightened at the beginning of the year due to severe cold weather in the United States and the overhaul of major PVC manufacturers. As China began implementing environmental safety inspections, the output declined and prices increased. India had overcome the interruptions of goods service taxes (GST) and demand began to grow with the government's economic reforms. It also promoted growth in the market in Bangladesh and expanded PVC demand. In the second half of the year, trade tension was escalating between the United States and China, and the United States began imposing economic sanctions on Iran. The depreciation of the currencies of emerging markets substantially decreased their purchasing power. India's rainy season ended in October, and the currency rebounded and increased demand boosting PVC prices. By upholding the spirit of vertical integration of the vinyl chain, the Company actively planned and acquired new production equipment to enhance production efficiency. The company's goals included maximizing the production and sale of related products, smooth production and sale in the upstream and downstream, and cost control. We also continue to expand the export market for PVC. The annual production of VCM was 445,000 metric tons. After supplying VCM for our own production of PVC resin, we export 49,000 metric tons, an increase of 7% and 9% over 2017 and the forecast, respectively. The annual production of PVC was 402,000 metric tons. After meeting internal demand for it for own use in downstream processed products, we exported 356,000 metric tons, an increase of 5% and 1% over 2017 and the forecast, respectively. In Alkali-chlorine, domestic sodium hydroxide traded sideways at high prices and met the demand. We produced 68,000 metric tons of Alkali-chlorine in 2017 (calculated based on 100% concentration basis) and sold 63,000 metric tons, an increase of 6% and 8% over 2017 and the forecast. In processed products, sales of construction materials grew as the government's public construction projects began and the housing market recovered. Purchase orders for plastic leather/cloths from downstream customers declined due to the trade war between the United States and China. Low-price competition from China, Mexico, India, and Southeast Asian countries and tariff barriers also affected sales. The annual production of building materials was 18,000 metric tons and we sold 18,000 metric tons, an increase of 20% and 14% over 2017 and the forecast, respectively. The annual production of rubber cloth was 38,000 metric tons and we sold 36,000 metric tons, a decrease of 7% and 15% over 2017 and the forecast, respectively. The annual production of rubber sheets was 6.48 million yards and we sold 7.28 million yards, an increase of 9% and 3% over 2017 and the forecast, respectively.

II. 2019 Business Plan Outline

2019 Business prospects: The international oil market is in oversupply state due to continued ramp-up of US shale gas production. Macroeconomic trends do not have any leg room for price increase. The growth in ethylene production outpaced demand and prices appear to be near the end of a four-year climb. However, demand for it will increase from March to June during overhauls of naphtha crackers in Asia. The barriers for sodium hydroxide have been removed and its prices have increased. The refurbishment projects of production processes in European sodium hydroxide plants have been completed and their output is gradually increasing. These developments will help resolve the issues of tight EDC supplies. China's measures for increasing domestic demand to stimulate consumption, shortage in PVC supply in India and increased demand for pipe materials during the farming season, and improvement in the market in Bangladesh led to high demand for PVC in the emerging markets. In addition, China's strengthening of environmental protection audits and reduction in PVC production using ethylene will also help improve PVC/VCM prices. In addition, the subsidiary company TVCM and CGPCPOL continue debottlenecking projects to increase production capacity. CGPC’s Toufen Plant also began major refurbishment to replace old equipment, install automatic PVC packaging machines, and construct 3D automatic warehouse storage systems to enhance overall operation efficiency and reduce energy consumption. We have implemented process safety management (PSM) to ensure safety in operations and actively develop new products with high added value and niches. The Company will implement overall plans for the vinyl industry to maximize profitability. We will also use vertical integration mechanisms as well as active and effective management to improve construction safety and environmental protection, and fulfill corporate social responsibilities. We will build and expand niche products to maximize operating performance and achieve the goal of 540,000 metric tons in annual 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 (PVC resin) and derived products such as hard tubes, rubber cloths, rubber sheets, 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 resin) 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 2019.

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 2019.

In May 1999, the Company established CGPC Polymer Corporation, a wholly-owned subsidiary, and built the PVC resin plant in the Linyuan Petrochemicals Area in Kaohsiung City. Official operation started in February, 2011. PVC resin annual production capacity had increased from 180,000 tons to 350,000 tons.

In November 2015, VCM annual production capacity increased from 420,000 tons to 450,000 tons; PVC resin annual production capacity increased from 350,000 tons to 400,000 tons.

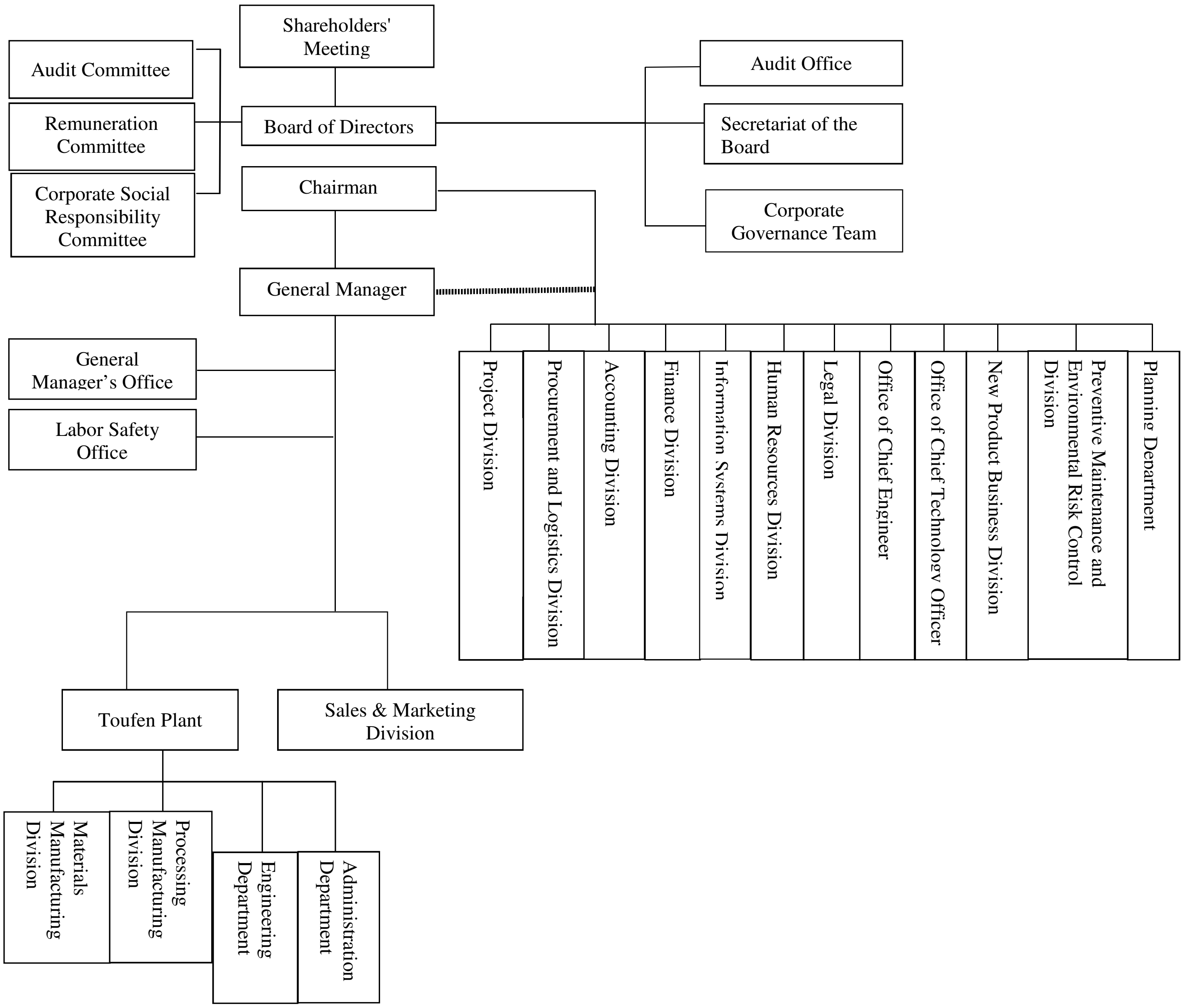
In February 2018, rubber cloths new production line began its operation and the annual production capacity was raised to 72,000 tons from 68,000 tons.

In August 2018, PVC resin annual production capacity was raised to 410,000 tons from 400,000 tons.

Chapter 3 Corporate Governance Report

I. Organization System

(I) Organization Chart as of May 9, 2019



(II) Responsibilities and Functions of Major Departments

Unit	Main Responsibilities
General Manager	Management of the Company's operations.
General Manager's Office	1. Assist the General Manager in Implementing his/her 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.
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, health, and environmental protection measures for personnel, properties, and the community.
Materials Manufacturing Division	The Division supervises all its units in achieving production targets for products (hydrochloric acid, sodium hydroxide, bleach, PVC resin, and plastic pellets) 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 (building materials, rubber clothes, and rubber sheets) 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	The Division plans and executes marketing strategies for various products of the Company in accordance with the Company's business objectives to meet customers' needs and maximize profits for the Company.
Engineering Department	The Department is responsible for plans and evaluation of overseas investment and equipment improvement projects and it is also responsible for capital expenditures for construction and improvement projects.
Administration 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 the Company's 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.
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.

Unit	Main Responsibilities
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 Office	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.
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 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, long-term investments, and property insurance 3. Credit control and collection of delayed payments 4. Handling of various shares-related matters

Unit	Main Responsibilities
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
Legal Affairs 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 plants in establishing preventive maintenance systems 2. Improvement and enhancement of existing equipment and equipment fault management and prevention 3. Environment risk management planning and technical supervision 4. Plan and promote compliance with laws related to energy conservation and carbon reduction, and establish related systems 5. Promote the management of the Group's sustainability key performance indicators and implement CSR information and data analyses
Corporate Governance Team	1. Execute related affairs for the Board of Directors meetings and shareholders' meetings 2. Prepare meeting minutes for the meetings of the Board of Directors and shareholders’ meetings 3. Assist the Directors in taking office and continuing education 4. Provision of information required for performance of duties by the Directors 5. Assist the Directors in regulatory compliance 6. Other matters set forth in the Company's Articles of Incorporation or contracts.

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

(I) Members of the Board (1)

April 23, 2019

Title (Note 1)	Nationality or place of registration	Name	Gender	Date elected (appointed)	Term	Date first elected (Note 2)	Shares held when elected		Number of 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)	Titles also 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	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship
Chairman and CEO	Republic of China	Union Polymer Int'l Investment Corp. Representative: Wu,Yi-Gui	Male	105.6.13	3 years	90.6.12	115,620,207	24.69%	126,529,947	24.97%	–	–	0	0%	Chairman of USI	(Note 4)	None		
						86.2.27	–	–	0	0%	–	–	0	0%					
Director	Republic of China	Union Polymer Int'l Investment Corp. Representative: Zhang,Ji-Zhong	Male	105.6.13	3 years	90.6.12	115,620,207	24.69%	126,529,947	24.97%	–	–	0	0%	PhD in Chemical Engineering, Massachusetts Institute of Technology; Vice President of Operations, Vanguard International Semiconductor Corporation; General Manager of USI	(Note 5)	None		
						96.6.13	–	–	0	0%	0	0%	0	0%					
Director and General Manager	Republic of China	Union Polymer Int'l Investment Corp. Representative: Lin,Han-Fu	Male	105.6.13	3 years	90.6.12	115,620,207	24.69%	126,529,947	24.97%	–	–	0	0%	Graduated from Dept. of Chemical Engineering of Chung Yuan Christian University, Deputy Manager of the Plastics Division of Formosa Plastics, and Manager and Consultant of the Polypropylene Division of Formosa Plastics	(Note 6)	None		
						99.6.18	–	–	0	0%	70,869	0.01%	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		Number of 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)	Titles also 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	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship
Director	Republic of China	Union Polymer Int'l Investment Corp. Representative: Ying,Bao-Luo	Male	105.6.13	3 years	90.6.12	115,620,207	24.69%	126,529,947	24.97%	–	–	0	0%	Master of Business Administration, University of Chicago (U.S.A.)	Director: TTC, CGTD	None		
						102.6.13	–	–	0	0%	0	0%	0	0%					
Director	Republic of China	Union Polymer Int'l Investment Corp. Representative: Liu,Han-Tai	Male	105.6.13	3 years	90.6.12	115,620,207	24.69%	126,529,947	24.97%	–	–	0	0%	PhD in Chemical Engineering, Pennsylvania State University	(Note 7)	None		
						99.6.18	–	–	0	0%	–	–	0	0%					
Director	Republic of China	Union Polymer Int'l Investment Corp. Representative: Liu,Zhen-Tu	Male	105.6.13	3 years	90.6.12	115,620,207	24.69%	126,529,947	24.97%	–	–	0	0%	PhD in Business Administration, Nova Southeastern University (U.S.A.)	(Note 8)	None		
						90.6.12	–	–	0	0%	0	0%	0	0%					
Independent Director	Republic of China	Li,Zu-De	Male	105.6.13	3 years	105.6.13	0	0%	0	0%	0	0%	0	0%	School of Dentistry, Taipei Medical University; provided in (Note 9)	(Note 10)	None		
Independent Director	Republic of China	Zheng,Ying-Bin	Male	105.6.13	3 years	105.6.13	0	0%	0	0%	0	0%	0	0%	MBA, National Taiwan University, Chairman of Long Chen Paper Co., Ltd.	(Note 11)	None		
Independent Director	Republic of China	Li,Liang-Xian	Male	105.6.13	3 years	105.6.13	0	0%	0	0%	0	0%	0	0%	Department of Chemistry, Fu Jen Catholic University; provided in (Note 12).	None	None		

Note 1: For institutional 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), 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 Management Corporation, USIFE Investment Co., Ltd., Acme Electronics (Kunshan) Co., Ltd. Thintec Materials Corporation, USI, USI Optronics Corporation, Cypress Epoch, Ever Victory Global, USIG (Shanghai) Co., Ltd., Dynamic Ever Investments Ltd., Ever Conquest Global Limited, 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 Trading, Krystal Star, CGPC Polymer Corporation, CGTD and USI Education Foundation

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., Taita Chemical Co., Ltd., 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 Trading Ltd., 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 Plastics Corp., Taiwan United Venture Capital Corp., Taiwan United Venture Management Corporation, Union Polymer International Investment Corp., and Wafer Works Corporation (Note)

Note: 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

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 Bio Taiwan Committee of the Executive Yuan, Advisory Committee Member of the Industry Advancement Committee of the Ministry of Science and Technology of the Executive Yuan

Chairman: Taipei Medical University, Beijing Starbucks Coffee Co. Ltd., Shandong Kexing Bioproducts Co., Ltd.

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 10: Advisory Committee Member of the Bio Taiwan Committee of the Executive Yuan, Advisory Committee Member of the National Health Research Institutes
Chairman: Handing Medical Electronics Biotechnology Management Consultancy Co., Ltd.
Director: Swissray Investment Holdings, Taipei Medical University, Institute for Biotechnology and Medicine Industry, Swissray Asia Healthcare Company Limited, Handing, Diamond Capital, Diamond Biotechnology, ONYX Healthcare Inc., Scripps International Co., Ltd., Dermai Int. Co., Ltd., Digivideo International. Co., Ltd., USI Education Foundation, Allied Biotech Corp., iHELPER Inc.
Independent Director: Machvision Inc.

Note 11: Chairman: Long Chen Paper Co., Ltd., Qianjiang Investment, Long Chen Investment
Director: Baolong International, 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), Hubei Long Chen Renewable, Xiantao Long Chen Environmental Protection, Jingzhou Long Chen Environmental Protection, Wuhan Long Chen Environmental Protection

Note 12: President: Asia Region, Styron
General Manager: Chemicals and Special Chemicals Department in Greater China of Dow Chemical (U.S.A.)
Marketing Manager of the Pacific Region Chemicals Department of Dow Chemical (U.S.A.)

Table 1: Major shareholders of institutional shareholders April 23, 2019

Name of institutional shareholder (Note 1)	Major shareholders of institutional 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 institutional shareholders, the names of the institutional shareholders shall be disclosed.

Note 2: Fill in the name of the major shareholders of these institutional 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 institutional shareholders in Table 1 April 23, 2019

Name of juristic person (Note 1)	Major shareholders of institutional shareholders (Note 2)	Shareholding percentage
USI Corporation	Shing Lee Enterprise (Hong Kong) Limited	14.62%
	Bank of Taiwan as custodian of Hao Chi Li Co., Ltd. investment account	9.25%
	Asia Polymer Corporation	8.53%
	Citibank (Taiwan) Limited as custodian of Norges Bank investment account	1.80%
	Yueh Hsing Hua Investment Co., Ltd.	1.73%
	Lin Su,Shan-Shan	1.67%
	Yu,Wen-Hsuan	1.41%
	Yu,Wen-Tsung	1.41%
	Yu,Wen-Yu	1.41%
	Taita Chemical Co., Ltd.	1.27%

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) and their shareholding percentages.

(I) Board of Directors (2)

April 30, 2019

Criteria / Name (Note 1)	Has more than 5 years of work experience and the following professional qualifications: 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	Status of Independence (Note 2): 1	2	3	4	5	6	7	8	9	10	Number of other public companies the person serves as an independent director
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 institutional 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) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), or managerial officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the company or to any affiliate enterprise, 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) General Manager, Deputy General Managers, senior managers, and managers of departments or branches

April 23, 2019 unit: shares

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	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
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%	70,869	0.01%	0	0%	Graduated from Dept. of Chemical Engineering of Chung Yuan Christian University, Deputy Manager of the Plastics Division of Formosa Plastics, and Manager and Consultant 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%	216	0%	0	0%	Department of Chemistry, Fu Jen Catholic University	Director: CGPC Consumer Products Corporation	None		

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	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Director of the Materials Manufacturing Division	Republic of China	Tsai, Pei-Hong	Male	2018.07.01	0	0%	0	0%	0	0%	Bachelor of Chemical Engineering, Tatung University	None	None		
Director, Sales & Marketing Division	Republic of China	Chen, Wan-Yu	Male	2019.01.01	0	0%	0	0%	0	0%	Department of Chemical Engineering, Tamkang University	None	None		
Manager of Accounting Department	Republic of China	Kuo, Chien-Chou	Male	2009.11.01	714	0%	0	0%	0	0%	Department of Accounting, Tunghai University	Accounting Manager: CGPC Polymer Corporation	None		
Manager of Finance Department	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), 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. and USI Education Foundation

Executive Director: Chinese National Federation of Industries

Note 4: 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 Trading, Krystal Star, CGPC Polymer Corporation, CGTD and USI Education Foundation

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, Krystal Star, and CGTD

General Manager: CGPC America

III. Remuneration paid to Directors (Including Independent Directors), Supervisors, General Manager and Deputy General Manager during the most recent fiscal 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 Managers and remuneration 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="4">Title</th><th rowspan="4">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 of 7 items A, B, C, D, E, F and G to net income 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">Directors' remuneration (C) (Note 3)</th><th colspan="2">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 remuneration (G) (Note 6)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All companies in the Financial Report (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the Financial Report (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the Financial Report (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the Financial Report (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the Financial Report (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the Financial Report (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the Financial Report (Note 7)</th><th colspan="2">The Company</th><th colspan="2">All companies in the Financial Report (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the Financial Report (Note 7)</th></tr>
<tr><th>Cash value</th><th>Stock value</th><th>Cash value</th><th>Stock value</th></tr>
<tr><td>Chairman</td><td>Wu,Yi-Gui
Representative of Union Polymer Int'l Investment Corp.</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">1,918</td><td rowspan="9">2,176</td><td rowspan="9">0.43</td><td rowspan="9">0.45</td><td rowspan="9">9,649</td><td rowspan="9">15,847</td><td rowspan="9">0</td><td rowspan="9">108 (Note 13)</td><td rowspan="9">19</td><td rowspan="9">0</td><td rowspan="9">231</td><td rowspan="9">0</td><td rowspan="9">1.19</td><td rowspan="9">1.72</td><td rowspan="9">2,301</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>Lin,Han-Fu (Note 12)
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>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	Name of Director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies in the Financial Report (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, Ying,Bao-Luo, Liu,Han-Tai, Liu,Zhen-Tu, Li,Zu-De, Zheng,Ying-Bin, Li,Liang-Xian	Wu,Yi-Gui, Zhang,Ji-Zhong, Lin,Han-Fu, Ying,Bao-Luo, Liu,Han-Tai, Liu,Zhen-Tu, Li,Zu-De, Zheng,Ying-Bin, Li,Liang-Xian	Zhang,Ji-Zhong, Ying,Bao-Luo, Liu,Han-Tai, Liu,Zhen-Tu, Li,Zu-De, Zheng,Ying-Bin, Li,Liang-Xian	Zhang,Ji-Zhong, Ying,Bao-Luo, Liu,Han-Tai, Liu,Zhen-Tu, 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) to 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	NT$5,518 thousand	NT$5,776 thousand	NT$15,186 thousand	NT$24,263 thousand

Note 1: The names 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 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.

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 managers, 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$679 thousand as of December 31, 2018. He is also provided with a leased house with a rent of NT$213 thousand in 2017. The fuel expenses in 2018 amounted to NT$54 thousand. He is also provided with a driver and the remuneration paid to the driver totaled NT$618 thousand.

Note 13: The cost of the pension appropriated in 2018 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)		Bonuses and special allowances (C) (Note 3)		Employee remuneration (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 person receives remuneration from other non-subsidiary companies that the Company has invested in (Note 9)
		The Company	All companies in the Financial Report (Note 5)	The Company	All companies in the Financial Report (Note 5)	The Company	All companies in the Financial Report (Note 5)	The Company		All companies in the Financial Report (Note 5)		The Company	All companies in the Financial Report (Note 5)	
								Cash value	Stock value	Cash value	Stock value			
Chief Executive Officer	Wu,Yi-Gui	7,190	9,516	220 (Note 11)	327 (Note 11)	6,442 (Note 10)	10,315 (Note 10)	38	0	250	0	1.09	1.60	2,103
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 Officer, and Director) shall be disclosed.

Range of Remuneration

Range of remuneration paid to the General Manager and Deputy General Manager of the Company	Names 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) to 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	NT$13,890 thousand	NT$22,511 thousand

Note 1: The names 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 investee companies other than subsidiaries, the amount of remuneration received by the General Manager and Deputy General Manager from investment companies other than subsidiaries shall be combined into Column E 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 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$679 thousand as of December 31, 2018. He is also provided with a leased house with a rent of NT$213 thousand in 2017. The fuel expenses in 2018 amounted to NT$54 thousand. He is also provided with a driver and the remuneration paid to the driver totaled NT$618 thousand.

Note 11: The cost of the pension appropriated in 2018 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 value	Cash value	Total	Percentage of total compensations on NIAT (%)
Managerial Officer	Chief Executive Officer	Wu,Yi-Gui	0	152	152	0.01
	General Manager	Lin,Han-Fu				
	Deputy General Manager	Hu,Chi-Hong				
	Senior Manager	Chen,Wan-Ta				
	Director of the Materials Manufacturing Division	Tsai,Pei-Hong				
	Director, Sales & Marketing Division	Chen,Wan-Yu				
	Manager of Accounting Department	Kuo,Chien-Chou				
	Manager of 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:

	2017		2018	
	The Company	All companies in the Financial Report	The Company	All companies in the Financial Report
After-tax net profit of current year (NT$ thousands)	1,269,808	1,269,808	1,276,156	1,276,156
Directors' remuneration as a percentage of NIAT (excluding those who concurrently serve as employees and receive related remuneration)	0.43	0.45	0.43	0.45
Directors' remuneration as a percentage of NIAT (including those who concurrently serve as employees and receive related remuneration)	1.17	1.69	1.19	1.72
General Manager and Deputy General Manager's remuneration as a percentage of NIAT (%)	1.03	1.53	1.09	1.60

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:

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

2.2. 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.

2.3. 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 6, 2019, the Board of Directors resolved not to distribute remuneration for Directors for the year 2018.

2.4. 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:

1. Directors attending information:

A total of six (6) meetings (A) were held by the Board of Directors in the most recent fiscal year (2018). The attendance of the members of the Board was as follows:

Title	Name	1st meeting on March 12, 2018	2nd meeting on May 4, 2018	3rd meeting on June 26, 2018	4th meeting on August 9, 2018	5th meeting on November 18, 2018	6th meeting on December 14, 2018	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	◎	◎	☆	☆	◎	◎	4	2	66.67	Re-elected
Independent Director	Li,Liang-Xian	◎	◎	◎	◎	◎	◎	6	0	100.00	Re-elected

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

2. 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:

2.1. 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
2018 1st Meeting 2018.03.12	1. Ratified the endorsements/guarantees for the subsidiary company CGPC Polymer Corporation.	Yes	None
	2. Approved capital increase by retained earnings and issuance of new shares.	Yes	None
	3. Approved the amendment of certain articles in the "Procedures for the Making of Endorsements/Guarantees".	Yes	None
	4. Approved remuneration of CPAs for year 2017	Yes	None
	5. Approved the appointment of CPAs for year 2018	Yes	None
	6. Approved the change of the chief internal auditor	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.		
	7. Approved the proposal to release the Directors from non-competition restrictions at the general shareholders' meeting	Yes	None
	Opinions of Independent Directors: None.		
	The Company's actions in response to the opinions of independent Directors: None.		
	Voting results: The Chair consulted all Directors present, except for the Director Liu,Han-Tai who had to recuse himself from voting due to conflict of interest, and they voted unanimously in favor of the resolution.		
2018 2nd Meeting 2018.05.04	Approved the amendment of internal control systems	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.		
2018 3rd Meeting 2018.06.26	1. Ratified the endorsements/guarantees for the subsidiary company CGPC Polymer Corporation.	Yes	None
	2. Approve the issuance of new shares	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.		
2018 4th Meeting 2018.08.09	Ratified the endorsements/guarantees for the subsidiary company CGPC Polymer Corporation.	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.		

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
2018 5th Meeting 2018.11.08	Ratified the endorsements/guarantees for the subsidiary company CGPC Polymer Corporation.	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.		
2018 6th Meeting 2018.12.14	Ratified the endorsements/guarantees for the subsidiary company CGPC Polymer Corporation.	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.		

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

3. 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:

Name of Director	Proposal	Reason for recusal	Participation in voting	Remark(s)
Liu,Han-Tai	Release Directors from non-competition restrictions.	The Directors had interest in the matter.	Did not participate in voting	1st Meeting in 2018
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.	Did not participate in voting	1st Meeting in 2018

4. The targets for strengthening the functions 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:

4.1 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 2018

(1) Evaluation period: January 1 to December 31, 2018.

(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, 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 overall results are 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

4.2 Evaluation of target implementation:

4.3 The Audit Committee was established after the appointment of independent Directors during the 2016 Annual General Shareholders' Meeting. The results of performance appraisal performed on the Board of Directors (Audit Committee) in 2018 have been disclosed on the Company's website on January 9, 2019 and has been reported in the first Board of Directors' Meeting in 2019 (March 6, 2019).

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

Title	Name	Date of course	Organizer	Course title	Duration of the course
Chairman	Wu, Yi-Gui	March 21, 2018	Securities & Futures Institute	Current Corporate Social Responsibility Practices	3
		October 16, 2018	Securities & Futures Institute	Corporate Environmental Protection and Sustainable Development	3
Director	Zhang, Ji-Zhong	March 21, 2018	Securities & Futures Institute	Current Corporate Social Responsibility Practices	3
		October 16, 2018	Securities & Futures Institute	Corporate Environmental Protection and Sustainable Development	3
Director	Lin, Han-Fu	March 21, 2018	Securities & Futures Institute	Current Corporate Social Responsibility Practices	3
		May 8, 2018	Taiwan Stock Exchange (TWSE)	The Corporate Governance Roadmap Summit for listed companies	3
		September 26, 2018	Taiwan Stock Exchange (TWSE)	2018 ESG Investment Forum	3
		October 16, 2018	Securities & Futures Institute	Corporate Environmental Protection and Sustainable Development	3
		October 26, 2018	Securities & Futures Institute	2018 Insider Trading Prevention Seminar	3

Title	Name	Date of course	Organizer	Course title	Duration of the course
Director	Ying, Bao-Luo	March 21, 2018	Securities & Futures Institute	Current Corporate Social Responsibility Practices	3
		October 26, 2018	Securities & Futures Institute	2018 Insider Trading Prevention Seminar	3
Director	Liu, Han-Tai	March 21, 2018	Securities & Futures Institute	Current Corporate Social Responsibility Practices	3
		October 16, 2018	Securities & Futures Institute	Corporate Environmental Protection and Sustainable Development	3
Director	Liu, Zhen-Tu	March 21, 2018	Securities & Futures Institute	Current Corporate Social Responsibility Practices	3
		June 26, 2018	Taiwan Corporate Governance Association	Introduction to the New Corporate Governance Roadmap	1
		October 16, 2018	Securities & Futures Institute	Corporate Environmental Protection and Sustainable Development	3
Independent Director	Li, Zu-De	March 30, 2018	Taiwan Corporate Governance Association	Operations and Responsibilities of the Board of Directors	3
		October 16, 2018	Securities & Futures Institute	Corporate Environmental Protection and Sustainable Development	3
Independent Director	Zheng, Ying-Bin	July 3, 2018	Taiwan Institute of Directors	2018 Taiwan Institute of Directors Annual Meeting	3
		November 21, 2018	Taiwan Institute of Directors	The 7th Annual Chinese Family Business Forum	3
		November 22, 2018	Taiwan Institute for Sustainable Energy	Global Corporate Sustainability Forum (GCSF)	3
Independent Director	Li, Liang-Xian	March 21, 2018	Securities & Futures Institute	Current Corporate Social Responsibility Practices	3
		October 16, 2018	Securities & Futures Institute	Corporate Environmental Protection and Sustainable Development	3
Manager of Accounting Department	Kuo, Chien-Chou	November 22~23, 2018	Accounting Research and Development Foundation	Continuing Training Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12
Manager of Finance Department	Chan, Chin-Ho	March 21, 2018	Securities & Futures Institute	Current Corporate Social Responsibility Practices	3
		October 16, 2018	Securities & Futures Institute	Corporate Environmental Protection and Sustainable Development	3
Chief Internal Auditor	Jiang, Kang-Nian	April 10, 2018	Computer Audit Association	Network and System Log Analysis and Practical Operations	6
		August 22, 2018	Computer Audit Association	Verification of Power BI Perspective Visual Chart Analysis with Relevant Big Data	7

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.

(II) Audit committee operation:

1. Audit Committee attending information:

A total of six (6) meetings (A) were held by the Audit Committee in the most recent fiscal year (2018). The attendance of Independent Directors was as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance Rate (%) (B/A) (Note)	Remark(s)
Independent Director	Li,Zu-De	6	0	100.00	
Independent Director	Zheng,Ying-Bin	4	2	66.67	
Independent Director	Li,Liang-Xian	6	0	100.00	

2. Main review items of the Audit Committee:

2.1. Financial Statements;

2.2. Independence evaluation and the hiring and dismissal of certifying CPAs and audit fees;

2.3. Accounting policies and the internal control system;

2.4. Review of the effectiveness of the internal control system;

2.5. Procedures for acquisition or disposal of assets;

2.6. Procedures for the Making of Endorsements/Guarantees

2.7. Procedures for loaning of funds to others;

2.8. Material derivatives trading;

2.9. Annual audit plan;

2.10. Resignation or dismissal of heads of finance, accounting, and chief auditor.

2.11. Investigation reports for complaints and malfeasance;

2.12. Offering, issuance, or private placement of equity-type securities;

2.13. Matters in which a Director is an interested party;

2.14. Other material matters as may be required by the Company or by the competent authority.

3. Key work items of 2018:

3.1 Review the annual internal audit plan; obtain reports from the internal audit department each month; inspect feedback of the management on issues discovered in internal audits; and regular communication with the Chief Internal Auditor.

3.2 Review the annual and semi-annual financial reports and the independence of the CPAs; regular communication with the CPAs regarding audit tasks and impact of regulation changes.

3.3 Audit the Business Report and the Financial Report.

The Company's 2018 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, Taiwan (including the Individual Financial Report and the Consolidated Financial Report), and the Earnings Distribution Proposal, have been reviewed by the Audit Committee who found them to be compliant with regulations.

3.4 Assessment of the effectiveness of the internal control system

The Company evaluates the five elements of the internal control system including the control environment, risk assessment, control operations, information and communication, and supervision. The control operations are self-assessed by the departments at the operation level and the internal control review meeting is convened for reviews. The overall assessment results meet standards of the internal control system and the internal control system remained effective in terms of design and execution.

4. 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.

4.1 Items listed in Article 14-5 of the Securities and Exchange Act

<table>
<tr><th>Board of Directors Term Date</th><th>Resolution and Follow-up Actions</th><th>Items listed under Article 14-5 of the Securities and Exchange Act</th><th>Dissenting opinion or qualified opinion by independent Directors</th></tr>
<tr><td rowspan="14">2018
1st Meeting
2018.03.12</td><td>1. Proceed with guarantee/endorsement.</td><td>Yes</td><td>None</td></tr>
<tr><td>2. Formulation of the 2017 Account Book.</td><td>Yes</td><td>None</td></tr>
<tr><td>3. 2017 earnings distribution proposal.</td><td>Yes</td><td>None</td></tr>
<tr><td>4. Earnings allocation to shareholders stocks and dividends are converted to capital increase to increase capital by NT$147,599,860 and issuance of 14,759,986 shares</td><td>Yes</td><td>None</td></tr>
<tr><td>5. Amendment of the "Procedures for the Making of Endorsements/Guarantees".</td><td>Yes</td><td>None</td></tr>
<tr><td>6. Release the Director Mr. Liu,Han-Tai from non-competition restrictions.</td><td>Yes</td><td>None</td></tr>
<tr><td>7. Compensation paid to the CPAs for 2017.</td><td>Yes</td><td>None</td></tr>
<tr><td>8. The 2018 evaluation of the independence of appointed CPAs.</td><td>Yes</td><td>None</td></tr>
<tr><td>9. Appoint CPAs for the year 2018.</td><td>Yes</td><td>None</td></tr>
<tr><td>10. The Company's 2017 "Internal Control Statement".</td><td>Yes</td><td>None</td></tr>
<tr><td>11. Change of Chief Internal Auditor.</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="4">2018
2nd Meeting
2018.05.04</td><td>Amendment of the internal control system.</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="4">2018
3rd Meeting
2018.06.26</td><td>Proceed with guarantees/endorsements.</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>
</table>

Board of Directors Term Date	Resolution and Follow-up Actions	Items listed under Article 14-5 of the Securities and Exchange Act	Dissenting opinion or qualified opinion by independent Directors
2018 4th Meeting 2018.08.09	1. Proceed with guarantees/endorsements.	Yes	None
	2. Preparation of the 2018 Q2 Consolidated Financial Statements.	Yes	None
	3. Amendment to of the "Transaction Procedures with Related Parties, Specific Companies, and Companies of the Group".	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.		
2018 5th Meeting 2018.11.08	Proceed with guarantees/endorsements.	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.		
2018 6th Meeting 2018.12.14	Proceed with guarantees/endorsements.	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.		

4.2 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.

5. 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: No such occurrences.

6. Communications between independent Directors and chief internal auditor and CPAs (issues, methods and outcomes related to the Company's financial and business status should be included).

   6.1. 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 chief internal auditor shall also attend, as a non-voting participant, 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	Meeting/Key Communication Points	Recommendations and Results
2018.03.12	8th Meeting of the 1st Audit Committee Status and results of the auditing operations and the Audit Committee mailbox performed by internal auditors from November 2017 to February 2018.	No objections
2018.05.04	9th Meeting of the 1st Audit Committee 1. Status and results of the auditing operations and the Audit Committee mailbox performed by internal auditors from March to April 2018. 2. Discussed the communicated the shareholder services in the amended internal control system and related self-inspection work drafts for related internal audits.	No objections
2018.06.26	10th Meeting of the 1st Audit Committee Status and results of the auditing operations and the Audit Committee mailbox performed by internal auditors in May 2018.	No objections

Date	Meeting/Key Communication Points	Recommendations and Results
2018.08.09	11th Meeting of the 1st Audit Committee Status and results of the auditing operations and the Audit Committee mailbox performed by internal auditors from June to July 2018.	No objections
2018.11.08	12th Meeting of the 1st Audit Committee 1. Status and results of the auditing operations and the Audit Committee mailbox performed by internal auditors from August to October 2018. 2. Approved the 2019 audit plan.	No objections
2018.12.14	13th Meeting of the 1st Audit Committee Status and results of the auditing operations and the Audit Committee mailbox performed by internal auditors in November 2018.	No objections

6.2. CPAs compiled 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. Communication items were as follows:

Date	Meeting/Key Communication Points	Recommendations and Results
2018.03.12	8th Meeting of the 1st Audit Committee 1. The CPAs' audit status and report on the 2017 Consolidated and Parent Company Only Financial Statements reports (including key audit matters (KAM)). 2. The CPA has stated compliance to the No. 10 Statement on Professional Ethics Standards for ROC Accountants - "Integrity, Objectivity and Independence" published by the ROC Certified Public Accountants Association and has not violated its independence. 3. CPAs discuss and communicate issues raised by the participants.	No objections
2018.08.09	11th Meeting of the 1st Audit Committee 1. CPAs' audit report for the consolidated financial statements for 2018 Q2. 2. The CPA has discussed and communicated with attendees on the questions they raised with regard to major legal amendments and their impact.	No objections
2018.11.08	12th Meeting of the 1st Audit Committee 1. CPAs' audit report for the consolidated financial statements for 2018 Q3. 2. CPAs communicate the 2018 audit planning report and the key audit items in the audit report in accordance with the Statement of Auditing Standards No. 58. 3. The CPA has discussed and communicated with attendees on the questions they raised with regard to major legal amendments and their impact.	No objections

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 his/her percentage 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.

(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		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. Shareholding structure & shareholders' rights				
(I) Has the company established internal operating procedures 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 maintained contact with its major shareholders and persons who have ultimate control over the major shareholders.	No material discrepancy
(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.	No material discrepancy
(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.	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	
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 for the diversification of the board members 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 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,	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	
			refer to the table below:	

Name of Director	Gender	Core Competency for Diversification									
		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		
hang,Ji-Zhon	Male	V		V	V	V	V	V	V		
Lin,Han-Fu	Male	V	V	V	V	V	V	V	V		V
Ying,Bao-Luc	Male	V	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		
heng,Ying-Bi	Male	V	V	V	V			V	V		V
Li,Liang-Xian	Male	V		V	V	V	V	V	V		V

			The proportion of directors who concurrently serve as employees in the Company is 22%; Independent directors is 33% in which the term of office of the three independent directors is three years. Two directors are aged 70 or more. Six directors are aged 60 to 69, and one is below 60.	
(II) Has the Company voluntarily established 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 accordance with the "Corporate Social Responsibility Committee Charter" with favorable performance.	No material discrepancy
(III) Has the company established any rules for evaluating the performance of the Board of Directors and methods for evaluating them? Does the company performance such evaluation 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	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	
			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 2018 has been disclosed on the Company's website on January 9, 2019 and has been reported in the first Board of Directors' Meeting in 2019 (March 6, 2019).	
(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 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	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	
			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 Huang,Hsiu-Chun and Chiu,Cheng-Chun retain the independence of CPAs and the assessment has been passed by the Company on March 6, 2019 in the 14th meeting of the 1st Audit Committee and the 1st meeting of the Board of Directors in 2019.	
IV. Has the TWSE or TPEx listed company set up a full-time (part-time) unit or appointed designated personnel to handle governance related affairs (including but not limited to supplying information requested by the directors and supervisors, processing company registration and change of registration and preparing minutes of the board meetings and shareholders' meetings)?	V		(I) The Company's corporate governance affairs are processed by the following departments on a full-time (part-time) basis. They provide the Directors with information required for performing their duties within its scope of responsibilities and they also 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 and Corporate Social Responsibility) Committees' Charters. 1. Chief Financial Officer and Finance Division:	No material discrepancy

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Status of Implementation (Note 1)</th><th rowspan="2">Discrepancies between its implementation and the Corporate Governance 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</th></tr>
<tr><td></td><td></td><td></td><td>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
(II) To protect shareholders' interest and strengthen board functions, the Company follows requirements in related regulations and the Board of Directors resolved to assign Chen,Yung-Chih, the Group Legal Division Director, to serve as the Company Secretary. Mr. Chen is a licensed attorney and has served in management roles for legal affairs or corporate governance in a public company for more than three years.
1. Main duties include:
1.1 Handling of matters relating to board meetings and shareholders' meetings in compliance with law.
1.2 Prepare meeting minutes for the meetings of the Board of Directors and shareholders’ meetings.
1.3 Assist the Directors and Supervisors in taking office and continuing education.
1.4 Provide information required for performance of duties by the Directors and Supervisors.
1.5 Assist the Directors and Supervisors in compliance of law.</td><td></td></tr>
</table>

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	
			1.6 Other matters set forth in the Company's Articles of Incorporation or contracts. 2. Business execution status: 2.1 The 2018 general shareholders' meeting was convened on June 22, 2018 and meeting minutes have been prepared and publicly disclosed. The 2019 general shareholders' meeting will be held on June 21, 2019. 2.2 The Board of Directors convened six (6) meetings in 2018 and three (3) meetings in 2019 have been convened in March, April, and May. Meeting minutes have been prepared and publicly disclosed. The Company has scheduled an additional three (3) board meetings in June, August, and November 2019. Six (6) meetings shall be held this year. 2.3 The Company has deliberated and passed the Company's "Standard Operating Procedures for Requests Filed by Directors" in the board meeting in May 2019. 2.4 The Company shall reelect all Directors in the 2019 general shareholders' meeting and assist new Directors in taking office and continuing education. 2.5 Continuing education courses for Directors included the "Current Corporate Social Responsibility Practices" lecture given by Chairman Stanley Yen in March 2018. We shall schedule two continuing education courses for Directors in July and October 2019. 2.6 Assist the directors to understand and comply with the relevant laws and regulations.	

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. Has the company commissioned a professional shareholder services agency to handle 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?	V		(I) The Company has set up a website and regularly discloses company information. https://www.cgpc.com.tw	No material discrepancy
(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		(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 and Supervisors, risk management policy and implementation of risk impact standards,	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 relations policies. The Company's "Corporate Social Responsibility Report" has been disclosed on the	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	
implementation of customer policies and the Company’s purchase of liability insurance for its Directors and Supervisors)?			Company's website (https://www.cgpc.com.tw/CSR/zh-tw/CSR25.aspx) and 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) Disclosure of the composition, duties and operation of the CSR Committee on the company's website.
(II) 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.
(III) The CSR Report is verified by a third party.
(IV) The Company provided information in English for the meeting notices for shareholders' meetings, procedures manual, supplementary information for the meetings, and annual reports to increase information transparency.
(V) We issue annual reports and mid-term reports in English to improve information transparency.
(VI) We organize investor meetings every quarter.

Prioritized items for improvement:

(I) The Company uploads the English meeting agenda and supplementary information for shareholders’ meeting 30 days prior to the date of the meeting.
(II) More than half of the Directors (including the convener of the Audit Committee) attended the general shareholders' meeting.
(III) The Corporate Governance Officer is responsible for related corporate governance affairs.
(IV) The Company discloses discussions and results of resolutions of the Remuneration Committee and the Company's handling of opinions of the committee members in the Annual Report.

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

Identification Type (Note 1)	Criteria / Name	Has more than five years of work experience and the following professional qualifications: 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	Status of Independence (Note 2): 1	2	3	4	5	6	7	8	Number of publicly listed companies in which the member concurrently serves as a Remuneration Committee member	Remark(s)
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 institutional 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 the most recent year. The table below shows the qualifications of the committee members and their attendance:

Title	Name	Attendance in person (B)	Attendance by proxy	Percentage 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.

Note 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.

Remuneration Committee	Resolution and Follow-up Actions	Dissenting opinions or qualified opinions of members of the Remuneration Committee
3rd Term 5th Meeting 2018.03.12	1. The Company's 2017 remuneration distribution proposal for Directors and employees.	None
	2. Discussed the 2017 special bonus for managerial officers.	None
	3. Reviewed the remuneration of the Directors and managers and the performance appraisal system.	None
	Opinions of the Remuneration Committee: None.	
	Remuneration Committee Resolution: All members in attendance unanimously passed the proposals and filed for discussion in the board meeting.	
	The Company's actions in response to the opinions of the Remuneration Committee: All the Directors in attendance voted in favor of the resolution.	
3rd Term 6th Meeting 2018.08.09	Reported the Company's annual salary adjustments.	None
	Opinions of the Remuneration Committee: None.	
	Resolutions of the Remuneration Committee: None.	
	The Company's response to Remuneration Committee opinions: None.	
3rd Term 7th Meeting 2018.11.08	1. Amended certain articles of the "Remuneration Committee Charter".	None
	2. Established the work plan of the Committee for 2019.	None
	Opinions of the Remuneration Committee: None.	
	Remuneration Committee Resolution: All members in attendance unanimously passed the proposals and filed for discussion in the board meeting.	
	The Company's actions in response to the opinions of the Remuneration Committee: All the Directors in attendance voted in favor of the resolution.	

(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.

Evaluation 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) We organized 5 sessions of CSR Policy training totaling 180 hours for 70 participants in 2018.	
(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 established a CSR Committee to review the Company's corporate social responsibility policy, goals, and action plans for issues of concern to stakeholders including corporate governance, labor-management relations, employee care, environmental protection, energy conservation and carbon emissions reduction, and social welfare. We also provide instructions and follow up on the progress of various action plans and performance improvements The Committee established three work groups including the "Corporate Governance Team", "Environmental Protection Team", and "Social Relationship Team". It convenes two meetings each year and reports related CSR plans and achievements to the Board of Directors.	

Evaluation 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.	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies
II. Fostering A Sustainable Environment (I) Is the company committed to improving the efficiency of the use of 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
III. Preserving Public Welfare (I) Does the Company formulate appropriate management policies and procedures according to relevant 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 Labor 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	 Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies

Evaluation 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)	
			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
(II) Has the Company established employee appeal system and channels, and are employee appeals handled 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.	

<table>
<tr><th rowspan="2">Evaluation 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>(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?</td><td>V</td><td></td><td>(III) Employee safety and health management:
1. Policy:
(1) Full participation and habit cultivation to build a corporate culture that values 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) CGPC's absence rates in 2018 are provided in the table below. The absence rates were within control.
<table><tr><th>Company/Gender</th><th>Male</th><th>Female</th></tr><tr><td>CGPC (Toufen Plant)</td><td>0.67%</td><td>0.19%</td></tr><tr><td>TVCM (Linyuan Plant)</td><td>0.11%</td><td>0.34%</td></tr><tr><td>CGPCPOL (Linyuan Plant)</td><td>0.3%</td><td>0.4%</td></tr></table>Note: (3.1.) Absentee Rate = total number of days absent/total number of mandatory work days *100%.
(3.2.) Total number of days absent: Calculated based on total actual sick leave and occupational leave in 2018.
(3.3.) Mandatory work days: Actual number of days worked in 2018.</td><td>Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation 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>3. Plan:
<table>
<tr><th>Region</th><th>Program</th><th>2018 performance</th></tr>
<tr><td>Toufen Plant</td><td rowspan="2">1. Prevention of falling - construction scaffolds met safety regulations.
2. Strengthen the supervision of the use of personal protection equipment.
3. Strengthen the supervision for staff to follow safety regulations on tagging, locking, and blind seals before maintenance of equipment.</td><td>Two incidents occurred at CGPC Toufen Plant and the Company proposed immediate response measures right after the incidents to reduce hazard factors and prevent reoccurrence of such incidents.</td></tr>
<tr><td>Linyuan Plant</td><td>No accidents had occurred</td></tr>
</table>
The Company 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 the Company's 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 occupational safety and health management systems such as OHSAS 18001 (we plan to introduce ISO 45001 in 2020 and obtain the certificate by March 2021) and CNS15506 to provide good safety and health protection structure, prevent </td><td>Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies</td></tr>
</table>

Evaluation 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)	
			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 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.	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies
(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	

Evaluation 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)	
			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 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.	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies
(VI) Has the Company established consumer rights protection policy and grievance-filing procedures in terms of R&D, Procurement, Production, Operations, and Customer Support?	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 General Manager's Office resolves customer quality complaints and to perform periodic follow-up to prevent reoccurrence. For more information on the complaint procedures, please refer to the "Investor Services" section on the Company's website (https://www.cgpc.com.tw/). Suppliers are required to provide guarantees for procured raw materials or equipment that may cause safety or environmental impact concerns. The website for the complaint procedures is specified above.	

Evaluation 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)	
(VII) Does the Company advertise and label its goods and services according to relevant regulations and international standards?	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.	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies
(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 partnerships and help protect the environment and fulfill social responsibilities.	
(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		(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.	

Evaluation 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. Enhancing information disclosure 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 (https://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 or TPEx Listed Companies, state the discrepancies between these principles and its implementation:	V		The Company has established its own Corporate Social Responsibility Best Practice Principles in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies.	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies

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 evaluating the implementation;
   (4) Review and approval of the CSR Report;
   (5) Report the implementation of CSR activities to the Board of Directors each year;
   (6) Other matters to be conducted by the Committee per board resolution.
3. State of operations:

   <u>1st Meeting</u>

   (1) Meeting date: March 12, 2018

<table>
<tr><th rowspan="2">Evaluation 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 colspan="5">
(2) Committee members in attendance: Zheng,Ying-Bin, Li,Liang-Xian, Wu,Yi-Gui, and Lin,Han-Fu
(3) Reported the CSR Policy, energy conservation, electricity savings, and carbon emissions reduction achievements in 2017, and plans for the Corporate Social Responsibility Report.
(4) Reported the targets for energy conservation, electricity savings, and carbon emissions reduction for 2018, and plans for social and charitable activities.
<u>2nd Meeting</u>
(1) Meeting date: August 9, 2018
(2) Committee members in attendance: Li,Liang-Xian, Wu,Yi-Gui, and Lin,Han-Fu
(3) Reported the 12 material issues, management approach, guidelines, and related performance and results of the 2017 CSR Report.
(4) Reported the planning for the 2018 CSR 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 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.
</td></tr>
</table>

Evaluation 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)	

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 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 2017 was 396,700 tons. The results of the verified total emissions and self-inspections in 2018 totaled 399,960 metric tons (as of the publication date of the Annual Report, SGS has yet to complete 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 17,689 tons and 6,891 tons in 2017 and 2018, respectively.
   (2) The Company executed 41 energy conservation and carbon reduction projects in 2018. The results have been submitted to the Bureau of Energy. Total energy savings amounted to 165,495 GJ and carbon emissions were reduced by 13,578 tons CO2e.
3. Energy conservation and carbon reduction plans:
   The Company plans to save energy by 2%, save electricity by 1%, save water by 1%, and reduce carbon emissions by 1.5% in 2019. The key

Evaluation 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)	
tasks are as follows: (1) Adoption of high-efficiency motors. (2) Raw Materials Control Section's 800RT freezer chiller system modification and renewal project. (3) Additional HBF high-efficiency biological wastewater treatment system project. (4) New centrifuge process water recycling and processing equipment construction project. (5) Main pipeline piping construction project for the natural gas plant. (6) Tape factory thermal oil boiler incinerator in renovation project. (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. We adopted 500m of the beach at Longfeng Fishing Harbor in Zhunan Town in 2017 and organized the beach-clearing activities on September 9, 2017 and September 8, 2018. 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. If the Company's CSR Report has passed related accreditation standards by related accreditation agencies, describe the accreditations: The Company's 2017 "CSR Report" was certified by the British Standards Institution (BSI) in accordance with the Core Options Indicators of the Global Reporting Initiative (GRI) and the type-1, mid-level accountability of AA1000 standards. The certification statement was received in July, 2018. 2018 CSR report is still in the certification process.				

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 on external documents? Do its 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 Subparagraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies or those with higher risks of unethical conduct in other scopes of business?	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 action that damage Company interests for their own or others' benefit when performing their duties.	

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	
			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.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies.
II. Implementation of ethical corporate management (I) Has the Company evaluated the ethics records of counterparties to its business dealings, and specified ethical business policies in contracts with counterparties related to its business dealings? (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 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 and Procedures for Ethical Management and Guidelines for Conduct. (II) To enhance ethical corporate management, the Group's Human Resources Division is responsible for formulating ethical corporate management policies and prevention solutions. The implementation is supervised by the Audit Office which regularly reports the implementation status to the Board of Directors each year.	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 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.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies.
(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. In 2018, courses for a total of 290 persons / 818 training hours were held and the details are set out below: (1) Legal Liabilities and Case Analysis of Breach of Trust / 3 hours / 238 persons. (2) Social engineering exercises / 2 hours / 22 persons. (3) Mobile devices and information security education and training / 2 hours / 7 persons. (4) ISO27001 Information Security Management System education training / 2 hours / 4 persons. (5) Copyright protection and reasonable use / 2 hours / 11 persons. (6) Trade Secrets Act and Case Analysis / 2 hours / 8 persons.	

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. 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?			(I) The Company amended the "Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct" on November 9, 2017 (https://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 channels: (1) Personal report: Face-to-face explanation. (2) Telephone report: Audit Committee: 02-87516888 (Transfer to the Audit Committee executive secretary's extention); Audit supervisor: 02-87516888 (Transfer to Chief Internal Auditor's extention) Human resources manager: 02-87516888 (Human Resources Manager) (3) Submitting reports: Audit Committee: The Mailbox of the Audit Committee in the "Investor Services" section on the Company's website. Chief Internal Auditor: 7F, No. 37, Jihu Road, Neihu District, Taipei City. 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:	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	
			(1) Audit Committee members: Accept reports from shareholders, investors, and other stakeholders. (2) Chief Internal Auditor: 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.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies.
(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. 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) 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		(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.	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Status of Implementation (Note 1)</th><th rowspan="2">Discrepancies between its implementation and the Ethical Corporate Management 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</th></tr>
<tr><td>IV. Enhancing information disclosure
(I) Has the Company disclosed the content and effectiveness of its integrity management principles on the Company's website and the Market Observation Post System?</td><td>V</td><td></td><td>(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 (https://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.</td><td>Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies.</td></tr>
<tr><td colspan="5">V. If the Company has established its own Ethical Corporate Management Best Practice Principles in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE or 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 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.</td></tr>
<tr><td colspan="5">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.</td></tr>
</table>

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 Directors
   - (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 Insider Information
   - (17) Procedures for Acquisition or Disposal of Assets
   - (18) Procedures for Making of Endorsements / Guarantees
   - (19) Procedures for 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.

     (https://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. Internal Control Statement

China General Plastics Corporation

Internal Control System Statement

Date: March 6, 2019

The Company hereby makes the following statement about its internal control system for the year 2018 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, 2018 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 was approved by the Board on March 6, 2019, 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
2018	June 22, 2018	The minutes of the Shareholders' Meeting were posted onto MOPS on July 9, 2018. The resolutions and their status of implementation are as follows: 1. Approved the 2017 Account Book. Implementation status: Resolution passed. 2. Approve the 2017 earnings distribution plan. Implementation status: Resolution passed. A total of NT$737,999,340 were distributed to the shareholders as cash dividends, and the record date was August 3, 2018. All the cash dividends were completely distributed on August 24, 2018. NT$147,599,860 was distributed to the shareholders as stock dividends and 14,759,986 new shares were issued. All the stocks and dividends were distributed on September 13, 2018. 3. Discussed the capital increase by retained earnings Implementation status: Resolution passed. The resolution was declared effective by the Securities and Futures Bureau under the Financial Supervisory Commission on July 5, 2018 and was approved as stated in the approved letter with Reference No. Ching Shou Shang Tzu 10701105980 dated August 30, 2018. The Company issued 14,759,986 new shares, where 30 new shares were distributed for each thousand shares held. The capital increase record date approved by the Board of Directors was August 3, 2018, and all the new shares were completely distributed on September 13, 2018. 4. Discussed the amendment of Articles of Incorporation Implementation status: The resolution was passed and has been implemented according to the resolution passed by the Shareholders' Meeting. 5. Amendment of the "Procedures for the Making of Endorsements/ Guarantees". Implementation status: The resolution was passed and has been implemented according to the resolution passed by the Shareholders' Meeting. 6. Discussed the release of the non-competition restrictions form the Directors. Implementation status: Resolution passed.

2. Board of Directors Meeting

Session (Year) of Meeting	Time of Meeting	Resolutions
1st Meeting in 2018	March 12, 2018	1. Ratified the endorsements/guarantees 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 remuneration 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 Incorporation. 8. Approved the amendment of certain articles in the "Procedures for the Making of Endorsements/Guarantees". 9. Approved the proposal to release the non-competition restrictions from the 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 internal 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.
2nd Meeting in 2018	May 4, 2018	1. Ratified the renewal of the three-year medium-term loan limit signed with KGI Bank. 2. Approved the amendment of internal control systems.
3rd Meeting in 2018	June 26, 2018	1. Ratified the endorsements/guarantees for the subsidiary company CGPC Polymer Corporation. 2. Approved the issuance of new shares.
4th Meeting in 2018	August 9, 2018	1. Ratified the endorsements/guarantees for the subsidiary company CGPC Polymer Corporation. 2. Approve the 2018 Q2 Consolidated Financial Statements. 3. Approved the amendment of certain articles in the "Transaction Procedures with Related Parties, Specific Companies, and Companies of the Group"
5th Meeting in 2018	November 8, 2018	1. Ratified the endorsements/guarantees for the subsidiary company CGPC Polymer Corporation. 2. Approved the 2019 company budget. 3. Approved the 2019 audit plan. 4. Approved the amendment of certain articles in the Rules Governing the Scope of Powers of Independent Directors. 5. Approved the amendment of certain articles in the Remuneration Committee Charter

Session (Year) of Meeting	Time of Meeting	Resolutions
6th Meeting in 2018	December 14, 2018	Ratified the endorsements/guarantees for the subsidiary company CGPC Polymer Corporation.
1st Meeting in 2019	March 6, 2019	1. Ratified the endorsements/guarantees for the subsidiary company CGPC Polymer Corporation. 2. Approved the 2018 Account Book. 3. Approved the 2018 remuneration distribution plan for Directors and employees. 4. Approved the 2018 earnings distribution plan. 5. Approved capital increase by retained earnings. 6. Approved the amendment of certain articles in the Articles of Incorporation. 7. Approved the amendment of certain articles in the Rules of Procedure for Board of Directors' Meetings. 8. Approved the amendment of certain articles in the Rules of Procedure for Shareholders' Meetings 9. Approved the amendment of certain articles in the Regulations Governing the Election of Directors 10. Approved the amendment of certain articles in the Procedures for Acquisition or Disposal of Assets. 11. Approved the election of Directors in the shareholders' meeting this year. 12. Approved the proposal to release the non-competition restrictions from the newly-appointed Directors at the general shareholders' meeting 13. Approved matters related to the convening of the 2019 general shareholders' meeting. 14. Established the period for acceptance of shareholders' proposals: April 14, 2019 to April 24, 2019. 15. Approved remuneration of CPAs for 2018. 16. Approved the 2019 evaluation of the independence of appointed CPAs. 17. Approved the appointment of CPAs for year 2019. 18. Approved the issuance of the 2018 Statement on Internal Control System. 19. Authorized the Chairman to sign and deliver shot-term credit loan contracts and related documents to financial institutions. 20. 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: No such occurrences.

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

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

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	Remark(s)
Deloitte, Taiwan	CPA Wu,Shih-Tsung	CPA Kuo,Tzu-Jung	2018	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

Range of Fees \ Fee Item		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	5,400	103	5,503
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 CPA Firm	Name of CPA	Audit Fee	Non-Audit Fees					CPA's duration of audit	Remark(s)
			System design	Business registration	Human resources	Other (Note 2)	Subtotal		
Deloitte, Taiwan	Wu , Shih-Tsung Kuo, Tzu-Jung	5,400	23 (Note 3)	80 (Note 4)	0	0	103	2018	

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 for the consolidated statements totaled NT$23 thousand.

Note 4: The capital audit fees for the conversion of earnings to capital totaled NT$80 thousand.

(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">Starting from 2019 Q1</td></tr>
<tr><td>Replacement reasons and explanations</td><td colspan="4">Due to the internal rotations of CPAs at Deloitte, Taiwan, the Company’s financial statements, previously certified by the CPAs Wu,Shih-Tsung and Kuo,Tzu-Jung, are audited by the CPAs Huang,Hsiu-Chun and Chiu,Cheng-Chun starting from Q1 2019.</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">Principal
Scenario</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">No longer accept (or continue with) 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">No such occurrences</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">✓</td></tr>
<tr><td colspan="4">Descriptions: None</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">No such occurrences</td></tr>
</table>

(II) Information on the succeeding CPA:

Name of CPA Firm	Deloitte, Taiwan
Name of CPA	CPAs Huang,Hsiu-Chun and Chiu,Cheng-Chun
Date of Appointment	Starting from 2019 Q1
Subjects and outcomes of consultation on the accounting treatment of or application of accounting principles to specific transactions, or opinions that might be included on financial statements before the appointment of new CPAs	None
Written opinions from successor CPAs with regards to matters with which former CPAs disagreed	None

(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. Conditions of share transfer and changes in equity pledge from the Directors, Supervisors, managerial officers, and shareholders who hold more than 10% of shares, from the past year up to the date printed on the Annual Report:

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

Unit: shares

Title (Note 1)	Name	2018		Current fiscal year up to April 30, 2019	
		Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged	Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged
Major shareholders with more than 10% of shares	Union Polymer Int'l Investment Corp.	3,685,338	(8,000,000)	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
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	0	0	0	0
Director of the Materials Manufacturing Division	Tsai,Pei-Hong (appointed on July 1, 2018)	0	0	0	0
Director of the Sales & Marketing Division	Chen,Wan-Yu (appointed on January 1, 2019)	0	0	0	0
Manager of Accounting Department	Kuo,Chien-Chou	20	0	0	0
Manager of Finance Department	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 and 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 and 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 23, 2019

Name (Note 1)	Shares held by the person		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 ratio (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.	126,529,947	24.97%	—	—	0	0%	APC, TTC	Same Chairman	
Representative: Wu,Yi-Gui	0	0%	—	—	0	0%			
Asia Polymer Corporation	40,891,494	8.07%	—	—			UPIIC, TTC	Same Chairman	
Representative: Wu,Yi-Gui	0	0%	—	—	0	0%			
Fubon Life Insurance Co., Ltd.	25,333,000	5.00%	—	—			None	None	
Representative: Tsai,Ming-Hsing	0	0%	—	—	0	0%			
Taita Chemical Co., Ltd.	10,043,760	1.98%					UPIIC, APC	Same Chairman	
Representative: Wu,Yi-Gui	0	0%	—	—	0	0%			
New Labor Pension Fund	8,970,102	1.77%	—	—					
HSBC as custodian of Ensign Peak Consulting Investment Account	6,557,992	1.29%	—	—	—	—	None	None	
JP Morgan Chase Bank Taipei Branch as custodian of Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds Investment Account	5,891,896	1.16%	—	—	—	—	None	None	
JP Morgan Chase Bank Taipei Branch as custodian of Vanguard Group's Vanguard Emerging Markets Stock Index Fund Investment Account	5,876,442	1.16%	—	—	—	—	None	None	
Deutsche Bank Taipei Branch as custodian of the LSV Asset Management Investment Account of UAW Retiree Medical Benefits Trust	4,486,680	0.89%	—	—	—	—	None	None	
Citibank (Taiwan) as custodian of Dimensional Fund Advisors' Emerging Markets Core Portfolio Investment	4,188,996	0.83%	—	—	—	—	None	None	

Note 1: All the top 10 shareholders shall be listed. For institutional 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 juristic person 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

December 31, 2018; Unit: share

Investee companies (Note 1)	Investments of the Company		Investments by Directors, Supervisors, managerial officers and directly or indirectly controlled enterprises		Combined investment	
	Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)
Taiwan VCM Corporation	206,008,832	87.22	0	0	206,008,832	87.22
CGPC Polymer Corporation	78,859,281	100.00	0	0	78,859,281	100.00
CGPC (BVI) Holding Co., Ltd.	16,308,258	100.00	0	0	16,308,258	100.00
China General Terminal & Distribution Corporation	18,667,465	33.33	0	0	18,667,465	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	1,258,756	0.69	4,434,775	0.71
Thintec Materials Corporation	600,000	10.00	0	0	600,000	10.00

Chapter 4 Funding Status

I. Capital and Shares

(I) Source of Share Capital

1. Class of shares issued as of the date of publication of the annual report:

April 30, 2019 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
2018.8	10	650,000,000 shares	NT$6,500,000,000	506,759,546 shares	NT$5,067,595,460	Capital increase from surplus of NT$147,599,860 (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 document No. shall be added: (1) JSS Approval Letter No. 10701105980 on August 30, 2018.

Note 3: Shares issued for less than par value shall be indicated in a conspicuous 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 conspicuous manner.

April 30, 2019 Unit: shares

Types of shares	Authorized Capital			Remark(s)
	Outstanding Shares (Note)	Unissued Shares	Total	
Registered common stocks	506,759,546 shares	143,240,454 shares	650,000,000 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 is restricted on the TWSE or 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 30, 2019 Unit: shares

Shareholder Structure / Quantity	Government Institutions	Financial Institutions	Other Juristic Persons	Individual	Foreign Institutions and Foreigners	Total
Number of People	3	2	118	52,295	153	52,571
Number of Shares Held	1,809,915	3,841,060	229,407,521	190,735,767	80,965,283	506,759,546
Shareholding Percentage	0.36%	0.76%	45.27%	37.63%	15.98%	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 23, 2019

Number of Shareholders	Number of Shareholders	Number of Shareholders (Unit: Shares)	Shareholding Percentage (%)
1 to 999	29,465	4,636,501	0.91%
1,000 to 5,000	15,700	34,122,606	6.73%
5,001 to 10,000	3,570	26,128,935	5.16%
10,001 to 15,000	1,400	16,604,058	3.28%
15,001 to 20,000	656	11,743,933	2.32%
20,001 to 30,000	667	16,204,742	3.20%
30,001 to 50,000	475	18,342,163	3.62%
50,001 to 100,000	360	25,139,023	4.96%
100,001 to 200,000	138	19,303,524	3.81%
200,001 to 400,000	61	17,017,040	3.36%
400,001 to 600,000	22	10,868,127	2.14%
600,001 to 800,000	5	3,419,721	0.67%
800,001 to 1,000,000	12	10,482,175	2.07%
1,000,001 and more create new ranges as needed	40	292,746,998	57.77%
Total	52,571	506,759,546	100.00%

2. Preferred shares: None.

(IV) List of Major Shareholders

April 23, 2019

Names of Substantial Shareholders \ Share	Number of Shareholders (Unit: Shares)	Shareholding Percentage
Union Polymer Int'l Investment Corp.	126,529,947	24.97%
Asia Polymer Corporation	40,891,494	8.07%
Fubon Life Insurance Co., Ltd.	25,333,000	5.00%
Taita Chemical Company, Ltd.	10,043,760	1.98%
New labor pension fund	8,970,102	1.77%
HSBC hosting ENSIGN PEAK Consultancy	6,557,992	1.29%
JP Morgan Chase Bank Taipei Branch was entrusted to host the investment account of Vanguard Total International Stock Index Fund, a series of Vanguard Star Fund Company	5,891,896	1.16%
JP Morgan Chase Bank Taipei Branch was entrusted to host the Emerging Markets Stock Index Fund investment account of Vanguard Group	5,876,442	1.16%
German merchant, Deutsche Bank Taipei Branch was entrusted to host the investment account of UAW Retirement Medical Welfare Trust which was entrusted to the external manager LSV Asset Management	4,486,680	0.89%
Citi (Taiwan) commercial bank is entrusted with the custody of special account for the core securities portfolio in emerging market of DFA Investment Diversified Group	4,188,996	0.83%

(V) Market Price, Book Value, Earnings, and Dividends in the Most Recent 2 Years

Unit: NT$

Item \ Year			2017	2018	Current fiscal year up to April 30, 2019 (Note 8)
Market Price Per Share (Note 1)	Highest		37.60	35.55	24.40
	Lowest		22.90	17.45	20.55
	Average		29.70	28.23	23.09
Net Value Per Share (Note 2)	Before Distribution		15.87	16.53	16.89
	After Distribution		14.37	- (Note 9)	- (Note 9)
Earnings Per Share (Note 3)	Weighted Average Number of Shares		491,999,560	506,759,546	506,759,546
	Earnings per share before adjustment		2.58	2.52	0.36
	Earnings per share after adjustment		2.51	- (Note 9)	- (Note 9)
Dividends Per Share (DPS)	Cash Dividend		1.50	1.50 (Note 9)	—
	Stock Dividends	Dividends from capital surplus earnings	0.30	0.40 (Note 9)	—
		Dividends from capital reserve	0.00	0.00 (Note 9)	—
	Accumulated unpaid dividend (Note 4)		—	—	—
Return on Investments	Price-to-Dividends Ratio (Note 5)		11.26	11.20	—
	Price-to-Earnings Ratio (Note 6)		19.37	18.82	—
	Yield on cash dividend (Note 7)		5.16%	5.31%	—

* 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$0.4 per share for the 2018 earnings distribution. Dividends will be distributed after the proposal is approved in general shareholders' meeting to be held on June 21, 2019.

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 2019. Therefore, there is no need to disclose forecast information.

<table>
<tr><th colspan="3">Year
Item</th><th>2019 (Estimated)</th></tr>
<tr><td colspan="3">Paid-up capital at the beginning of the period (Unit: NT$)</td><td>NT$5,067,595,460</td></tr>
<tr><td rowspan="3">Distribution of dividends in the current fiscal year (Note 1)</td><td colspan="2">Cash dividend per share (Unit: NT$)</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>0.04 shares</td></tr>
<tr><td colspan="2">Number of shares distributed per share held due to capital increase by capital reserve</td><td>0 share</td></tr>
<tr><td rowspan="7">Changes in business 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 2018 is based on the earnings distribution plan approved by the Board of Directors on March 6, 2019.

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) Employee compensation shall be calculated based on a minimum value of one (1) percent of the Company's profit in the current fiscal year in accordance with the Articles of Incorporation. The compensation payable to the employees by the Company in 2018 was estimated to be NT$13,975 thousand.
   2) Director remuneration shall be calculated based on a maximum value of one (1) percent of the Company's profit in the current fiscal year in accordance with the Articles of Incorporation. However, the Company did not appropriate or distribute remuneration for Directors in 2018.
   (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 approved in the Board of Directors meeting on March 6, 2019:
   (1) Distribution of compensation for Directors and employees.
   Directors' compensation: None.
   Employee rewards: NT$13,975 thousand 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 plan for 2017		Discrepancy	Reasons for discrepancy and processing method
	2017 Recognized amount in the financial report	2017 Actual distributed amount		
Employee rewards	14,300	14,300	0	No discrepancy
Director compensation	0	0	0	No distribution

5. The Company will participate in the salary survey of the petrochemical industry every year, evaluate the salary level in the market, make appropriate adjustment and planning for the salary of employees (the average pay rise rate in 2018 is about 3%), and give special salary adjustment to talents with excellent performance to achieve a competitive salary level in the market.
6. Average salary:

Item	Content	2018	Discrepancies from the previous year
1	The number of full-time employees who are not supervisors	717	-5
2	Average salary of full-time employees who are not supervisors (annual salary/NT$ thousand)	1,033	-18

Note 1: The number of full-time employees who are not supervisors.

Note 2: Average salary of full-time employees who are not supervisors.

Note 3: The disclosure may refer to Subparagraph 31, Paragraph 1, Article 3 of the "Taiwan Stock Exchange Corporation Rules Governing Information Filing by Companies with TWSE Listed Securities and Offshore Fund Institutions with TWSE Listed Offshore Exchange-Traded Funds".

Note 4: This table is parent company only, including the average salary of CGPC full-time employees who are not supervisors.

(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) Business Scope:

1. Main areas of business operations:
   (1) Manufacture of plastic and its raw materials.
   (2) Manufacture PVC processed products and the alkali-chlorine they require.
   (3) Manufacture and sell technical services (including design and installation) for chemical machinery equipment (including vinyl chloride monomer (VCM) plant equipment).
   (4) Manufacture, storage, transport, sales, trade and resales of vinyl chloride monomer (VCM).
   (5) Production, trade, storage and sales of Dichloroethane (EDC).
   (6) Distribution and processing of the above products.
   (7) Research and promotion of the aforementioned businesses.
2. Main products and their proportion in operations:

Product Category	Ratio
Vinyl chloride monomer	7%
PVC resin, compounds and alkali-chlorine	70%
PVC construction products: Pipes, pipe fittings, door panels and anti-corrosion protection panels	4%
PVC film/sheet: flexible film/sheets, rigid film/sheet, semi-rigid film/sheet laminated film/sheet, printed film/sheet	13%
PVC leather/sponge leather	6%

3. New products development

● PVC third-generation stain-resistant leather	● TPE leather series for sporting goods
● PU casting stain-resistant PVC leather	● TPE leather series for furniture
● De-taped sponge leather for multiple printing	● TPE medical grade leather series
● Stain-resistant sponge leather with vacuum embossing	● Low-membrane rapidly gelatinized PVC resin
● PVC artificial bright and breathable furniture sponge leather	● Medical-grade PVC compounds
● PVC automotive water-based scratch-resistant sponge leather	● Fire-retardant plastic compound for Grade 2 building materials

(II) Industry Overview

1. Current state and development of the industry

In the first quarter of 2018, the PVC supply from the United States decreased while the demand in China and India increased. Therefore, the sales momentum continued to be on the rise since the end of the previous year. The supply of PVC in the second quarter gradually recovered. At the same time, Bank of India announced the ban on the use of Letter of Undertaking and Letter of Comfort. Along with the high inventory before the rainy season, the Asian PVC market was forced to fall. For the second half of the year, global economic experienced a slowdown due to uncertainties such as the Sino-US trade war. The impact of the Bank of India policies (LOU & LOC) and currency depreciation resulted in the growth of PVC demand to be worse than expected. Vinyl chloride monomer

(VCM) generally fluctuated with the PVC market throughout the year. The VCM supply was low at the beginning of the year, so the price rose with PVC. After the Indonesian plant expanded production capacity, VCM supply became sufficient but the market conditions begin to weaken. VCM buyers were cautious, and the price lingered on the low-end. At this time, the price of raw material Dichloroethane (EDC) became stronger, which reduced the VCM profit margin. This lasted until December when the VCM plants in Southeast Asia were affected by the tsunami in Indonesia, and there were equipment problems with production plants in Japan. The supply tightened, and the VCM prices began to rise.

Raw material: In the first half of 2017, the price of oil was relatively high. Ethylene price followed the changes in supply and demand during the Asian annual repair period and unplanned halt. The overall supply in the first half of the year was still low, which sustained the price at a higher level. In the second half of the year, low-cost US ethylene and derivatives were simultaneously exported, keeping the ethylene price low. In terms of EDC, the production issue in Brazil and the impact of climate anomalies in the Bay Area ended the oversupply situation at the end of 2017. In addition, China canceled the EDC batch-by-batch inspection, which enabled solvent companies to import goods and raise prices in Asia. The continued price decline in caustic soda in Asia also affected the operations of soda plants, which led to the shortage of EDC supply in the first half of the year as well as a price hike. Although the oil price declined in the second half of the year, the Brazilian aluminum plant accident has led to the reduction of the US alkali chlorine and EDC production. The global EDC supply remained low and the price kept soaring. In general, margins in PVC/VCM products remained stable. With the integration of the upstream and downstream of VINYL CHAIN, the Company will maximize the production and sales of VCM/PVC/processed products. With the smooth production and sales, the production capacity can be maximized and the loss can be minimized to maintain the profit margins.

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 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 VCM and hydrochloric acid gas. Ethylene, oxygen and hydrochloric acid produce EDC via oxychlorination. VCM produces 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 0.45 million tons and 1.64 million tons, respectively. The annual production volume of PVC resin at the Company, Formosa Plastics Corporation and Ocean Plastics Co., Ltd. is 0.41 million tons, 1.26 million tons and 0.12 million tons respectively. PVC processed products in the downstream consist mainly of PVC film/sheet, PVC leather and construction products.

Sales and new projects in the domestic housing market in 2018 have grown from 2017 and major domestic public construction projects have been released. As the price of plastic raw materials held steady, downstream suppliers have gradually increased their willingness for procurement and strengthened demand for plastic construction materials. In terms of export market, India continued to buy the for first half of 2018. With the annual maintenance period in the US and the significant increased in the annual sales volume in China and Southeast Asia, the sales volume improved significantly. However, the impact of the Sino-US trade war in the second half of the year had a huge impact on the demand of the emerging markets, and the growth slowed down significantly.

In 2019, the Company will strive to sell all the production. However, due to the rising cost of upstream EDC/ethylene, the Company needs to focus more on price control.

(III) Research and Development

1. R&D expenses in 2018: NT$53,288 thousand
2. R&D expenses for 2019 as of the publication date of the Annual Report: NT$18,339 thousand
3. Research and Development Achievements
   (1) Successfully developed technologies
      (1-1) The oil absorption rate test for PVC resin ISO4612
      (1-2) Second-generation PVC stain-resistant furniture leather process technology
      (1-3) PVC rigid foamed pipe production technology
      (1-4) TPE foamed soft leather production technology
      (1-5) TPE rubber surface treatment production technology
      (1-6) PVC rigid foam door panel production technology and formula
   (2) Successfully developed products
      (2-1) Compound for eco-friendly piping
      (2-2) PVC adhesive anti-slip pad
      (2-3) PVC Australian automobile-use artificial leather
      (2-4) PVC European stain-resistant printed soft leather
      (2-5) Second-generation stain-resistant PVC rubber
      (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 soft leather
      (2-9) Soft PVC leather for agricultural machinery seats
      (2-10) Rigid PVC foam pipe
      (2-11) TPE foamed sponge leather
      (2-12) TPE leather for industrial exhaust pipe
      (2-13) TPE anti-slip leather
      (2-14) 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	Main factors affecting the success of R&D in the future
Polymerization experiment of 30L PVC	5%	6,500	Before the end of 2019	Equipment, formulas and process conditions
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	60%	500	Before the end of 2019	Raw materials, formulas and process conditions
De-taped sponge leather for multiple printing	50%	500	Before the end of 2019	Equipment Formula Production process conditions
PVC artificial bright and breathable furniture sponge leather	50%	300	Before the end of 2019	Raw materials, formulas and process conditions
Medical-grade PVC compounds	50%	250	Before the end of 2019	Equipment, formulas and process conditions
Development of third-generation stain-resistant PVC leather	90%	200	Before the end of 2019	Raw materials, formulas and process conditions
PU casting stain-resistant PVC leather	90%	200	Before the end of 2019	Raw materials, formulas and process conditions
Development of TPE leather products for baby strollers	70%	200	Before the end of 2019	Raw materials, formulas and process conditions
TPE foamed leather series for sporting goods	70%	200	Before the end of 2019	Equipment, formulas and process conditions
Stain-resistant sponge leather with vacuum embossing	70%	200	Before the end of 2019	Raw materials, formulas and process conditions
Development of TPE leather for industrial exhaust pipe	70%	150	Before the end of 2019	Raw materials, formulas and process conditions
Fire-retardant plastic compound for Grade 2 building materials	70%	80	Before the end of 2019	Raw materials, formulas and process conditions

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

1. Short-Term Development:

<u>VCM:</u>

The Company will strengthen the industry chain integration in order to stabilize the high production volume and quality, as well as actively exploring stable sources of raw material supply.

<u>PVC resin:</u>

(1) The Company will actively cooperate with the 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 2019.

(2) Flexible use of product diversification and division of labor at both the Toufen plant and Linyuan plant in order to create market and customer segments. By selecting customers with excellent credit ratings, strengthening the sales channels of the major markets and increasing the proportion of downstream manufacturers, fluctuations between the peak season and low season can be balanced as well as eliminating the obstacle caused by the excessive concentration of orders from trading companies.

<u>Alkali-chlorine:</u>

(1) In the first half of 2019, the global economy is expected to maintain flat to slightly decline. The Company will continue to strengthen its relations with the sales

channels and expand the integration of downstream marketing to enhance the quality of its services, ensure stable sales volume and increase sales.

(2) 45% of liquid caustic soda faces competition from imported products. Hence, the sales department will strengthen the relationships with core customers in order to maintain market share.

<u>PVC compounds:</u>

(1) The Company will continue to develop new niche products. In the short term, the Company will develop PVC compounds for medical equipment, rigid pipe fittings, as well as low-odor and transparent PVC compounds.

(2) The Company will continue to enhance product quality and ensure accurate delivery and services.

(3) The Company will maintain quality levels to consolidate existing sources of purchase orders from Nepal and India.

(4) The Company will develop business opportunities of piping in Bangladesh in cooperation with large-scale local manufacturers and small and medium-sized users for product promotion.

(5) 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.

<u>PVC processed products:</u>

(1) The Company will adjust the piping materials product portfolio, 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 and eco-friendly materials in order to increase the added value, differentiation and brand image.

(3) The Company will enhance product awareness and business opportunities for PVC leather / sheets through advertising, website design and participation in various major exhibitions around the world.

(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, water soluble formulas will be developed 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 secured stable annual orders from a major tractor seat manufacturer in the U.S.. These orders will expand our product portfolio and sales performance.

(7) The upgraded anti-mold formula for PVC leather used in ships has 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 labeling in line with regulatory requirements of Prop #65 in the North American market in the hopes of achieving better operations in the market.

(9) The Company will promote environmentally friendly materials and new products for the furniture, marine and footwear markets. The Company expects more sales from its innovative materials.

(10) The Company will focus on developing rigid PVC sheets in Asia. The market share has been successfully boosted, and the business is expected to grow in 2019.

(11) The Company will develop the market for colored rigid PVC in Eastern Europe, India and Indonesia. We expect to increase the shipping performance substantially in 2019

(12) The Company will continue to develop customers for PVC tape, pool and waterproof film/sheet. With the expansion of the Company's production capacity and market recovery, the business performance will continue to grow in comparison with 2018.

(13) The Company plans to participate in domestic trade shows in 2019 in order to promote and introduce the uses and development of its products to domestic and foreign customers.

2. Long-term development:

<u>VCM:</u>

The Company will implement occupational safety and health policies, as well as stabilizing manufacturing and production in order to reduce costs and ensure the long-term stability of product supply.

<u>PVC resin:</u>

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

<u>Alkali-chlorine:</u>

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

<u>PVC compounds:</u>

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.

<u>PVC processed products:</u>

(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 of 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, stationery, universal and pool adhesive sheets.

(4) The Company will do research in fashion trends to continuously develop trendy embossing and color combinations. The Company will jointly develop new products with peers to create a more comprehensive product portfolio to win over 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.

(7) The Company will continue to observe the impact of the Sino-US trade tension and track how potential customers are moving their production bases.

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 10:1:89.

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 23% of the market share. The main export regions include 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% 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 compounds:

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 materials products: Sales are mainly concentrated in domestic sales which accounts for 97% and 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 22%. 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:

With India's 2019 elections, the demand for PVC in emerging markets (India included) is estimated to grow steadily. Being subject to environmental inspections, the competition of PVC with calcium carbide process will slow down. The mid- and long-term outlook of the PVC market is positive. The VCM supply is expected to be low in the first half of the year due to the annual maintenance of Asian manufacturers. With the PVC of ethylene process becoming available from China and Southeast Asia, the demand for VCM is expected to rise in Asia. Although the market is facing turbulence due to market changes and adverse factors such as the Sino-US trade war, the long-term outlook is still positive in the long run.

<u>PVC resin:</u>

(1) The prospect of the Sino-US trade war ending during the first half of 2019 could stabilize the market. Emerging countries (Southeast Asia, Central and South America) expect economic recovery and an increase in demand. In the second half of the year, the anti-dumping act in India will be revised, which is helpful for the sales promotion of Taiwanese manufacturers. Combining the above favorable advantages, the production and sales team will strive for revenue performance to deliver excellent results.

(2) The demand of the domestic market in 2019 is expected to be relatively stable compared to 2018. The price is expected to stimulate demand in the beginning of the year. The government's plastic reduction policy and the downstream expansion of the domestic and foreign sales industries such as floor tiles and building materials are expected to sustain the demand for PVC resin.

<u>Alkali-chlorine:</u>

Domestic large-scale alkali-chlorine users are expected to maintain steady demand in 2019, due to the increase in protection capacity from main customers TSMC and upstream petrochemicals industries.

<u>PVC compounds:</u>

The market for PVC compounds is expected to grow slightly in 2019. The overseas sales of PVC compounds was affected in 2018 due to the color difference, but this problem has been addressed. Customer orders are expected to come back in 2019. In addition, the Company will continue to develop new business opportunities for PVC compounds in Bangladesh for PVC pipes.

<u>PVC processed products:</u>

(1) Building materials: Due to the growth in the housing market in 20178, public and private construction projects have increased, and the market is expecting a lot of momentum. The government continues to implement a non-interference housing market policy in 2019. New public construction projects are being launched. We expect growth in the sales of building materials.

(2) PVC film/sheet: Looking forward to 2019, 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 New Taiwan 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 2019, 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-cost competition from Vietnam, India, Mexico, and China, the sales volume is expected to increase in 2019 through product research and development, increase in product portfolio, and new market expansion by the Company's production and sales team.

3. Competitive Niches

<u>VCM:</u>

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

Alkali-chlorine:

(1) Long-term cooperation with companies in Hsinchu Science Park and Central Taiwan Science Park has established a great reputation for the Company's quality and services.

(2) The Company is close to the Hsinchu Science Park and Central Taiwan Science Park. Therefore, we enjoy advantages in the speed of delivery.

PVC compounds:

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 lines and downstream sales categories prevent the 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 IATF16949 (International Automotive Task Force) and ISO9001 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) Full control of sources of the main raw material, EDC.

(3) Fully utilizing the production 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) The decrease in EDC exports from the United States and the ban on mercury in Europe have resulted in EDC shortage. The panic buying of raw materials EDC and ethylene have led to fluctuations. China has allowed the import of EDC with batch

application for approval requirements, which increases the opportunity for instantaneous fluctuations in raw materials. This is unfavorable in maintaining raw material costs for VCM.

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

(4) The new VCM production capacity has been ramped up in Asia, which increases pressure on the sales price.

- 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.

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

(4) VCM is mostly for personal use, the Company will combine the advantages of one-stop factory production, inventory adjustment, strengthened vertical integration, and the reduction of the market's impact on VCM price to improve overall profitability.

<u>PVC resin:</u>

- Favorable Factors:

(1) The production of PVC resin 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 utilization to effectively reduce production costs.

(5) The Company continues to achieve breakthroughs in production and sales 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) The rising prices of ethylene and EDC have reduced export profitability.

(3) China's calcium carbide powder manufacturers have idle capacity. They take the chance to take orders and disrupt the market by waging a price war.

(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 resin in these three countries is rapidly increasing, in order to expand 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 strengthen 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 restricting 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 IATF16949 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 PVC sheets 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 2019, the Company will plan consecutive new product launches focusing on upholstery for furniture, passenger cars, trucks and ships. 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 yet completed.
(2) The cost of green eco-friendly materials is high, and the options are limited.

(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 obstacles in its export expansion plans.
(6) Some markets have replaced PVC with other materials.
(7) The Company continues to face exchange rate pressure, which reduces export competitiveness.

- Response Measures:

(1) Win public projects and obtain rights to supply building materials 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 gain market share.
(6) Use North America's successful high-end product portfolio and promote them in marine 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 developing 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:

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

	2017				2018				Q1, 2019 (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	1,407,454	16.41%	None	Company A	1,753,536	20.26%	None	Company A	363,610	13.28%	None
2	Company B	1,045,634	12.19%	None	Company B	1,206,648	13.94%	None	Company B	450,242	16.44%	None
3	Company C	1,554,774	18.13%	None	Company C	1,095,286	12.65%	None	Company C	313,770	11.46%	None
4	Company D	1,376,535	16.05%	None	Company D	1,166,797	13.48%	None	Company D	389,387	14.22%	None
5	Company E	864,861	10.08%	None	Company E	1,074,996	12.42%	None	Company E	125,983	4.60%	None
6	Others	2,328,343	27.14%	(Note 3)	Others	2,359,022	27.25%	(Note 3)	Others	1,095,657	40.00%	(Note 3)
	Net purchases of goods	8,577,601	100%		Net purchases of goods	8,656,285	100%		Net purchases of goods	2,738,649	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: 2017: 0.06%; 2018: 0.10%; first quarter of 2019: 0.04%.

∗ 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

	2017				2018				Q1, 2019 (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	Others	14,701,741	100.00%	Note 3	Others	15,192,621	100.00%	Note 3	Others	3,227,707	100.00%	Note 3
	Net Sales	14,701,741	100.00%		Net Sales	15,192,621	100.00%		Net Sales	3,227,707	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 shall 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: 2017: 0.05%; 2018: 0.02%; first quarter of 2019: 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$ thousands

Year / Production Volume and Value / Main Products		2017			2018		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
PVC resin, compounds, alkali-chlorine		481,375	456,662	9,936,777	491,375	475,185	10,517,579
Vinyl chloride monomer		450,000	440,008	8,375,799	450,000	445,266	8,700,437
PVC film/sheet		68,460	39,262	1,906,534	72,660	38,115	1,919,513
PVC Construction products		26,640	15,592	544,364	26,640	18,375	614,925
PVC leather		8,600	7,200	602,076	8,600	6,476	565,368
Others		0	1,036	110,857	0	900	101,407
Total	Tons	1,026,475	952,560	21,476,407	1,040,675	977,841	22,419,229
	Thousand meters	8,600	7,200		8,600	6,476	

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

Year / Production Volume and Value / Main Products		2017				2018			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
PVC resin, compounds, alkali-chlorine		112,703	2,267,296	291,767	7,795,193	118,460	2,370,143	305,748	8,222,522
Vinyl chloride monomer		43,000	939,154	3,000	66,441	43,000	969,781	6,001	131,488
PVC film/sheet		21,135	1,141,343	17,257	979,269	18,809	1,003,949	16,946	951,188
PVC Construction products		14,839	552,702	14	971	17,834	647,373	0	0
PVC leather		3,008	290,214	4,961	669,158	2,798	274,000	4,478	622,176
Total	Tons	191,677	5,190,709	312,038	9,511,032	198,103	5,265,246	328,695	9,927,374
	Thousand meters	3,008		4,961		2,798		4,478	

III. Employees

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

Year		2017	2018	April 30th, 2019
Number of employees	Indirect Labor	357	369	369
	Direct Labor	590	611	604
	Total	947	980	973
Average Age		47	47	46
Average Years of Services		19	19	18
Education Distribution	Ph.D./Masters	7%	9%	9%
	Bachelor's Degree	25%	31%	31%
	College	35%	28%	28%
	Senior High School	31%	30%	30%
	Below Senior High School	3%	2%	2%

IV. Environmental Protection Expenditure

(I) The loss or penalty caused by environmental pollution during the latest 2 years and up to the printing date of this annual report:

Unit: NT$ thousands

Pollution	Disciplinary Unit	2017	2018	As of April 30th, 2019
Violation of Air Pollution Control Act	Kaohsiung City Government	3,000	400	0
Violation of Water Pollution Control Act	Kaohsiung City Government	0	15	0
Violation of Air Pollution Control Act	Miaoli County Government	300	100	0
Violation of Waste Disposal Act	Miaoli County Government	30	0	0
Violation of Toxic and Concerned Chemical Substances Control Act	Taipei City Government	0	0	20

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

1. Environmental Protection Policies:

(1)Comply with relevant environmental protection and occupational safety and health regulations, as well as relevant requirements derived from such regulations.

(2)Continue to conserve and reuse resources and energy, as well as reducing industrial waste.

(3)Prevent pollution and reduce potential risks in operations

(4)Continue to provide employees with education and training, implement measures related to environmental protection and occupational safety and health.

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

(6)Thoroughly implement the environmental management system to enhance environmental performance and reduce environmental risks in the community.

(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 1st, 1970 to December 31st, 1989 to set up its plant for manufacturing 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 11th to 12th, 2016, it was announced on April 11th, 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. The Environmental Protection Administration and Environmental Protection Bureau of Miaoli County announced the removal of the site from the list of controlled areas respectively on February 24th, 2017 and March 21st, 2017.

2. Expected Environmental Protection Expenditure:

Unit: NT$ thousands

Year	2019	Amount
Item	1. Operating and maintenance charges for exhaust gas treatment equipment	33,000
	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	2,000
	5. Regular applications for inspection of stationary sources of pollution	500
	6. Pressure container inspection fees	500
	7. Noise improvement	400
Expected Expenditures		53,400

(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 finance.

V. Labor Relations

(I) The company's employee welfare policies, continuing education, training, retirement systems and implementation status, labor-management agreements and protective measures for employees' rights and interests:

1. Employee Welfare Measures:

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

The Company makes annual salary adjustment according to the profitability. The average employee pay rise for 2018 was about 3%. Employees' compensation shall not be lower than 1% of the distributable earnings for the current year. The proposal to distribute NT$13,975,000 for 2018 was adopted by the Board of Directors on March 6th, 2019.

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

The Toufen Plant includes single dormitories and family dormitories for employees who are citizens of the country. They can be used by employees who are based 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 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 conduct surveys on employee training needs every year in accordance with the regulations and formulate annual training plans. The Company also prepares budgets for to organize 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 record is 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 improvement.

(5)Employee training implementation status: A total of 6,276 participants took part in training programs in 2018, and training fees totaled at NT$1,889,000.

Course Name	Participant		Course Name	Participant
(For Non-Human Resources Manager) Human Resources Management	Managers / General employees		Truck driving training	Truck drivers
[Crossover salon] Giving Is the Beginning of Change	Managers / General employees		Industrial Safety and Fire Prevention Promotion	Polymerization Section personnel
2018 Gender Awareness Training	Administration Section		Work Safety Training	PVC Sheet Maintenance Section Personnel
Civil Education and Training for Joint Defense Group of the Linyuan Industrial Park in 2018	Administration Section		Specific Chemical Operations Supervisor Training	Specific Chemical Operations Supervisors
2018 Employee Health Promotion Doctor Seminar	Safety & Health Department / Manufacturing Section		Emergency Response Drill for Engineering Department	Engineering Department personnel
2018 Kaohsiung Plant's Technical Interchange Seminar	Managers / General employees		Cooling Water Treatment Course	Polymerization Section personnel
2018 1st Annual Emergency Response Training	Manufacturing Section		Precautions for Solving Pull Roll Abnormalities	PVC Fabric Section 1 personnel
2018 2nd Annual Emergency Response Training	Manufacturing Section		Emergency Response Drill for the Processing, Storage & Transportation Section	Processing, Storage & Transportation Section personnel
Promotion of Labor Standards Act in 2018	Administration Section		Fault Tree Analysis (FTA) Training	Process Engineers
Total checkup before the 2018 annual shareholders' meeting of the Group	Managers / General employees		Emergency Response Drill for the Prevention of Typhoon for the PVC Fabric Section 1	PVC Fabric Section 1 personnel
Revised CSR Training Course	Managers / General employees		Pre-Machine Cleaning Power Off Operation Drill for the PVC Fabric Section 1	PVC Fabric Section 1 personnel
FOXBORO Decentralized Control System - 5-Day Fundamental Course	Instrument Division / Manufacturing Section		How Can Internal Auditors Prevent Risks and Respond to Crisis	Auditors
Google Machine Learning 1 to 7 course	Information Technology Division		Emergency Response Drill for the PVC Fabric Section 2	PVC Fabric Section 2
ISO27001 Pre-Review Training	Information Technology Division		Pre-Machine Cleaning Power Off Operation Drill for PVC Fabric Section 2	PVC Fabric Section 2
Training for ISO50001 Energy Management System and ISO45001 Occupational Health and Safety Management System Internal Auditors	Managers / General employees		Safety and Health On-the-Job Training for Hazardous Operations Supervisors	Hazardous Operations Supervisors

Course Name	Participant		Course Name	Participant
Dedicated PMI class	Maintenance Section / Engineering Section		Emergency Response Drill for PVC Fabric Section 3	PVC Fabric Section 3 Personnel
TIPS2018 - Intellectual Property Classification Management Training	Special Environmental Testing Section		Pre-Machine Cleaning Power Off Operation Drill for PVC Fabric Section 3	Plastic Sheet Section 3 Personnel
Training for Operators of Forklift with a Capacity of Over 1 metric ton	Maintenance Section		Emergency Response Drill for PVC Fabric Section 3	Plastic Sheet Section 3 Personnel
The step-by-step business philosophy	Managers / General employees		Emergency Response Drill for PVC Fabric Section 2	PVC Fabric Section 2
Getting to Know Taiwan on Foot	Managers / General employees		Typhoon Emergency Response Drill for the Health Management Section	Health Management Section
Introduction to the management platform for to-do items regarding employee turnover	Human Resources units		Emergency Response Drill for the Health Management Section	Health Management Section
Onboard Education and Training	Application Section / Special Environmental Testing Section		Anti-Pinch and Pre-Machine Cleaning Power Off Operation Drill for the Health Management Section	Health Management Section
Introduction to Soil Pollution Investigation and Remediation Technology and Case Studies	Environmental protection technology development personnel		Class A Toxic Chemical Professional Technical Management Personnel Training	Class A Toxic Chemical Professional Technical Management Personnel
Special Safety and Health Education Training for Small-sized Boiler Operators	Special Environmental Testing Section		Safety and Health On-the-Job Training for Management, Command and Supervision Supervisors at All Levels	Management, Command and Supervision Supervisors at All Levels
Work Improvement	Supervisors		Professional Environment, Safety and Health Preventive Measures Training	Industrial Safety and Maintenance Personnel
Work Instruction, Talent Cultivation Planning and Implementation	Supervisor		Emergency Response Drill for PVC Fabric Section 1	PVC Fabric Section 1 personnel
Seminar on Engineering Energy Conservation and Installation	Engineering Section		Self-Defense and Fire Marshalling Team Training (2018 Part 1)	Self-defense and fire marshalling team personnel
Industrial 4.0 IoT Seminar	Managers / General employees		Self-Defense and Fire Marshalling Team Training (2018 Part 2)	Self-defense and fire marshalling team personnel
Conference for Voluntary Promoters for Factory GHG Reduction	Technical Section		Safety and Health Observation and Education Training for Contractors	Industrial Safety / Engineering / Maintenance Personnel
Business Management in Uncertain Environments	Supervisors		Emergency Response Drill for Material Section	Material Section personnel
Endoscope Training	Engineering Section		Anti-Pinch Training	PVC Fabric Section 3 Personnel
Innovative Development in the Field of Chemical Industry	General Manager’s Office		Incident Investigation Training	Process Engineers
Union Labor Education Training for Taiwan VCM Corporation Linyuan Plant	Managers / General employees		Onboard Training on Air Pollution Personnel	Air Pollution Personnel
Class A Toxic Chemical Professional Technical Management Personnel	Safety and Environmental Protection Office		The Trend of "e-Commerce" Business Model in the Fintech Era and Its Impact on Internal Audit Thinking	Auditors
Target Management and Performance Appraisal	Supervisors		Work Planning Control and Execution	General employees

Course Name	Participant		Course Name	Participant
Case Studies for How the Company Should Handle Occupational Disaster Compensation	Safety and Environmental Protection Office		Emergency Response Drill for the Building Material Factory	Building material factory personnel
Cohesion of Corporate Values	Supervisors		Emergency Response Drill for General Section personnel	Polymerization Section personnel
Corporate Environmental Protection and Sustainable Development	Supervisors		Food-Grade Product Safety and Health Training	Alkali-Chlorine Section personnel
Corporate Competitiveness and Change Management	Supervisors		Raw Material Inspection and Training	Inspection personnel
Art of Observing People among Enterprises	Supervisors		Raw Material Product Inspection Training (1)	Quality control personnel
Case Studies for Stamp Duty and How to Mitigate Tax Burden	Cost Section		Raw Material Product Inspection Training (2)	Quality control personnel
Case studies for income tax declaration, expense recognition and tax reconciliation statement	Cost Section		Raw Material Product Inspection Training (3)	Quality control personnel
Level 2 Training Course for underground pipeline cathodic corrosion protection	Engineering Section		Family Education	General employees
Interview skills for successful employee selection	Supervisors/Human Resources		Oxygen-deficient operations supervisor training	Oxygen-deficient operations supervisor
Training for Organic Solvent Operations Supervisors	Manufacturing Section		Health and Safety Training for Oxygen-deficient and Confined-space Operations Personnel	Oxygen-deficient and confined-space operations personnel
Safety and Health On-the-Job Training for Organic Solvent Operations Supervisors	Storage Section		Safety and Health On-the-Job Training for the Designated Operation Personnel of High-Pressure Gas	High-pressure gas-specific equipment operators
Automation and AI	Managers / General employees		Training for Professional Certification of Competence in Piping	Engineering personnel
Training on Mobile Devices and Information Security	Information Technology Division		Polymer gel and compatibilization technologies	Process Engineers
Low-Carbon Production Technology and Guidance Briefing	Technical Section		Highly efficient problem analysis and solving skills	General employees
Decision Support and Big Data	Accounting Department		National Defense Training	General employees
Fire Prevention Personnel's Refresher Training Workshop	Safety and Environmental Protection Office		High-Pressure Gas-Specific Equipment Operator Training	High-pressure gas-specific equipment operators
Asia Microbial Trend Forum	Special Environmental Testing Section		Health Seminar (Screening and Prevention of Cancer)	General employees
Gender Equality and Sexual Harassment Prevention	Staff and workmen		Pre-Startup Safety Review (PSSR) Education Training	Process Engineers
Knowledge management	Supervisors		Safety and Health On-the-Job Training for Forklift Operators	Forklift operators
Social engineering exercises	Managers / General employees		Training for forklift operators	Forklift operators
Shaping Corporate Values	Supervisors		Processing agent application	Product Development Section personnel
Liabilities for Fraud and Case Studies	Managers / General employees		How to Handle the Problematic Employees from the Legal Perspective	Supervisors
You must change to be better	Supervisors		Emotional Management Training (DVD)	General employees

Course Name	Participant		Course Name	Participant
The science and health benefits of Qigong	Managers / General employees		Compliance Audit Training	Process Engineers
Climate Change and the Corporate Sustainability Strategy under the Paris Agreement	Managers / General employees		Strengthening the cost and profit analysis for supervisors of non-financial background	Supervisors
Firefighting Training and Emergency Drill	Managers / General employees		Mechanical Integrity (MI) Education and Training	Process Engineers
Training for Personnel in Specific Chemical Operations	Manufacturing Section		Foam panel quality inspection	Quality control personnel
On-the-Job Training for Specific Chemical Operations Supervisors	Quality Control Section		Improvement in Management for the Implementation of CSR Corporate Sustainability Training Course	CSR Promotion Personnel
Training for Oxygen-deficient Operations supervisors	Manufacturing Section		Plastic modification technology	Process Engineers
On-the-Job Training for Oxygen-Deficient Operations Supervisors	Manufacturing Section		Plastic toughing technology	Process Engineers
Energy-saving Technology Training for Motor Systems and Air-conditioning	Electrical Section		New #5 Dryer Process Training	Polymerization Section personnel
High-Pressure Gas Containers Operational Safety and Hazard Identification Promotion	Manufacturing Section		Continuing Education for Accounting Officers	Accounting Officer
On-the-Job Training for High-Pressure Gas Containers Operators	Manufacturing Section / Storage Section		Integrity Seminar - Legal Liabilities for Fraud and Case Analysis (DVD)	General employees
High-Pressure Gas Container Operator Training	Storage Section		Operating Training for Laser Jet Printers	Hard Tubing Section personnel
High-Pressure Gas-Specific Equipment Operator Training	Manufacturing Section / Storage Section		Electrical Equipment (Ups) Testing and Improvement	Maintenance personnel
On-the-Job Training/Refresher Training for High-Pressure Gas Manufacturing Safety Operation Supervisors	Manufacturing Section		Laboratory Certification Specification ISO/IEC 17025:2017 Training	Inspection personnel
Problem Analysis and Solving	Supervisors		Approach and steps to strategic thinking	Supervisors
On-the-Job Training/Refresher Training for Forklift Operators	Manufacturing Section / Maintenance Section		Auditing and digital identification for fraud	Auditors
Discussion on Leadership based on Romance of the Three Kingdoms	Supervisors		Safety and Health On-the-Job Training for Process Safety Assessment Personnel	Process Safety Assessment Personnel Training
Type 1 Pressure Vessel Operation Training	Manufacturing Section		Process Safety Management Training	Process Engineers
Bacteria Study Seminar	Special Environmental Testing Section		Process Quality Training	Polymerization Section personnel
Communications and Effective Leadership in Organizations	Supervisors		Training on Testing, Inspection and Certification Comparisons and Practices (1)	Inspection personnel
Mechanical Integrity (MI) Training	Managers / General employees		Training on Testing, Inspection and Certification Comparisons and Practices (2)	Inspection personnel
Subordinate training and coaching	Supervisors		Training on Testing, Inspection and Certification Comparisons and Practices (3)	Inspection personnel

Course Name	Participant		Course Name	Participant
Creating a High-Performance Team	Supervisors		Training on Testing, Inspection and Certification Comparisons and Practices (4)	Inspection personnel
Labor law human resources study group	Administration Section		Electrical Engineering Training	Engineering personnel
Smart Production - Road to Implementation	Supervisors		Instrument and Electrical Maintenance and Repair Training	Maintenance personnel
Start-up meeting for the chlor-alkali business group PSM promotion	Managers / General employees		Hot Coal Boiler Training	Boiler operators
Protection and reasonable use of the copyright	Managers / General employees		Emergency Response Drill for PVC Sheet Maintenance Section	PVC Sheet Maintenance Section Personnel
Complaint and Conflict Management	Supervisors		PVC Sheet Quality Control Training	PVC Sheet On-Site Personnel
Work Safety Training for New Recruits	General employees		PVC Sheet Quality Inspection Training	Quality control personnel
Business Innovation and Management	Supervisors		Emergency Drill for PVC Compound Section	PVC Compound Section personnel
Laboratory Certification Specification 17025 Training	Special Environmental Testing Section		PVC Leather Quality Control Training	Quality control personnel
Managing Cycle Implementation	Supervisors		Emergency response drill for the PVC leather factory (2018)	Personnel at PVC leather factory
Corporate Social Responsibility Progresses with Times	Supervisors		PVC Compound Quality Control Training	PVC Compound Section personnel
Safety and Health On-the-Job Training for Process Safety Assessment Personnel	Managers / General employees		Precautions for handling PVC sheet machine pull roll abnormalities (PVC Fabric Section 2)	PVC Fabric Section 2
Process Safety Information (PSI)	Managers / General employees		PVC Compound Machine Safety Operation Training	PVC Compound Section personnel
Understanding ISO9001	Supervisors		Health Management Personnel Workshop	Health management personnel
The secret of keeping vegetable for longer - how to use USii bags correctly	General employees		Procurement Management Platform Training	System Operators
Negotiation Skills	Supervisors		Machine Operation Training	PVC Leather Section 1 personnel
Embrace the Original Intention	Managers / General employees		Mechanical Maintenance Training	Maintenance personnel
Briefing on Performance Management	Managers / General employees		Coal boiler ignition start-up inspection training	Utilities Section personnel
Image Identification Technology for Machine Learning	General employees		Stress and adversity management	General employees
Profit-seeking Enterprise Income Tax Exercises	Cost Section		Eco-friendly new material application (TPV)	Product Development Section personnel
Trade Secrets Act and Case Analysis	Managers / General employees		Boiler Operation Technical Training	Boiler operators
Presentation Skills	Supervisors		#15 flare machine operation training	Hard Tubing Section personnel
Winning in Details: How to Take Your Business Forward	Managers / General employees		Occupational Safety and Health Personnel (Level 2 labor safety technicians)	Occupational Safety and Health Personnel
Adhesive Tape Association 2018 Industry Seminar	Process Engineers		Occupational Health and Safety Training for Professional Health Managers (backup classes)	Professional Health Manager
5S Activity Training	PVC Compound Section personnel		IATF 16949: 2016 File Amendment Training	Internal Auditor

Course Name	Participant		Course Name	Participant
AIMS System Online Operation Training	System Operators		Emergency Response Drill for the Alkali-Chlorine Section	Alkali-Chlorine Section personnel
HBF Process and Principles	Engineering personnel		Introduction and application of hydrochloric acid boiler	Alkali-Chlorine Section personnel
IATF 16949: 2016 Top Five Tools Training	Internal Auditor		DVD Course - Getting to Know Taiwan on Foot	Employees in all plants
IATF 16949:2016 Internal Audit Training	Internal Auditor		Type 1 Pressure Vessel Operator Retraining	On-site operators
Class B Boiler Operator Training	Class B Boiler operators		DVD Courses - Corporate Sustainability Strategy under Climate Change and the Paris Agreement	Employees in all plants
IATF 16949: 2016 Article Description	Internal Auditor		PMI courses	Related personnel
Experiencing sharing post IPF Japan	Product Development Section personnel		Pressure Vessel Operator Retraining	On-site operators
ISO 14001: 2015 Internal Auditor Training	Internal Auditor		Fire Prevention Personnel Retraining	Related personnel
ISO 9001: 2015 Internal Auditor Training	Internal Auditor		On-the-Job Training for Organic Solvent Operations Supervisor	On-site operators
ISO/IEC17025: 2017 Test Laboratory Capabilities General Requirement Training	Inspection personnel		Safety and Health Prevention and Hazard Prevention Promotion for Hazardous Devices	Related personnel
JK slow starter fault determination and elimination	Maintenance personnel		Retraining for Fixed Crane Operators	On-site operators
Update and exchange of PVC resin technology information	Sales personnel		Security Supervision Personnel Training and Retraining	Related personnel
Overview of PVC Resin Polymerization	PVC Sheet Engineer		First Aid Personnel Retraining	Related personnel
Raw Material Technology Application Seminar - Plasticizers	Process Engineers		Employee Health Promotion Doctor's Seminar	Employees in all plants
Raw materials for PVC products technology seminar - stabilizer	Process Engineers		Fire Drill	Employees in all plants
Raw materials for PVC products technology seminar - pigment	Process Engineers		Corporate Social Responsibility Progresses with Times	Employees in all plants
Raw materials for PVC products technology seminar - modifier	Process Engineers		Energy Management Personnel Training Course	Related personnel
Raw materials for PVC products technology seminar - Filling Agent	Process Engineers		High-pressure gas-specific equipment operators retraining	On-site operators
Raw materials for PVC products technology seminar - miscellaneous	Process Engineers		Primary Training for Pressure Gas Manufacturing Safety Officers	Related personnel
The step-by-step business philosophy	Managers / General employees		Retraining of High-Pressure Operators	On-site operators
General Labor Safety and Health On-the-Job Training	General employees		Forklift operators retraining	On-site operators
Provision of listing and material management training for medical devices	Product Development Section personnel		DVD Course - Legal Liabilities for Fraud and Case Analysis	Employees in all plants
Level 2 Management Personnel - Personal Healthcare Guide	General employees		Training and Retraining for Specific Chemical Operations Supervisors	On-site operators
Health Seminar for Musculoskeletal Injuries due to Human Factors	General employees		Road to Smart Peak Production	Employees holding the position of section manager or higher

3. Employee Retirement:
   (1) The "Labor Pension Act" was effective on July 1st, 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 reserve 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 set up 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 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 protection of various employee rights:

   The management attends meetings of the corporate industrial union board of directors each month. The Company has formulated the Regulations Governing the Handling of Employee Complaints, Opinions and Feedback and organizes periodic labor-management meetings to hear the 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	Certification
Accounting Department	Kuo,Chien-Chou	Continuing Training Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges, Accounting Research and Development Foundation (November 22, 2018 to November 23, 2018)
Auditing Office	Jiang,Kang-Nian	CIA

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 areas such as work philosophy, ethics, quality management system, environmental protection, occupational safety and health management.
   (3) Signing of Letter of Undertaking by employees: This document establishes the employees' commitment towards maintaining the confidentiality of information

regarding the Company's tangible and intangible operating assets, preventing the employees from infringing on the interests of the Company and so on.

(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 Insider 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. The Company has successfully obtained ISO 14001 (environmental management system), OHSAS 18001 (occupational health and safety management system), TOSHMS (Taiwan Occupational Safety & Health Management System) and so on.

(2)Each plant has an corporate labor union. The Occupational Safety and Health Committee has been set up in accordance with the Occupational Safety and Health Act. Labor representatives are appointed by labor unions. The percentage of committee members is above more than one-third of the members, which is higher than the number stipulated by the regulations. The Committee meets once per quarter. Labor representatives voice the opinions of all employees and discuss issues relating to environmental protection and safety and health.

Summary of Discussions of the Occupational Safety and Health Committee in 2018:

2.1 Waste sorting report

2.2 Incident unit supervisor reports the causes and improvement measures

2.3 Waste storage problems

2.4 The label for waste bins and toilet in the resin warehouse

2.5 Rules for lending stackers to contractors

2.6 Prevention of boiler smoke

2.7 Prevention of damage caused by rotating devices

2.8 Regulations against staff riding on stackers

2.9 Heavy Oil quality control measures

2.10 On-site parking regulations

2.11 Regulations regarding personnel not smoking at the designated smoking place

2.12 Anti-pinch precautionary measures

(3)The Company has established the "Contractor Environmental Safety and Health Management Guidelines" for contractor safety management. The content includes pre-work education and training, hazard awareness during coordination meetings, safety check and work safety permit must be obtained before giving permit to the construction, and strengthened safety supervision during construction.

In respect of the safety education and training of contractors, the Company has held a total of 28 training sessions on “Safety and Health Training for Contractors to improve the overall safety and health of the contracting operations.

(4)The Company has established the "Safety and Health Inspection and Environmental Protection Inspection Guidelines" to conduct inspections on the safety and health-related matters of the plant in order to ensure the safety of the operations as well as the personnel. If any defects are found, notices are given and the deadline for improvement depends on the nature of the event.

4.1 A total of 519 items were found to need improvement by the on-site supervisor during safety and health inspections in 2018.

4.2 A total of 948 items were found to need improvement by the safety and health unit as well as work safety officers during inspections in 2018.

4.3 The improvement rate for environmental protection, health and safety issues in 2018: Number of defects: 2,218. Improved items: 2,120. Improvement rate: 95.58%, which exceeded the goal achievement rate of 92%.

(5) Strengthen enhance self-inspection and actively participate in activities of the Labor Safety and Health Promotion Associations of Toufen and Zhunan Industrial Parks.

(6) Actively attend activities held by Taiwan Responsible Care Association (TRCA) in the chemical engineering industry and 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 based on the spirit.

(7) 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 the 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 reducing carbon emissions and greenhouse gases).

(4) The Company does its best to take in to account local cultural and social traditions when conducting 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 printing date of this annual report and disclosure of potential current and future losses and countermeasures:

The Company has always laid great emphasis on the communication and harmony between the employer and employees. Labor disputes can be overcome based on 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 30th, 2019

Nature of Contract	Party	Contract Start/End Date	Main Content	Restrictive Clauses
Material Purchase Contract	Formosa Plastics Corporation	January 1st, 2018 ~ December 31st, 2018 March 1st, 2019 ~ December 31st, 2019	Taiwan VCM Corporation and Formosa Plastics Corporation signed a contract for the purchase of dichloroethane. The price is agreed upon by both parties.	None
Material Purchase Contract	MITSUI & CO., LTD.	January 1st, 2018 ~ December 31st, 2019	Taiwan VCM Corporation and MITSUI & CO., LTD. signed a contract for the purchase of dichloroethane. The price is agreed upon by both parties.	None
Material Purchase Contract	CPC Corporation	January 1st, 2018 ~ December 31st, 2019	Taiwan VCM Corporation and CPC Corporation signed a contract for the purchase of ethylene. The price is agreed upon by both parties.	None
Medium-term Secured Lending Limit Contract	Chang Hwa Bank	February 14th, 2018 ~ July 31st, 2023	CGPC and Chang Hwa Bank signed a five-year medium-term secured lending limit contract at NT$ 1 billion as a revolving credit facility.	None
Medium-term Secured Lending Limit Contract	KGI Bank	November 30th, 2016 ~ November 30th, 2021	CGPC Polymer Corporation and KGI Bank signed a five-year medium-term secured lending limit contract at NT$ 1 billion as a revolving credit facility.	None
Medium-term Lending, Foreign Exchange Credit, Medium-Term Comprehensive Limit Contract	KGI Bank	March 20th, 2019 ~ March 20th, 2023	CGPC Polymer Corporation and KGI Bank signed a three-year medium-term secured lending, foreign exchange credit and medium-term comprehensive limit contract of NT$ 500 million as a revolving credit facility.	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 worth) shall not be greater than 125%.

Chapter 6 Financial Summary

I. Condensed Financial Statements in The Most Recent Five Fiscal Years

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

Unit: NT$ thousands

Item \ Year		Financial information for the most recent five fiscal years (audited and certified)					Financial information of the current year up to March 31, 2019 (reviewed)
		2014	2015	2016	2017	2018	
Current assets		5,340,409	6,409,452	7,200,056	5,993,631	6,314,227	6,094,179
Property, plant and equipment		5,106,533	5,068,082	5,227,157	5,729,861	6,009,889	5,983,294
Intangible assets		32,452	29,733	19,589	10,238	2,493	1,166
Other assets		888,836	866,420	862,185	939,491	897,486	1,164,543
Total assets		11,368,230	12,373,687	13,308,987	12,673,221	13,224,095	13,243,182
Current liabilities	Before distribution	2,502,025	2,616,130	2,480,133	1,785,947	2,107,698	2,063,979
	After distribution	2,595,686 (Note 1)	3,084,433 (Note 1)	3,292,171 (Note 1)	2,523,946 (Note 1)	— (Note 2)	— (Note 2)
Non-current liabilities		2,787,883	2,972,381	3,073,034	2,686,426	2,305,293	2,177,192
Total liabilities	Before distribution	5,289,908	5,588,511	5,553,167	4,472,373	4,412,991	4,241,171
	After distribution	5,383,569 (Note 1)	6,056,814 (Note 1)	6,365,205 (Note 1)	5,210,372 (Note 1)	— (Note 2)	— (Note 2)
Equity attributable to owners of the Company		5,813,279	6,476,010	7,375,485	7,806,341	8,374,640	8,559,103
Capital		4,683,034	4,683,034	4,776,695	4,919,996	5,067,596	5,067,596
Capital reserve		8,232	8,221	8,220	8,236	8,929	8,931
Retained earnings	Before distribution	1,063,540	1,730,158	2,549,432	2,857,342	3,256,098	3,435,601
	After distribution	969,879 (Note 1)	1,261,855 (Note 1)	1,737,394 (Note 1)	2,119,343 (Note 1)	— (Note 2)	— (Note 2)
Other equity		58,473	54,597	41,138	20,767	42,017	46,975
Treasury stock		—	—	—	—	—	—
Non-controlling interest		265,043	309,166	380,335	394,507	436,464	442,908
Total equity	Before distribution	6,078,322	6,785,176	7,755,820	8,200,848	8,811,104	9,002,011
	After distribution	5,984,661 (Note 1)	6,316,873 (Note 1)	6,943,782 (Note 1)	7,462,849 (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 is not adopted by resolution of regular shareholders' meeting, therefore it is not listed.

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

Unit: NT$ thousands

Item \ Year		Financial information for the most recent five fiscal years (audited and certified) 2014	2015	2016	2017	2018	Financial information of the current year up to March 31, 2019 (reviewed)
Sales revenue		14,559,831	13,842,155	14,157,389	14,701,741	15,192,621	3,227,707
Gross profit		1,136,897	1,948,472	2,940,369	2,776,931	2,702,563	448,517
Net operating profit		96,309	916,128	1,874,470	1,650,788	1,572,923	183,558
Non-operating income and expenses		58,183	39,085	(73,316)	(34,645)	81,429	41,606
Net income before taxes		154,492	955,213	1,801,154	1,616,143	1,654,352	225,164
Income from operations of continued segments - after tax		148,961	844,341	1,521,307	1,341,471	1,348,653	189,859
Income from discontinued operations		(26,566)	(31,923)	21,777	(2,197)	7,467	1,109
Net income		122,395	812,418	1,543,084	1,339,274	1,356,120	190,968
Other comprehensive income (income after tax)		3,337	(11,892)	(77,288)	(27,454)	12,260	4,974
Total comprehensive income		125,732	800,526	1,465,796	1,311,820	1,368,380	195,942
Net income attributable to shareholders of the parent		118,906	767,567	1,443,125	1,269,808	1,276,156	184,234
Net income attributable to non-controlling interest		3,489	44,851	99,959	69,466	79,964	6,734
Total comprehensive income attributable to shareholders of the parent		122,933	756,403	1,367,779	1,242,878	1,289,043	189,192
Total comprehensive income attributable to non-controlling interest		2,799	44,123	98,017	68,942	79,337	6,750
Earnings Per Share	Before Adjustment	NT$0.25	NT$1.64	NT$3.02	NT$2.58	NT$2.52	NT$0.36
	After Adjustment (Note)	NT$0.23	NT$1.51	NT$2.85	NT$2.51	NT$2.52	NT$0.36

Note: The effects of stock dividends have 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 five fiscal years (audited and certified)				
		2014	2015	2016	2017	2018
Current assets		2,500,706	2,810,058	3,143,127	2,770,055	2,549,373
Property, plant and equipment		2,323,563	2,407,255	2,534,996	2,914,824	3,046,423
Intangible assets		8,257	11,190	7,907	4,178	1,640
Other assets		3,490,892	3,766,393	4,495,866	4,899,414	5,420,078
Total assets		8,323,418	8,994,896	10,181,896	10,588,471	11,017,514
Current liabilities	Before distribution	811,483	850,306	1,099,388	1,431,739	1,527,754
	After distribution	905,144 (Note 1)	1,318,609 (Note 1)	1,911,426 (Note 1)	2,169,738 (Note 2)	— (Note 2)
Non-current liabilities		1,698,656	1,668,580	1,707,023	1,350,391	1,115,120
Total liabilities	Before distribution	2,510,139	2,518,886	2,806,411	2,782,130	2,642,874
	After distribution	2,603,800 (Note 1)	2,987,189 (Note 1)	3,618,449 (Note 1)	3,520,129 (Note 2)	— (Note 2)
Capital		4,683,034	4,683,034	4,776,695	4,919,996	5,067,596
Capital reserve		8,232	8,221	8,220	8,236	8,929
Retained earnings	Before distribution	1,063,540	1,730,158	2,549,432	2,857,342	3,256,098
	After distribution	969,879 (Note 1)	1,261,855 (Note 1)	1,737,394 (Note 1)	2,119,343 (Note 2)	— (Note 2)
Other equity		58,473	54,597	41,138	20,767	42,017
Treasury stock		—	—	—	—	—
Total equity	Before distribution	5,813,279	6,476,010	7,375,485	7,806,341	8,374,640
	After distribution	5,719,618 (Note 1)	6,007,707 (Note)	6,563,447 (Note 1)	7,068,342 (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 is not adopted by resolution of regular shareholders' meeting, therefore it is 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 five fiscal years (audited and certified)				
		2014	2015	2016	2017	2018
Sales revenue		7,274,791	7,040,888	7,461,520	8,110,347	8,248,176
Gross profit		612,845	860,782	1,060,675	1,181,111	1,072,154
Net operating profit		215,147	460,541	615,407	700,487	570,055
Non-operating income and expenses		(85,179)	355,619	948,277	715,208	813,517
Net income before taxes		129,968	816,160	1,563,684	1,415,695	1,383,572
Net income		118,906	767,567	1,443,125	1,269,808	1,276,156
Other comprehensive income (income after tax)		4,027	(11,164)	(75,346)	(26,930)	12,887
Total comprehensive income		122,933	756,403	1,367,779	1,242,878	1,289,043
Earnings Per Share	Before Adjustment	NT$0.25	NT$1.64	NT$3.02	NT$2.58	NT$2.52
	After Adjustment (Note)	NT$0.23	NT$1.51	NT$2.85	NT$2.51	NT$2.52

Note: The effects of stock dividends has been retroactively adjusted.

(III) Names of certified public accountants (CPAs) and their opinions

Year	Name of Accounting	Name of CPA	Audit opinion
2018	Deloitte, Taiwan	Wu,Shih-Tsung and Kuo,Tzu-Jung	Unqualified opinion
2017	Deloitte, Taiwan	Wu,Shih-Tsung and Kuo,Tzu-Jung	Unqualified opinion
2016	Deloitte, Taiwan	Wu,Shih-Tsung and Kuo,Tzu-Jung	Unqualified opinion
2015	Deloitte, Taiwan	Wu,Shih-Tsung and Kuo,Tzu-Jung	Unqualified opinion
2014	Deloitte, Taiwan	Wu,Shih-Tsung and Kuo,Tzu-Jung	Modified unqualified opinion

II. Financial Analysis of the Most Recent Five Fiscal Years

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

Analysis Item (Note 3) / Year (Note 1)			Financial Analysis of the Most Recent Five Fiscal Years (audit and certification)					Details	Financial information of the current year up to March 31, 2019 (reviewed)
			2014	2015	2016	2017	2018		
Finance structure	Debt-asset Ratio (%)		46.53	45.16	41.72	35.28	33.37		32.02
	Proportion of long-term capital in property, plant, and equipment (%)		173.62	192.52	207.16	190.00	184.96		186.84
Solvency	Current ratio (%)		213.44	244.99	290.30	335.59	299.57		295.26
	Quick ratio (%)		123.90	172.02	218.13	228.65	215.29		167.53
	Interest coverage ratio		5.28	30.84	83.33	124.88	164.74	1.	70.18
Operating capacity	Receivables turnover ratio (times)		10.79	10.31	10.16	9.45	8.72		7.50
	Average days of collection		33.82	35.40	35.92	38.62	41.85		48.66
	Inventory turnover ratio (times)		7.15	6.07	6.28	6.66	6.99		5.18
	Average days of sales		51.05	60.13	58.12	54.80	52.21		70.46
	Payables turnover ratio (times)		17.79	16.73	12.45	12.71	12.88		10.09
	Property, plant, and equipment turnover ratio (times)		2.82	2.72	2.75	2.68	2.59		2.15
	Total assets turnover ratio (times)		1.27	1.17	1.10	1.13	1.17		0.98
Profitability	Return on assets (%)		1.29	7.06	12.16	10.39	10.54		1.46
	Return on Equity (%)		1.98	12.63	21.22	16.79	15.94		2.14
	Ratio of net profit before tax to paid-in capital (%) (Note 7)		2.73	19.72	38.16	32.80	32.79		4.47
	Net profit margin (%)		0.84	5.87	10.90	9.11	8.93		5.92
	Earnings Per Share	Before Adjustment (NT$)	0.25	1.64	3.02	2.58	2.52		0.36
		After Adjustment (NT$)	0.25	1.60	2.93	2.51	2.52		0.36
Cash flow	Cash flow ratio (%)		8.73	14.92	88.10	90.23	86.71		13.25
	Cash flow adequacy ratio (%)		63.87	88.71	151.49	97.46	98.42		102.10
	Cash reinvestment ratio (%)		(0.84)	1.66	9.10	3.90	5.39	2.	1.40
Leverage	Degree of operating leverage (DOL)		4.86	3.09	2.10	2.31	2.48		4.31
	Degree of financial leverage (DFL)		1.45	1.03	1.01	1.01	1.01		1.02

Reasons for the change of various financial ratios in the most recent two fiscal years: (analysis can be exempted if the change of increase or decrease did not reach 20%)

1. The increase in the interest coverage ratio is mainly due to the increase of the pre-tax net profit of the continuing operations and discontinued operations in the year 2018 by NT$48 million and the decrease of the interest expense by NT$3 million.
2. The increase in the cash reinvestment ratio was due to the increase of net cash inflow of NT$216 million from operating activities (mainly due to the decrease of NT$142 million in inventory) and the decrease of NT$93 million in cash dividends.

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

Analysis Item (Note 3) \ Year (Note 1)			2014	2015	2016	2017	2018	Details
			Financial Analysis of the Most Recent Five Fiscal Years (audit and certification)					
Finance structure	Debt-asset Ratio (%)		30.16	28.00	27.56	26.27	23.98	
Finance structure	Proportion of long-term capital in property, plant, and equipment (%)		323.29	338.33	358.28	314.14	311.50	
Solvency	Current ratio (%)		308.17	330.47	285.89	193.47	166.87	
Solvency	Quick ratio (%)		203.21	235.71	219.91	144.59	112.01	1.
Solvency	Interest coverage ratio		237.22	4,143.94	41,150.58	23,595.92	98,827.57	2.
Operating capacity	Receivables turnover ratio (times)		8.10	8.00	8.27	8.41	7.81	
Operating capacity	Average days of collection		45.04	45.62	44.13	43.40	46.73	
Operating capacity	Inventory turnover ratio (times)		8.71	7.66	8.62	10.04	9.56	
Operating capacity	Average days of sales		41.89	47.65	42.34	36.35	38.17	
Operating capacity	Payables turnover ratio (times)		13.05	13.01	12.50	9.24	7.46	3.
Operating capacity	Property, plant, and equipment turnover ratio (times)		3.11	2.98	3.02	2.98	2.77	
Operating capacity	Total assets turnover ratio (times)		0.86	0.81	0.78	0.78	0.76	
Profitability	Return on assets (%)		1.40	8.87	15.05	12.23	11.81	
Profitability	Return on Equity (%)		2.00	12.49	20.84	16.73	15.77	
Profitability	Ratio of net profit before tax to paid-in capital (%) (Note 7)		2.78	17.43	32.74	28.77	27.30	
Profitability	Net profit margin (%)		1.63	10.90	19.34	15.66	15.47	
Profitability	Earnings Per Share	Before Adjustment (NT$)	0.25	1.64	3.02	2.58	2.52	
Profitability	Earnings Per Share	After Adjustment (NT$)	0.25	1.60	2.93	2.51	2.52	
Cash flow	Cash flow ratio (%)		69.55	25.99	63.50	49.11	53.28	
Cash flow	Cash flow adequacy ratio (%)		71.37	126.28	101.60	80.25	65.75	
Cash flow	Cash reinvestment ratio (%)		1.72	1.03	1.70	(0.80)	0.54	4.
Leverage	Degree of operating leverage (DOL)		1.62	3.37	2.87	2.73	3.20	
Leverage	Degree of financial leverage (DFL)		1.00	1.00	1.00	1.00	1.00	

Reasons for the change of various financial ratios in the most recent two fiscal years: (analysis can be exempted if the change of increase or decrease did not reach 20%)

1. The quick ratio decreased in 2018, mainly due to the decrease of quick assets by NT$360 million (financial assets decreased by NT$560 million, cash and cash equivalents increased by NT$ 60 million, and accounts receivable increased by NT$140 million), and the increase of current liabilities by NT$96 million (accounts payable increased by NT$81 million).
2. The decrease in the interest coverage ratio is mainly because of that the interest expense is NT$14 thousand decreased by NT$46 thousand, a decrease of 77%.
3. The number of average cash payment days increased mainly due to the increase of cost by NT$250 million caused by sales increase, and the increase of accounts payable by NT$80 million.
4. The increase in the cash reinvestment ratio was mainly due to the fact that the net cash inflow from operating activities in 2018 was NT$810 million (increased by NT$110 million), which was enough to cover the cash dividend of NT$740 million (decreased by NT$70 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.

* If the financial information prepared by adopting IFRS is less than 5 years old, the financial data in the following table (2) shall be prepared separately adopting the ROC GAAP.

Note 1: Years not audited and certified by CPAs shall be noted.

Note 2: As of the date of publication of the annual report, if the financial information of a listed company or a company whose shares have been traded in the business places of securities firms, has been recently audited and certified or reviewed by CPAs, it shall be analyzed.

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 = net profit before tax and interest expense / interest expense of the current period
3. Operating ability
   (1) Accounts receivable (including accounts receivable and notes payable arising from business) turnover (times) = Net sales / Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).
   (2) Average collection days = 365 / receivables turnover.
   (3) Inventory turnover rate= cost of sales / average inventories.
   (4) Payable (including accounts payable and notes payable arising from business) turnover ratio = net sales revenue / average balance of payable for each period (including accounts payable and notes payable arising from business).
   (5) Average days for sale = 365 / inventory turnover rate.
   (6) Property, plant and equipment turnover rate = net sale/average balance of net property, factory and equipment.
   (7) Total asset turnover rate = net sales / average total assets.
4. Profitability
   (1) Return on assets = [post-tax profit or loss + interest expense x (1 - tax rate)] / average total assets.
   (2) Return on equity = post-tax profit or loss / average total equity.
   (3) Net profit margin = post-tax profit or loss / net sales.
   (4) Earnings per share = (net gain or 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 flow rising from operating activities / current liabilities.
   (2) Net cash flow adequacy ratio = net cash flow rising from operating activities in the most recent five years / (capital expenditure + inventory increase + cash dividend) in the most recent five years.
   (3) Cash re-investment ratio = (net cash flows from operating activities – cash dividend) / (gross property, plant and equipment + long-term investment + other non-current 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 profit - interest expense).

Note 4: Special attention shall be paid to the following items when calculating the earnings per share by the above-mentioned formula:

1. The weighted average number of ordinary shares shall prevail, instead of the number of year-end outstanding shares.
2. Where any cash increase or treasury stock trading exists, the period of circulation shall be taken into account to calculate the weighted average of the number of shares.
3. Where capital increase transferred from surplus or capital reserves exists, when calculating the

earnings per share of previous years and half years, it shall be retroactively adjusted according to the proportion of capital increase, need not to consider the issuance period of such capital increase.

4. If the preferred shares are nonconvertible accumulated preferred shares, the current annual dividend (whether distributed or not) shall be deducted from the net income after taxes, or increase the net loss after taxes. If the preferred shares are non-accumulated preferred shares, where net income after taxes is available, preferred share dividends should be deducted from the net income after taxes, or increase the net loss after taxes. If there is loss, no adjustment is needed.

Note 5: Special attention shall be paid to the following items when measuring the cash flow analysis:

1. Net cash flow rising from operating activities refers to the number of net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow from capital investments.
3. The increase in inventory is included only if the ending balance is greater than the beginning balance; if the ending inventory is reduced, it shall be calculated as zero.
4. Cash dividends include cash dividends from ordinary shares and preferred shares.
5. Gross property, plant and equipment refers to the total amount of real estate, plant and equipment before the deduction of accumulated depreciation.

Note 6: the issuer shall classify the various operating costs and operating expenses into fixed and variable according to their nature, and shall pay attention to their rationality and maintain consistency if there is any estimation or subjective judgment involved.

Note 7: Where the shares of the Company are of no par value or with par value of not NT$10 per share, the ratio of paid-in capital shall be calculated based on the ratio of equity attributable to the owners of the parent company on the balance sheet instead. The face value of all the Company's shares are NT$10 and are therefore calculated on the basis of paid-in capital.

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

China General Plastics Corporation
Audit Committee's Audit Report

The Company's 2018 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, Taiwan (including parent company only Financial Statements and the Consolidated Financial Statements), and the Earnings Distribution Proposal, have been audited by the Audit Committee that they are conformed with the law, hence in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act prepared and submitted the reports for approval.

Sincerely

2018 Regular Shareholders' 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 6, 2019

IV. Consolidated Financial Report Audited and Certified by CPAs for The Most Recent Fiscal Years

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, 2018, 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 prepare a separate set of combined financial statements of affiliates.

Very truly yours,

CHINA GENERAL PLASTICS CORPORATION

By

YI-GUI WU
Chairman

March 6, 2019

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 (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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 (collectively referred to as the "consolidated financial statements").

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, 2018 and 2017, 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, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

<u>Validity of Specific Revenue</u>

The amount of revenue derived from partial customers was NT$5,189,592 thousand, representing 34% of total revenue of the Group for the year ended December 31, 2018. Most of these customers were distributors, and the amount of revenue derived from specific regions significantly increased compared to the figure as of December 31, 2017. Therefore, the validity of the revenue derived from these customers has been identified as a key audit matter.

For the accounting policy of the validity of the revenue derived from these customers, refer to Notes 4 and 28 to the accompanying consolidated financial statements.

Our main audit procedures performed to assess the validity of the revenue derived from the above-mentioned customers are as follows:

1. We obtained an understanding and tested the internal control design and operating effectiveness of the validity of revenue derived from the above-mentioned customers.

2. We sampled the transaction documents related to revenue derived from the above-mentioned customers, including sales order, shipping, customs and receipt documents, to verify that the revenue was recognized while completing the performance obligation.

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

Valuation of Inventory

As of December 31, 2018, the carrying amount of the Group's inventory was NT$1,717,275 thousand (i.e. the gross amount of inventory of NT$1,796,474 thousand with a deduction of the allowance for inventory valuation of NT$79,199 thousand), representing 13% of the Group's total assets. As the Group's inventory was stated at the lower of cost or net realizable value in accordance with IAS 2 "Inventories", which involved critical judgement and accounting estimates by the management, the valuation of inventory has been identified as a key audit matter.

Refer to Notes 4, 5 and 14 to the Group's financial statements for the related accounting policies and disclosures on inventory valuation.

The main audit procedures we performed for valuation of inventory are as follows:

1. We obtained an understanding of the reasonableness of the Group's policies and methods of the allowance for inventory valuation.

2. By performing a year-end inventory observation, we understood the inventory status and evaluated the reasonableness of the allowance for inventory valuation.

3. We tested the inventory aging and net realizable value report used in valuation, including verification of the completeness, net realizable value and recalculation of the accuracy of the reports. Besides, we also performed the retrospective test to verify the validity of the impairment items and value decline in subsequent period.

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, 2018 and 2017 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, 2018 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 Shih-Tsung Wu and Tzu-Jung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 6, 2019

<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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 934,680	7	$ 663,145	5
Financial assets at fair value through profit or loss (FVTPL) - current (Notes 4 and 7)	1,432,707	11	1,395,898	11
Financial assets at amortized cost - current (Notes 4, 9 and 36)	268,954	2	-	-
Debt investments with no active market - current (Notes 4, 12 and 36)	-	-	268,805	2
Notes receivable (Notes 4 and 13)	195,847	2	179,929	1
Trade receivables (Notes 4, 13 and 35)	1,608,142	12	1,498,990	12
Other receivables (Notes 4 and 13)	84,601	1	70,802	1
Other receivables from related parties (Notes 4, 13 and 35)	11,165	-	5,472	-
Current tax assets (Notes 4 and 30)	-	-	42	-
Inventories (Notes 4 and 14)	1,717,275	13	1,856,456	15
Prepayments (Notes 4 and 21)	59,343	-	53,598	-
Other current assets	1,513	-	494	-
Total current assets	6,314,227	48	5,993,631	47
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Notes 4, 8 and 34)	122,640	1	-	-
Available-for-sale financial assets - non-current (Notes 4 and 10)	-	-	2,194	-
Financial assets measured at cost - non-current (Notes 4 and 11)	-	-	91,000	1
Investments accounted for using the equity method (Notes 4 and 17)	253,998	2	298,744	3
Property, plant and equipment (Notes 4, 18, 32, 35 and 36)	6,009,889	45	5,729,861	45
Investment properties (Notes 4, 19 and 32)	135,277	1	140,260	1
Intangible assets (Notes 4 and 20)	2,493	-	10,238	-
Deferred tax assets (Notes 4 and 30)	261,613	2	270,525	2
Long-term prepayments for leases (Notes 4 and 21)	95,184	1	100,318	1
Other non-current assets	28,774	-	36,450	-
Total non-current assets	6,909,868	52	6,679,590	53
TOTAL	$ 13,224,095	100	$ 12,673,221	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at FVTPL - current (Notes 4 and 7)	$ 1,645	-	$ 1,701	-
Notes payable (Note 23)	288	-	183	-
Trade payables (Note 23)	915,009	7	620,443	5
Trade payables to related parties (Notes 23 and 35)	171,860	1	232,011	2
Other payables (Note 24)	754,730	6	681,231	5
Other payables to related parties (Note 35)	14,263	-	22,605	-
Current tax liabilities (Notes 4 and 30)	181,491	1	141,996	1
Provisions - current (Notes 4 and 25)	-	-	25,127	-
Other current liabilities	68,412	1	60,650	1
Total current liabilities	2,107,698	16	1,785,947	14
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 18, 22 and 36)	1,000,000	8	1,050,000	8
Deferred tax liabilities (Notes 4 and 30)	593,964	4	594,162	5
Net defined benefit liabilities - non-current (Notes 4 and 26)	707,679	5	1,039,875	8
Other non-current liabilities	3,650	-	2,389	-
Total non-current liabilities	2,305,293	17	2,686,426	21
Total liabilities	4,412,991	33	4,472,373	35
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 8, 17, 26, 27 and 30)				
Ordinary shares	5,067,596	39	4,919,996	39
Capital surplus	8,929	-	8,236	-
Retained earnings				
Legal reserve	512,954	4	385,973	3
Special reserve	408,223	3	408,223	3
Unappropriated earnings	2,334,921	18	2,063,146	17
Total retained earnings	3,256,098	25	2,857,342	23
Other equity	42,017	-	20,767	-
Total equity attributable to owners of the Company	8,374,640	64	7,806,341	62
NON-CONTROLLING INTERESTS	436,464	3	394,507	3
Total equity	8,811,104	67	8,200,848	65
TOTAL	$ 13,224,095	100	$ 12,673,221	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, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
NET REVENUE (Notes 4, 28 and 35)	$ 15,192,621	100	$ 14,701,741	100
COST OF REVENUE (Notes 4, 14, 26, 29 and 35)	12,490,058	82	11,924,810	81
GROSS PROFIT	2,702,563	18	2,776,931	19
OPERATING EXPENSES (Notes 4, 26, 29 and 35)				
Selling and marketing expenses	798,642	5	803,107	6
General and administrative expenses	277,710	2	274,619	2
Research and development expenses	53,288	1	48,417	-
Total operating expenses	1,129,640	8	1,126,143	8
PROFIT FROM OPERATIONS	1,572,923	10	1,650,788	11
NON-OPERATING INCOME AND EXPENSES (Notes 4, 7, 17, 29 and 35)				
Other income	83,803	1	47,402	-
Other gains and losses	33,090	-	(84,917)	-
Interests expense	(10,149)	-	(13,028)	-
Share of profit or loss of associates accounted for using the equity method	(25,315)	-	15,898	-
Total non-operating income and expenses	81,429	1	(34,645)	-
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	1,654,352	11	1,616,143	11
INCOME TAX EXPENSE (Notes 4 and 30)	305,699	2	274,672	2
NET PROFIT FROM CONTINUING OPERATIONS (Note 29)	1,348,653	9	1,341,471	9
NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS (Notes 4 and 15)	7,467	-	(2,197)	-
NET PROFIT FOR THE YEAR	1,356,120	9	1,339,274	9

(Continued)

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 8, 10, 17, 26, 27 and 30)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ (591)	-	$ (7,496)	-
Unrealized gain on investments in equity instrument at FVTOCI	20,346	-	-	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method - remeasurement of defined benefit plans	462	-	(161)	-
Share of the other comprehensive loss of associates accounted for using the equity method - unrealized loss on investments in equity instrument at FVTOCI	(19,493)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	7,778	-	561	-
	8,502	-	(7,096)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	7,723	-	(38,607)	-
Unrealized gain on available-for-sale financial assets	-	-	33	-
Share of the other comprehensive loss of associates accounted for using the equity method - exchange differences on translating foreign operations	(400)	-	(151)	-
Share of the other comprehensive income of associates accounted for using the equity method - unrealized gain on available-for-sale financial assets	-	-	11,804	-
Income tax relating to items that may be reclassified subsequently to profit or loss	(3,565)	-	6,563	-
	3,758	-	(20,358)	-
Other comprehensive income (loss) for the year, net of income tax	12,260	-	(27,454)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,368,380	9	$ 1,311,820	9

(Continued)

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 1,276,156	8	$ 1,269,808	9
Non-controlling interests	79,964	1	69,466	-
	$ 1,356,120	9	$ 1,339,274	9
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 1,289,043	8	$ 1,242,878	8
Non-controlling interests	79,337	1	68,942	1
	$ 1,368,380	9	$ 1,311,820	9
EARNINGS PER SHARE (Note 31)				
From continuing and discontinued operations				
Basic	$ 2.52		$ 2.51	
Diluted	$ 2.51		$ 2.50	
From continuing operations				
Basic	$ 2.50		$ 2.51	
Diluted	$ 2.50		$ 2.50	

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company (Notes 4, 8, 17, 26, 27 and 30)														
									Other Equity						
	Share Capital	Capital Surplus			Retained Earnings				Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Investments in Equity Instruments at FVTOCI	Total	Total	Non-controlling Interests (Note 27)	Total Equity
	Ordinary Shares	Unpaid Dividends	Others	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total							
BALANCE AT JANUARY 1, 2017	$ 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
Effect of retrospective restatement	-	-	-	-	-	-	-	-	-	(40,350)	56,912	16,562	16,562	-	16,562
BALANCE AT JANUARY 1, 2018, AS RESTATED	4,919,996	7,929	307	8,236	385,973	408,223	2,063,146	2,857,342	(19,583)	-	56,912	37,329	7,822,903	394,507	8,217,410
Appropriation of 2017 earnings															
Legal reserve	-	-	-	-	126,981	-	(126,981)	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(737,999)	(737,999)	-	-	-	-	(737,999)	-	(737,999)
Share dividends distributed by the Company	147,600	-	-	-	-	-	(147,600)	(147,600)	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(37,380)	(37,380)
Other changes in capital surplus	-	693	-	693	-	-	-	-	-	-	-	-	693	-	693
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	1,276,156	1,276,156	-	-	-	-	1,276,156	79,964	1,356,120
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	8,199	8,199	3,758	-	930	4,688	12,887	(627)	12,260
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	-	1,284,355	1,284,355	3,758	-	930	4,688	1,289,043	79,337	1,368,380
BALANCE AT DECEMBER 31, 2018	$ 5,067,596	$ 8,622	$ 307	$ 8,929	$ 512,954	$ 408,223	$ 2,334,921	$ 3,256,098	$ (15,825)	$ -	$ 57,842	$ 42,017	$ 8,374,640	$ 436,464	$ 8,811,104

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	$ 1,654,352	$ 1,616,143
Income (loss) before income tax from discontinued operations	7,467	(2,197)
Income before income tax	1,661,819	1,613,946
Adjustments for:		
Depreciation expenses	502,930	430,606
Amortization expenses	23,668	24,755
Expected credit loss recognized on trade receivables	1,469	-
Impairment reversed recognized on trade receivables	-	(2,045)
Net (gain) loss on fair value change on financial assets carried at FVTPL	(7,183)	33,565
Interest expense	10,149	13,028
Interest income	(16,400)	(13,710)
Dividend income	(1,672)	(79)
Share of (profit) loss of associates	25,315	(15,898)
Gain on disposal of property, plant and equipment	(6,484)	(2,906)
Net loss on disposal of available-for-sale financial assets	-	(2,936)
Impairment loss recognized on financial assets measured at cost	-	3,035
Write-down of inventories	2,907	4,490
Impairment loss (reversal) recognized on property, plant and equipment	168	(951)
Amortization of long-term prepayments for leases	3,456	3,413
Changes in operating assets and liabilities		
Financial assets held for trading	(34,887)	656,210
Financial assets mandatorily classified as at FVTPL	5,205	-
Notes receivable	(15,918)	(27,588)
Trade receivables	(107,010)	(226,301)
Other receivables	(12,230)	(5,888)
Other receivables from related parties	(5,562)	133,357
Inventories	142,065	(153,044)
Prepayments	(5,858)	13,594
Other current assets	(1,019)	1,215
Notes payable	105	1,497
Trade payables	294,436	(168,239)
Trade payables to related parties	(60,151)	(2,116)
Other payables	58,512	(15,875)
Other payables to related parties	(8,394)	(5,538)
Provisions	-	9,088
Other current liabilities	(40,694)	(4,801)
Net defined benefit liabilities	(332,787)	(388,261)
Cash generated from operations	2,075,955	1,905,623
Interest received	15,083	14,233
Interest paid	(10,284)	(12,801)
Income tax paid	(253,118)	(295,566)
Net cash generated from operating activities	1,827,636	1,611,489

(Continued)

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from capital reduction of financial assets at FVTOCI	$ 7,462	$ -
Purchase of financial assets at amortized cost	(268,954)	-
Proceeds from sale of financial assets at amortized cost	268,805	-
Proceeds from sale of available-for-sale financial assets	-	5,948
Purchase of debt investments with no active market	-	(626,264)
Proceeds from sale of debt investments with no active market	-	626,115
Refunds of financial assets measured at cost by capital reduction	-	9,000
Payments for property, plant and equipment	(755,004)	(1,022,063)
Proceeds from disposal of property, plant and equipment	17,398	6,857
Increase in refundable deposits	(53)	(13,025)
Decrease in refundable deposits	398	12,606
Payments for intangible assets	(366)	(235)
Dividends received	1,672	79
Increase in long-term prepayments	(8,225)	(15,563)
Net cash used in investing activities	(736,867)	(1,016,545)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of short-term borrowings	-	(160,000)
Repayment of short-term bills payable	-	(300,000)
Repayments of long-term borrowings	(50,000)	-
Proceeds from guarantee deposits received	2,924	733
Refunds of guarantee deposits received	(1,665)	(2,326)
Increase (decrease) in other non-current liabilities	2	(2,243)
Dividends paid to owners of the Company	(735,982)	(812,014)
Dividends paid to non-controlling interests	(37,380)	(54,770)
Net cash used in financing activities	(822,101)	(1,330,620)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	2,867	(10,133)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	271,535	(745,809)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	663,145	1,408,954
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 934,680	$ 663,145

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

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 "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 6, 2019.

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:

   1) IFRS 9 "Financial Instruments" and related amendments

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and for hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

      The requirements for classification, measurement and impairment of financial assets have been applied retrospectively starting from January 1, 2018. IFRS 9 is not applicable to items that have already been derecognized as of December 31, 2017.

      Classification, measurement and impairment of financial assets

      On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Asset	IAS 39	IFRS 9	IAS 39	IFRS 9	Remark
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 663,145	$ 663,145	a)
Derivatives	Held for trading	Mandatorily at fair value through profit or loss (i.e. FVTPL)	2,297	2,297	
Equity securities	Available for sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	93,194	109,756	b)
	Available for sale	Mandatorily at FVTPL	-	-	b)
Fund beneficiary certificates	Held for trading	Mandatorily at FVTPL	1,393,601	1,393,601	
Pledged time deposits	Loans and receivables	Amortized cost	268,805	268,805	c)
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	1,690,668	1,690,668	a)
Refundable deposits	Loans and receivables	Amortized cost	16,440	16,440	a)

Financial Asset	IAS 39 Carrying Amount as of January 1, 2018	Reclassified-cation	Remeasure-ment	IFRS 9 Carrying Amount as of January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTOCI						
Equity instruments	$ -	$ -	$ -			
Add: Reclassification from available-for-sale (IAS 39)	-	93,194	16,562			b)
	-	93,194	16,562	$ 109,756	$ 16,562	
Amortized cost						
Add: Reclassification from loans and receivables (IAS 39)	-	2,639,058	-			a) and c)
	-	2,639,058	-	2,639,058	-	
Total	$ -	$ 2,732,252	$ 16,562	$ 2,748,814	$ 16,562	

a) Cash and cash equivalents, notes receivable, trade receivables, other receivables and refundable deposits previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

b) As equity securities previously classified as available-for-sale financial assets under IAS 39 were not held for trading, the Group elected to designate these securities as at FVTOCI and FVTPL under IFRS 9. As a result, the related other equity - unrealized gain (loss) on available-for-sale financial assets of $40,350 thousand was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI.

Investments in unlisted shares, respectively, previously measured at cost under IAS 39 have been classified at FVTPL and designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $16,562 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

c) Pledged time deposits previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because as of January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for the related accounting policies.

In identifying performance obligations, IFRS 15 and the related amendments require that a good or service is distinct if it is capable of being distinct and the promise to transfer it is distinct within the context of the contract. The application of IFRS 15 is not expected to have a material impact on the Group.

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and to reclassify the advances received of $39,953 thousand to contract liabilities and the provision for customer returns and rebates of $25,127 thousand to refund liabilities.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the “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)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term 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 January 1, 2018.

Note 3: 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 “Leases” and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in mainland China are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases under IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at their carrying amounts as if IFRS 16 had been applied since the commencement date but discounted using the aforementioned incremental borrowing rate. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

d) The Group will exclude initial direct costs from the measurement of the right-of-use asset on January 1, 2019.

The Group as lessor

The Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Carrying Amount as of January 1, 2019
Prepayments	$ 3,389	$ (3,389)	$ -
Long-term prepayments for lease	95,184	(95,184)	-
Right-of-use-assets	-	347,482	347,482
Total effect on assets	$ 98,573	$ 248,909	$ 347,482
Lease liabilities - current	$ -	$ 36,161	$ 36,161
Lease liabilities - non-current	-	215,759	215,759
Total effect on liabilities	$ -	$ 251,920	$ 251,920
Retained earnings	$ 3,256,098	$ (2,705)	$ 3,253,393
Non-controlling interests	436,464	(306)	436,158
Total effect on equity	$ 3,692,562	$ (3,011)	$ 3,689,551

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 consolidated 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)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (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 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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 Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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 consolidated 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 which 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.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 16 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 measured 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 FVTPL) 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 FVTPL 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

<u>2018</u>

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and derivative instruments and fund beneficiary certificates that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured 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 such a financial asset. Fair value is determined in the manner described in Note 34.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable at amortized cost, trade receivables, other receivables, pledged time deposits and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such a financial asset; and

- Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such a financial asset.

Cash equivalents include time deposits and reverse 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.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

<u>2017</u>

Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale financial assets and loans and receivables.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are held for trading.

Financial assets at FVTPL 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 such a financial asset. Fair value is determined in the manner described in Note 34.

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 FVTPL.

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 reverse 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

<u>2018</u>

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the respective financial asset.

2017

Financial assets, other than those at FVTPL, 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 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 with collecting payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets 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 its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets 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 on which the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of a 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 became 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 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 its 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.

Before 2018, 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. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, 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. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

Except the derivative instruments, 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.

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, derivatives embedded in hybrid contracts, which contain financial asset hosts within the scope of IFRS 9, are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

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

2018

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied. The refund liabilities are recognized at the time of sale based on the seller’s reliable estimate of future returns and based on past experience and other relevant factors.

- Revenue from the sale of goods

  Revenue from the sale of goods comes from the sale of chlor-alkali products, PVC resins, PVC compounds and other related products. The sale of goods above is recognized as revenue when the goods are delivered to a customer because it is the time when the customer has full discretion over the manner of distribution and the price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

2017

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.

Write-down of Inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

Associate's Estimated Damage Compensation for Kaohsiung Gas Explosions

The Group's associate, China General Terminal & Distribution Corporation ("CGTD"), recognized a provision caused by the Kaohsiung gas explosions. The management estimated the provision based on the progress of civil/criminal judgement, settlement, and the legal advice. However, the difference between the estimated compensation and the actual amount may exist.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand and petty cash	$ 484	$ 439
Checking accounts and demand deposits	207,907	188,034
Cash equivalents		
Time deposits	518,469	474,672
Reverse repurchase agreements collateralized by bonds	207,820	-
	$ 934,680	$ 663,145

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	
	2018	2017
Cash in banks	0.001%-3.00%	0.001%-2.10%
Repurchase agreements collateralized by bonds	0.53%-0.55%	-

7. FINANCIAL INSTRUMENTS AT FVTPL - CURRENT

	December 31	
	2018	2017
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	$ -	$ 2,297
Non-derivative financial assets		
Open-end fund beneficiary certificates	-	1,203,395
Closed-end fund beneficiary certificates	-	190,206
	-	1,395,898
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	839	-
Non-derivative financial assets		
Open-end fund beneficiary certificates	1,222,661	-
Closed-end fund beneficiary certificates	209,207	-
Overseas unlisted equity investments	-	-
	1,432,707	-
	$ 1,432,707	$ 1,395,898
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ 1,645	$ 1,701

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, 2018			
Buy	NTD/USD	2019.01.07-2019.03.04	NTD521,446/USD16,965
Sell	USD/NTD	2019.01.03-2019.03.21	USD19,860/NTD609,577
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

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. FINANCIAL ASSETS AT FVTOCI - 2018

Investments in Equity Instruments at FVTOCI

	December 31, 2018
Non-current	
Domestic equity investments	
Listed ordinary shares	
Asia Polymer Corporation	$ 1,593
Unlisted ordinary shares	
KHL IB Venture Capital Co., Ltd.	121,047
	$ 122,640

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 2018. The return was made by reducing 8.2% of the capital, in aggregation of 12,536 thousand shares (proportionately reducing 82 shares per 1,000 shares) and refunding $820 per 1,000 shares to shareholders. The capital reduction was officially registered on August 16, 2018, and the Company received the capital refund of $7,462 thousand in August 2018.

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as it believes that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale financial assets and financial assets measured at cost under IAS 39. Refer to Notes 3, 10 and 11 for information relating to their reclassification and comparative information for 2017.

9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Current	
Domestic investments	
Pledged time deposits	$ 268,954

As of December 31, 2018, the interest rates for pledged time deposits ranged from 0.090% to 1.015%. Pledged time deposits were classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 12 for information relating to their reclassification and comparative information for 2017.

Refer to Note 36 for information related to financial assets at amortized cost pledged as security.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Domestic listed shares	$ 2,194
Non-current	$ 2,194

11. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Non-current	
Overseas unlisted equity investments - ordinary shares Teratech Corporation ("Teratech")	$ -
Overseas unlisted equity investments - preference shares SOHOware, Inc. ("SOHOware")	-
Domestic unlisted equity investments - ordinary shares KHL IB Venture Capital Co., Ltd. ("KHL")	91,000
	$ 91,000

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.

12. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2017
Current	
Pledged time deposits	$ 268,805

The market interest rate intervals of pledged time deposits were as follows:

	December 31, 2017
Pledged time deposits	0.09%-1.015%

Refer to Note 36 for information related to debt investments with no active market pledged as security.

13. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2018	2017
Notes receivable		
Notes receivable - operating	$ 195,847	$ 179,929
Trade receivables		
At amortized cost		
Gross carrying amount	$ 1,621,877	$ 1,511,309
Less: Allowance for impairment loss	(13,735)	(12,319)
	$ 1,608,142	$ 1,498,990
Other receivables		
Tax refund receivables	$ 74,916	$ 64,525
Interest receivables	939	561
Others	9,000	5,974
Less: Allowance for impairment loss	(254)	(258)
	$ 84,601	$ 70,802
Other receivables from related parties (Note 35)	$ 11,165	$ 5,472

a. Trade receivables

The Group's credit period for the sale of goods ranges from 10 days to 60 days. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting a new customer, the Group surveys the customers' credit history and measures the potential customer's credit quality to set a credit limit. A customer's credit limit and rating are reviewed annually. In addition, the Group reviews the recoverable amount of trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to the recognition of allowances for expected credit losses during the reporting as prescribed by IFRS 9, which permits the use of a lifetime expected losses allowance for all trade receivables. The expected credit losses on trade receivables are estimated using an allowance matrix by reference to past default experience with the respective debtors and an analysis of the debtors' current financial positions, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables which are due.

The following table details the loss allowance of trade receivable based on the Group's allowance matrix.

December 31, 2018

	Credit Rating A	Credit Rating B	Credit Rating C	Others	Total
Gross carrying amount	$ 199,761	$ 417,265	$ 221,341	$ 783,510	$ 1,621,877
Loss allowance (lifetime ECLs)	-	(3,888)	(5,571)	(4,276)	(13,735)
Amortized cost	$ 199,761	$ 413,377	$ 215,770	$ 779,234	$ 1,608,142

The aging of notes receivable and trade receivables was as follows:

	December 31, 2018
Not past due	$ 1,750,493
Less than and including 60 days	64,638
Over 60 days	2,593
	$ 1,817,724

The above aging schedule was based on the number of days past due from the end of credit term.

The movements of the loss allowance of trade receivables were as follows:

	For the Year Ended December 31, 2018
Balance at January 1, 2018 per IAS 39	$ 12,319
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	12,319
Add: Net remeasurement of loss allowance	1,469
Less: Amounts written off	(106)
Foreign exchange gains and losses	53
Balance at December 31, 2018	$ 13,735

For the year ended December 31, 2017

The Group applied the same credit policy in 2018 and 2017.

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. For part of the trade receivables, the Group entered into credit insurance contracts to enhance its guarantee. Therefore, the Group considered the recoverable amount of the insurance contracts when determining the amount of allowance for impairment loss. In addition, the Group did not have the legal right to offset any amounts owed by the Group against those payables to the respective counterparties.

The aging of notes receivable and trade receivables was as follows:

	December 31, 2017
Not past due	$ 1,655,860
Less than and including 60 days	28,488
Over 60 days	6,890
	$ 1,691,238

The above aging schedule was based on the number of days past due from the end of credit term.

The aging of trade receivables that were past due but not impaired was as follows:

	December 31, 2017
Less than and including 60 days	$ 28,488
Over 60 days	6,673
	$ 35,161

The above aging schedule was based on the number of past due days from the end of credit term.

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, 2017	$ 6,022	$ 10,652	$ 16,674
Less: Impairment losses reversed	(3,512)	1,467	(2,045)
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, 2018, the Group assessed the impairment loss of other receivables using expected credit losses. There were no other receivables which were past due and for which there was an unrecognized allowance for the respective doubtful accounts as of December 31, 2017.

14. INVENTORIES

	December 31	
	2018	2017
Finished goods	$ 1,131,291	$ 1,118,114
Work in progress	45,025	39,207
Raw materials	540,959	699,135
	$ 1,717,275	$ 1,856,456

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $12,490,058 thousand and $11,924,810 thousand, respectively.

The cost of goods sold included inventory write-downs of $2,907 thousand and $4,490 thousand for the years ended December 31, 2018 and 2017, respectively.

15. 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	
	2018	2017
Administrative expenses	$ (33,267)	$ (29,543)
Loss from operations	(33,267)	(29,543)
Non-operating income	40,734	27,346
Net profit (loss) from discontinued operations	$ 7,467	$ (2,197)

For the years ended December 31, 2018 and 2017, the cash flows from the discontinued operations were as follows:

	For the Year Ended December 31	
	2018	2017
Net cash generated from operating activities	$ 17,640	$ 28,308
Net cash generated from investing activities	378	3,005
Effect of exchange rate changes	(334)	(301)
Net cash inflow	$ 17,684	$ 31,012

16. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

			Proportion of Ownership (%) December 31		
Investor	Subsidiary	Nature of Activities	2018	2017	Note
The Company	CGPC Polymer Corporation ("CGPCPOL")	Manufacturing and marketing of PVC resins	100.00	100.00	Subsidiary, a
	Taiwan VCM Corporation ("TVCM")	Manufacturing and marketing of VCM	87.22	87.22	Subsidiary, b
	CGPC (BVI) Holding Co., Ltd. ("CGPC (BVI)")	Reinvestment	100.00	100.00	Subsidiary
	CGPC America Corporation ("CGPC America")	Marketing of PVC film and leather products	100.00	100.00	Subsidiary
	Krystal Star International Corporation ("Krystal Star")	Marketing of PVC film and consumer products	100.00	100.00	Subsidiary
CGPC (BVI)	Continental General Plastics (Zhong Shan) Co., Ltd. ("CGPC (ZS)")	Manufacturing & marketing of PVC film and consumer products	100.00	100.00	Subsidiary of CGPC (BVI), c
	CGPC Consumer Products Corporation ("CGPC (CP)")	Manufacturing & marketing of PVC consumer products	100.00	100.00	Subsidiary of CGPC (BVI), c

a. On May 23, 2018 and May 22, 2017, the board of directors of CGPCPOL, on behalf of the shareholders, resolved to increase its capital by declaring a share dividend of $223,810 thousand and $243,465 thousand, representing 22,381 thousand shares and 24,347 thousand shares, respectively. The record date of the capital increase was July 6, 2018 and July 7, 2017, respectively.

b. On April 23, 2018 and May 4, 2017, the TVCM shareholders in their meeting passed a resolution to increase TVCM's capital by declaring a share dividend of $112,476 thousand and $107,120 thousand, representing 11,248 thousand shares and 10,712 thousand shares, respectively. The record date of the capital increase was July 6, 2018 and July 7, 2017, respectively.

c. In October 2011, the board of directors of the Company resolved to dissolve CGPC (ZS) and CGPC (CP). As of December 31, 2018, the dissolution procedures have not yet been completed.

Except for the financial statements of TVCM and CGPCPOL, the financial statements of other non-significant subsidiaries included in the consolidated financial statements were not reviewed by the auditors.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

a. Associates that are not individually material

	December 31	
	2018	**2017**
Listed company		
Acme Electronics Corporation ("ACME")	$ 24,926	$ 23,731
Unlisted company		
China General Terminal & Distribution Corporation ("CGTD")	228,250	272,509
Thintec Materials Corporation ("TMC")	1,452	2,504
	$ 253,998	$ 298,744

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2018	**2017**
The Group's share of:		
Gain (loss) from continuing operations	$ (25,315)	$ 15,898
Other comprehensive income (loss)	(19,431)	11,492
Total comprehensive income (loss) for the year	$ (44,746)	$ 27,390

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	**2018**	**2017**
ACME	1.74%	1.74%
CGTD	33.33%	33.33%
TMC	10.00%	10.00%

The Group in conjunction with its affiliates jointly held more than 20% of each 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	**2018**	**2017**
ACME	$ 42,241	$ 58,439

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, 2018 and 2017 were based on the associates' financial statements which have been audited for the same years.

18. 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, 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
Cost							
Balance at January 1, 2018	$ 2,105,218	$ 2,052,583	$ 9,508,535	$ 60,655	$ 330,882	$ 495,804	$ 14,553,677
Additions	-	-	459	1,539	1,000	788,141	791,139
Disposals	-	(7,572)	(237,879)	(2,281)	(6,931)	-	(254,663)
Reclassification	-	63,042	479,383	4,602	16,680	(563,877)	(170)
Effect of foreign currency exchange differences	-	(5,695)	(439)	(37)	126	(148)	(6,193)
Balance at December 31, 2018	$ 2,105,218	$ 2,102,358	$ 9,750,059	$ 64,478	$ 341,757	$ 719,920	$ 15,083,790
Accumulated depreciation and impairment							
Balance at January 1, 2018	$ -	$ 1,082,032	$ 7,417,915	$ 43,723	$ 271,735	$ 8,411	$ 8,823,816
Depreciation expenses	-	71,056	406,005	5,356	15,530	-	497,947
Disposals	-	(7,190)	(227,530)	(2,280)	(6,749)	-	(243,749)
Impairment losses reversed	-	-	-	-	362	(194)	168
Effect of foreign currency exchange differences	-	(3,715)	(485)	(32)	99	(148)	(4,281)
Balance at December 31, 2018	$ -	$ 1,142,183	$ 7,595,905	$ 46,767	$ 280,977	$ 8,069	$ 9,073,901
Carrying amounts at December 31, 2018	$ 2,105,218	$ 960,175	$ 2,154,154	$ 17,711	$ 60,780	$ 711,851	$ 6,009,889

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 36.

19. INVESTMENT PROPERTIES

	Land	Building and improvements	Total
Cost			
Balance at January 1, 2017	$ 27,715	$ -	$ 27,715
Reclassification from properties, plant and equipment	-	142,751	142,751
Reclassification to properties, plant and equipment	(14,511)	(13,204)	(27,715)
Balance at December 31,2017	$ 13,204	$ 129,547	$ 142,751
Accumulated depreciation			
Balance at January 1, 2017	$ -	$ -	$ -
Depreciation expense	-	2,491	2,491
Balance at December 31,2017	$ -	$ 2,491	$ 2,491
Carrying amount at December 31, 2017	$ 13,204	$ 127,056	$ 140,260

(Continued)

	Land	Building and improvements	Total
Cost			
Balance at January 1 and December 31, 2018	$ 13,204	$ 129,547	$ 142,751
Accumulated depreciation			
Balance at January 1, 2018	$ -	$ 2,491	$ 2,491
Depreciation expense	-	4,983	4,983
Balance at December 31,2018	$ -	$ 7,474	$ 7,474
Carrying amount at December 31, 2018	$ 13,204	$ 122,073	$ 135,277

(Concluded)

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. The Group entered into a mutual lease agreement with USIO after the Group acquired the plant located at Toufen and its attached equipment in June 2017.

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.

Regarding the lease on the land in Toufen Industrial District between the Group and USIO, refer to Note 32 for the related disclosures.

20. INTANGIBLE ASSETS

	Computer Software	Technical Authorization	Total
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
Cost			
Balance at January 1, 2018	$ 21,644	$ 35,544	$ 57,188
Additions	366	-	366
Disposals	(5,488)	-	(5,488)
Balance at December 31, 2018	16,522	35,544	52,066

(Continued)

	Computer Software	Technical Authorization	Total
Accumulated amortization			
Balance at January 1, 2018	$ 16,907	$ 30,043	$ 46,950
Amortization expenses	3,033	5,078	8,111
Disposals	(5,488)	-	(5,488)
Balance at December 31, 2018	14,452	35,121	49,573
Carrying amounts at December 31, 2018	$ 2,070	$ 423	$ 2,493

(Concluded)

Intangible assets were amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	3 years
Technical authorization	7 years

21. PREPAYMENTS FOR LEASES

	December 31	
	2018	2017
Current (included in prepayments)	$ 3,389	$ 3,449
Non-current	95,184	100,318
	$ 98,573	$ 103,767

Prepaid lease payments are land use rights located in mainland China.

22. LONG-TERM BORROWINGS

	December 31	
	2018	2017
Line of credit borrowings	$ 500,000	$ 500,000
Secured loans	500,000	550,000
	$ 1,000,000	$ 1,050,000
The range of interest rate	0.99%-1.04%	1.04%

In order to increase medium-term working capital, CGPCPOL entered into a 3-year credit contract with KGI Bank (formerly China Development Industrial Bank) with a revolving credit limit of $500,000 thousand. The credit limit has been fully utilized. In addition, CGPCPOL entered into another 5-year credit contract with KGI Bank with a revolving credit limit of $1,000,000 thousand, and the credit limit has been reduced to $950,000 thousand on November 30, 2018. As of December 31, 2018, the utilized credit amounted to $500,000 thousand. The Group set out the assets as pledged collateral for bank borrowings in Note 36.

23. NOTES PAYABLE AND TRADE PAYABLES

	December 31 2018	2017
Notes payable		
Operating	$ 288	$ 183
Trade payables (including related parties)		
Operating	$ 1,086,869	$ 852,454

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.

24. OTHER PAYABLES - CURRENT

	December 31 2018	2017
Payables for salaries or bonuses	$ 305,678	$ 299,736
Payables for purchases of equipment	100,624	64,489
Payables for freight	73,585	78,922
Payables for utilities	60,241	57,518
Payables for fuel fees	19,830	19,192
Others	194,772	161,374
	$ 754,730	$ 681,231

25. PROVISIONS - CURRENT

	December 31 2018	2017
Customer returns and rebates	$ -	$ 25,127

For contracts with customers in 2017, the provision for customer returns and rebates was 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 was recognized as a reduction of operating income in the periods of the sales of the related goods. Starting from January 1, 2018, the Company applied IFRS 15 and recognized estimated sales returns and rebates as refund liabilities (presented in other current liabilities).

26. 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 is the member 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.

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	
	2018	**2017**
Present value of defined benefit obligation	$ 1,640,307	$ 1,643,363
Fair value of plan assets	(932,628)	(603,488)
Net defined benefit liabilities	$ 707,679	$ 1,039,875

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, 2017	$ 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

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Service cost			
Current service cost	$ 16,301	$ -	$ 16,301
Net interest expense (income)	18,218	(8,514)	9,704
Recognized in profit or loss	34,519	(8,514)	26,005
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(13,297)	(13,297)
Actuarial loss - changes in demographic assumptions	97	-	97
Actuarial loss - changes in financial assumptions	30,632	-	30,632
Actuarial gain - experience adjustments	(16,841)	-	(16,841)
Recognized in other comprehensive income	13,888	(13,297)	591
Contributions from the employer	-	(358,792)	(358,792)
Benefits paid	(51,463)	51,463	-
Balance at December 31, 2018	$ 1,640,307	$ (932,628)	$ 707,679

(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	
	2018	2017
Operating costs	$ 21,351	$ 28,106
Selling and marketing expenses	2,017	2,694
General and administrative expenses	1,844	2,511
Research and development expenses	793	1,001
	$ 26,005	$ 34,312

The Group accumulated net losses after taxes of the remeasurement of the defined benefit plans in other comprehensive loss, which were $153,056 thousand and $160,243 thousand as of December 31, 2018 and 2017, 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	
	2018	2017
Discount rates	0.875%-1.000%	1.125%
Expected rates of salary increase	2.500%	2.500%

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	
	2018	2017
Discount rates		
0.25% increase	$ (34,070)	$ (36,261)
0.25% decrease	$ 35,204	$ 37,508
Expected rates of salary increase		
0.25% increase	$ 34,039	$ 36,342
0.25% decrease	$ (33,121)	$ (35,322)

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 $85,567 thousand to the defined benefit plans in the next year starting from January 1, 2019. The weighted average duration of defined benefit obligation is 8.4-9.5 years.

27. EQUITY

a. Ordinary shares

	December 31	
	2018	2017
Number of shares authorized (in thousands)	650,000	500,000
Shares authorized	$ 6,500,000	$ 5,000,000
Number of shares issued and fully paid (in thousands)	506,760	492,000
Shares issued	$ 5,067,596	$ 4,919,996

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

Under the dividends policy as set forth in the Company's Articles of Incorporation, 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 after amendment, refer to "Employees' compensation and remuneration of directors" in Note 29-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 2017 and 2016 approved in the shareholders' meetings on June 22, 2018 and June 8, 2017, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		**Dividends Per Share (NT$) For the Year Ended December 31**	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ 126,981	$ 144,312		
Cash dividends	737,999	812,038	$ 1.5	$ 1.7
Share dividends	147,600	143,301	0.3	0.3

The appropriation of earnings for 2018 was proposed by the Company's board of directors on March 6, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 127,616	
Cash dividends	760,139	$1.5
Share dividends	202,704	0.4

The appropriation of earnings for 2018 are subject to resolution in the shareholders' meeting to be held on June 21, 2019.

d. Special reserve

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, 2018, 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	
	2018	2017
Balance at January 1	$ (19,583)	$ 12,612
Effect of change in tax rate	(2,020)	-
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	7,723	(38,607)
Related income tax	(1,545)	6,563
Share of exchange differences of associates accounted for using the equity method	(400)	(151)
Balance at December 31	$ (15,825)	$ (19,583)

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended 2017
Balance at January 1, 2017	$ 28,526
Recognized during the period	
Unrealized gain on revaluation of available-for-sale financial assets	912
Share of profit of associates accounted for using the equity method	11,804
Reclassification adjustments	
Net loss on disposal of available-for-sale financial assets	(892)
Balance at December 31, 2017	$ 40,350
Balance at January 1, 2018 per IAS 39	$ 40,350
Adjustment on initial application of IFRS 9	(40,350)
Balance at January 1, 2018 per IFRS 9	$ -

3) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	$ -
Adjustment on initial application of IFRS 9	56,912
Balance at January 1 per IFRS 9	56,912
Recognized during the period	
Unrealized gain on equity instruments	20,423
Share of loss of associates accounted for using the equity method	(19,493)
Other comprehensive income for the year	930
Balance at December 31	$ 57,842

f. Non-controlling interests

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ 394,507	$ 380,335
Net profit attributable to non-controlling interests	79,964	69,466
Comprehensive income attributable to non-controlling interests:		
Unrealized gains on available-for-sale financial assets	-	13
Unrealized loss on investments in equity instruments at FVTOCI	(77)	-
Remeasurement on defined benefit plans	(550)	(537)
Distributions of cash dividends	(37,380)	(54,770)
Balance at December 31	$ 436,464	$ 394,507

28. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from sale of goods		
PVC products	$ 14,091,352	$ 13,696,146
VCM products	1,101,269	1,005,595
	$ 15,192,621	$ 14,701,741

Revenue from the sale of goods comes from the sale of VCM, chlor-alkali products, PVC resins, PVC compounds and other related products.

29. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations was attributable to:

	For the Year Ended December 31	
	2018	2017
Owners of the Company	$ 1,268,689	$ 1,272,005
Non-controlling interests	79,964	69,466
	$ 1,348,653	$ 1,341,471

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income		
Bank deposits	$ 8,794	$ 7,223
Financial assets at FVTPL	5,981	5,941
Financial assets at amortized cost	488	-
Others	955	436
	16,218	13,600
Rental income	12.526	10,489
Others	55,059	23,313
	$ 83,803	$ 47,402

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Gain (loss) on disposal of property, plant and equipment	$ 5,557	$ (579)
Gross foreign exchange gains	112,172	78,931
Gross foreign exchange losses	(75,451)	(131,633)
Gain on financial assets held for trading (see Note 7)	-	183
Loss on financial liabilities held for trading (see Note 7)	(35,062)	(25,489)
Gain on financial assets mandatorily classified as at FVTPL (see Note 7)	47,876	-
Others	(22,002)	(6,330)
	$ 33,090	$ (84,917)

c. Interest expense

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	$ 10,446	$ 13,101
Less: Capitalized interest (included construction in progress)	(297)	(73)
	$ 10,149	$ 13,028

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2018	2017
Capitalized interest	$ 297	$ 73
Capitalization rate	0.82%	0.95%

d. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 485,991	$ 416,383
Investment properties	4,983	2,491
Intangible assets	8,111	9,586
Others	15,557	15,169
	$ 514,642	$ 443,629
An analysis of depreciation by function		
Operating costs	$ 477,584	$ 407,782
Operating expenses	8,407	8,601
Non-operating expenses	4,983	2,491
	$ 490,974	$ 418,874
An analysis of amortization by function		
Operating costs	$ 20,634	$ 20,247
General and administrative expenses	3,034	4,508
	$ 23,668	$ 24,755

e. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Post-employment benefits (see Note 26)		
Defined contribution plans	$ 26,053	$ 25,610
Defined benefit plans	26,005	34,312
	52,058	59,922
Other employee benefits	1,239,623	1,211,510
Total employee benefits expense	$ 1,291,681	$ 1,271,432
An analysis of employee benefits expense by function		
Operating costs	$ 1,019,146	$ 997,961
Operating expenses	272,535	273,471
	$ 1,291,681	$ 1,271,432

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, 2018 and 2017, which have been approved by the Company's board of directors on March 6, 2019 and March 12, 2018, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
Employees' compensation	1%	1%
Remuneration of directors	-	-

Amount

	For the Year Ended December 31	
	2018	2017
Employees' compensation	$ 13,975	$ 14,300

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, 2017 and 2016.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

30. INCOME TAX RELATING TO CONTINUING OPERATIONS

a. Major components of income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 238,997	$ 179,090
Income tax on unappropriated earnings	33,067	43,437
Adjustments for prior years	20,708	1,084
	292,772	223,611

(Continued)

	For the Year Ended December 31	
	2018	2017
Deferred tax		
In respect of the current year	$ 49,185	$ 52,205
Adjustments for prior years	1,722	(825)
Adjustments to deferred tax attributable to changes in tax rates and laws	(40,873)	-
Others	2,893	(319)
	12,927	51,061
Income tax expense recognized in profit or loss	$ 305,699	$ 274,672

(Concluded)

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2018	2017
Profit before tax from continuing operations	$ 1,654,352	$ 1,616,143
Income tax expense calculated at the statutory rate	$ 493,579	$ 397,786
Domestic investment gains accounted for using the equity method	(153,666)	(126,094)
Others	(54,923)	(11,176)
Additional income tax under the Alternative Minimum Tax Act	37,973	10,389
Income tax on unappropriated earnings	33,067	43,437
Unrecognized deductible temporary differences	(35,452)	(40,837)
Adjustments to deferred tax attributable to changes in tax rates and laws	(40,873)	-
Effect of different tax rates	3,564	910
Adjustments for prior years' tax	22,430	257
Income tax expense recognized in profit or loss	$ 305,699	$ 274,672

In 2017, the applicable corporate income tax rate used by the Company, TVCM and CGPCPOL in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable corporate income tax rate used by the CGPC (ZS) and CGPC (CP) in China is 25%, while the applicable tax rate used by CGPC America is a state tax rate of 9% and a federal tax rate is 30%. However, the federal tax rate in America was amended in 2017, and was adjusted from 30% to 21%, effective in 2018.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
Adjustments to deferred tax attributable to changes in tax rates and law	$ 6,500	$ -
In respect of the current year		
Translation of foreign operations	(1,545)	6,563
Remeasurement on defined benefit plans	(742)	561
	(2,287)	7,124
Income tax recognized in other comprehensive income	$ 4,213	$ 7,124

c. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Tax refund receivable	$ -	$ 42
Current tax liabilities		
Income tax payable	$ 181,491	$ 141,996

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, 2018

Deferred tax assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Allowance for inventory valuation	$ 14,293	$ 2,475	$ -	$ 16,768
Share of profit of subsidiaries and associates accounted for using the equity method	78,351	16,644	(3,565)	91,430
Unrealized losses on property, plant and equipment	188	(157)	-	31
Deferred revenue	1,578	(2,444)	-	13,134
FVTPL financial assets	188	99	-	287
Provisions	5,013	(5,013)	-	-
Refund liabilities	-	4,750	-	4,750
Defined benefit plans	145,157	(29,300)	7,778	123,635
Payables for annual leave	5,932	1,241	-	7,173

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Differences on depreciation period between finance and tax	$ 947	$ 167	$ -	$ 1,114
Others	4,878	(1,587)	-	3,291
	$ 270,525	$ 13,125	$ 4,213	$ 261,613
Deferred tax liabilities				
Temporary differences				
FVTPL financial assets	$ 289	$ (164)	$ -	$ 125
Unrealized foreign exchange gains	272	155	-	427
Differences on depreciation period between finance and tax	1,517	(189)	-	1,328
Revaluation increments of land	592,084	-	-	592,084
	$ 594,162	$ (198)	$ -	$ 593,964

(Concluded)

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
Defined benefit plans	205,208	(60,612)	561	145,157
Payables for annual leave	4,616	1,316	-	5,932

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
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)

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 2018	December 31 2017
Loss carryforwards	$ 599,774	$ 418,982
Deductible temporary differences		
Share of loss of subsidiaries and associates accounted for using the equity method	$ 215,580	$ 218,931
Defined benefit plans	33,113	133,918
Allowance for inventory valuation	2,734	2,768
Differences on depreciation period between finance and tax	22,455	27,724
Others	15,813	13,157
	$ 289,695	$ 396,498

As of December 31, 2018, the Group's unused loss carryforwards are $599,774 thousand which will expire in succession before 2028.

f. Income tax assessments

The income tax returns of the Company, CGPCPOL and TVCM through 2016 have been assessed by the tax authorities.

g. Income tax related to subsidiaries

CGPC (BVI) and Krystal Star had no income tax expense for the years ended December 31, 2018 and 2017 due to relevant tax exemptions in compliance with the regulations of the location where the entities were established.

31. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	**2017**
Basic earnings per share		
From continuing operations and discontinued operations	$ 2.52	$ 2.51
From discontinued operations	(0.02)	-
From continuing operations	$ 2.50	$ 2.51
Diluted earnings per share		
From continuing operations and discontinued operations	$ 2.51	$ 2.50
From discontinued operations	(0.01)	-
From continuing operations	$ 2.50	$ 2.50

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 3, 2018. The basic and diluted earnings (losses) per share adjusted retrospectively for the year ended December 31, 2017 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share		
From continuing and discontinued operations	$ 2.58	$ 2.51
From discontinued operations	0.01	-
From continuing operations	$ 2.59	$ 2.51
Diluted earnings per share		
From continuing and discontinued operations	$ 2.58	$ 2.50
From discontinued operations	-	-
From continuing operations	$ 2.58	$ 2.50

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	
	2018	**2017**
Profit for the period attributable to owners of the Company (earnings used in computation of basic and diluted earnings per share)	$ 1,276,156	$ 1,269,808
Add: (Profit) loss for the period from discontinued operations	(7,467)	2,197
Earnings used in the computation of basic and diluted earnings per share from continuing operations	$ 1,268,689	$ 1,272,005

Weighted average number of ordinary shares outstanding (In Thousands of Shares)

	For the Year Ended December 31	
	2018	**2017**
Weighted average number of ordinary shares used in computation of basic earnings per share	506,760	506,760
Effect of potentially dilutive ordinary shares:		
Employees' compensation	724	568
Weighted average number of ordinary shares used in the computation of diluted earnings per share	507,484	507,328

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.

32. 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. After the lease contract expired, it was resigned with a new lease term from June 16, 2018 to June 15, 2020. USIO does not have a bargain purchase option to acquire the leased factory at the expiry of the lease period.

33. 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.

34. 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, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 839	$ -	$ 839
Fund beneficiary certificates	1,431,868	-	-	1,431,868
	$ 1,431,868	$ 839	$ -	$ 1,432,707
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed equity investments	$ 1,593	$ -	$ -	$ 1,593
Domestic unlisted equity investments	-	-	121,047	121,047
	$ 1,593	$ -	$ 121,047	$ 122,640
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 1,645	$ -	$ 1,645

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

There were no transfers between Levels 1 and 2 for the years ended December 31, 2018 and 2017.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the years ended December 31, 2018

Financial Assets	Financial Assets at FVTOCI
Balance at January 1, 2018	$ 107,562
Recognized in other comprehensive income (included in unrealized gain on financial assets at FVTOCI)	20,947
Return of capital	(7,462)
Balance at December 31, 2018	$ 121,047

3) 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.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

To determine the fair value for Level 3 financial instruments, the Group's financial department conducts independent fair value verification using independent resources so as to better reflect the market conditions, as well as periodically reviewing the valuation results in order to guarantee the rationality of the measurement. For unlisted domestic equity investments, the Group utilizes the asset approach and takes into account the most recent net asset value, observable financial status as well as the financing activities of investees in order to determine their net asset value. The unobservable input used was a discount for the lack of marketability of 15% on December 31, 2018. When other inputs remain unchanged, the fair value will decrease by $1,424 thousand if the discount for lack of marketability increases by 1%.

c. Categories of financial instruments

	December 31	
	2018	**2017**
Financial assets		
Financial assets at FVTPL		
Mandatorily classified at FVTPL	$ 1,432,707	$ -
Held for trading	-	1,395,898
Loans and receivables		
Cash and cash equivalents	-	663,145
Debt investments with no active market	-	268,805
Notes receivable	-	179,929
Trade receivables (including related parties)	-	1,498,990
Other receivables (including related parties and excluded tax refund receivable)	-	11,749
Refundable deposits	-	16,440
Available-for-sale financial assets (including financial assets measured at cost)	-	93,194
Financial assets at amortized cost		
Cash and cash equivalents	934,680	-
Pledge time deposits	268,954	-
Notes receivable	195,847	-
Trade receivables (including related parties)	1,608,142	-
Other receivables (including related parties and excluding tax refund receivable)	20,850	-
Refundable deposits	16,281	-
Financial assets at FVTOCI		
Equity instruments	122,640	
Financial liabilities		
Financial liabilities at FVTPL - held for trading	1,645	1,701
Financial liabilities measured at amortized cost		
Notes payable	288	183
Trade payables (including related parties)	1,086,869	852,454
Other payables (including related parties)	768,993	703,836
Long-term borrowings	1,000,000	1,050,000
Guarantee deposits	3,300	2,041

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 37.

Sensitivity analysis

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, 2018 and 2017 would have decreased/increased by $30,688 thousand and $29,107 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	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 1,008,163	$ 756,397
Cash flow interest rate risk		
Financial assets	184,491	148,864
Financial liabilities	1,000,000	1,050,000

Sensitivity analysis

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, 2018 and 2017 would have increased/decreased by $4,078 thousand and $4,506 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.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risk at the end of the reporting period.

If marketable equity securities prices had fluctuated by 5%, the pre-tax profit for the years ended December 31, 2018 would have increased/decreased by $71,593 thousand as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2018 would have increased/decreased by $6,132 thousand as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had fluctuated by 5%, the pre-tax profit for the years ended December 31, 2017 would have increased/decreased by $69,680 thousand 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 would have increased/decreased by $110 thousand 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, 2018

	Weighted Average Interest Rate	On Demand or Less than 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities				
Non-interest bearing liabilities		$ 1,583,936	$ 10,392	$ -
Floating interest rate liabilities	1.01%	-	1,000,000	-
		$ 1,583,936	$ 1,010,392	$ -

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	$ -

b) Financing facilities

The Group relies on bank loans as a significant source of liquidity. As of December 31, 2018 and 2017, the unused amounts of bank loan facilities were as follows:

	December 31	
	2018	2017
Bank loan facilities		
Amount unused	$ 6,230,457	$ 6,718,178

35. TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2018 and 2017, USI Corporation held 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
Dynamic Ever Investments Limited	Fellow subsidiary

(Continued)

Related Party Name	Related Party Category
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
USI Educational Foundation("USIF")	Related party in substance

(Concluded)

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31 2018	2017
Investor with significant influence	$ 2,341	$ 5,168
Fellow subsidiary	222	501
Parent company		
USI	-	2,134
	$ 2,563	$ 7,803

Sales of goods to related parties had no material differences from those of general sales transactions.

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2018	2017
Fellow subsidiary	$ 6,309	$ 5,310
Parent company		
USI	2,176	-
Investor with significant influence	273	-
	$ 8,758	$ 5,310

Purchases from related parties had no material differences from those of general purchase transactions.

d. Trade receivables from related parties

Related Party Category/Name	December 31 2018	2017
Investor with significant influence		
TTC	$ 325	$ 493
Fellow subsidiary		
SPC	-	101
	$ 325	$ 594

The outstanding trade receivables from related parties were unsecured. For the years ended December 31, 2018 and 2017, no impairment loss was recognized for trade receivables from related parties.

e. Trade payables to related parties

Related Party Category/Name	December 31 2018	December 31 2017
Parent company		
USI	$ 171,224	$ 231,305
Fellow subsidiary	636	706
	$ 171,860	$ 232,011

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 2018	December 31 2017
Parent company		
USI	$ 6,133	$ 560
Subsidiary of investor with significant influence		
TTC (ZS)	4,108	4,180
Others	1	1
Investor with significant influence	850	662
Fellow subsidiary	71	51
Associate	2	18
	$ 11,165	$ 5,472

g. Other payables to related parties

Related Party Category/Name	December 31 2018	December 31 2017
Associate		
CGTD	$ 10,072	$ 13,171
Parent company		
USI	2,559	1,991
Subsidiary of investor with significant influence		
TTC (ZS)	1,202	2,381
Investor with significant influence		
APC	309	3,389
Others	6	834
Fellow subsidiary	115	839
	$ 14,263	$ 22,605

h. Acquisitions of property, plant and equipment

Related Party Category/Name	Purchase Price For the Year Ended December 31 2018	2017
Fellow subsidiary		
INOMA	$ 1,914	$ 600
USIO	-	290,000
	$ 1,914	$ 290,600

i. Storage tank operating expenses

Related Party Category/Name	For the Year Ended December 31 2018	2017
Associate		
CGTD	$ 88,185	$ 93,186

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.

j. Rental expenses

Related Party Category/Name	For the Year Ended December 31 2018	2017
Investor with significant influence		
APC	$ 18,136	$ 18,987
TTC	9,647	9,426
Associate		
CGTD	7,888	8,453
Parent company		
USI	7,537	7,083
	$ 43,208	$ 43,949

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.

k. Management service expenses

Related Party Category/Name	For the Year Ended December 31 2018	2017
Fellow subsidiary		
UM	$ 70,340	$ 61,599
Others	114	114
Parent company		
USI	4,555	6,204
	$ 75,009	$ 67,917

Contracts stating that UM and USI should provide labor support, equipment and other related services to the Company were effective starting from 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 starting from July 1, 2009. The service expenses were based on the actual quarterly expenses which should be paid in the subsequent quarter.

l. Donations (classified as general and administrative expenses)

Related Party Category/Name	For the Year Ended December 31 2018	2017
Related party in substance		
USIF	$ 2,000	$ 1,500

m. Rental income

Related Party Category/Name	For the Year Ended December 31 2018	2017
Fellow subsidiary		
USIO	$ 12,011	$ 9,841
Others	39	78
Investor with significant influence	89	116
Parent company		
USI	7	78
	$ 12,146	$ 10,113

USIO leased the land and facility located in Toufen from the Company, the detailed lease term can be referred to Note 32.

n. Compensation of key management personnel

The compensation of directors and key executives for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31 2018	2017
Salaries and others	$ 25,607	$ 24,704
Post-employment benefits	327	301
	$ 25,934	$ 25,005

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.

36. 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	
	2018	2017
Pledge deposits (classified as debt investments with no active market or other non-current assets)	$ 281,874	$ 281,725
Property, plant and equipment		
Land	1,650,957	1,650,957
Buildings and improvements	517,612	547,692
Machinery and equipment	610,005	710,245
	$ 3,060,448	$ 3,190,619

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 to enrich working capital. The Company set the land and plants, which are owned by the Company, as collateral. As of December 31, 2018 and 2017, the Company has not yet used its revolving credit.

The Company pledged its land and plant to Taishin International Bank as collateral for its revolving credit limit. The financing contract with Taishin International Bank expired, and the land and plant, which were pledged as collateral were released in July 2017.

The Company's subsidiary, CGPCPOL, pledged its land, plants, machinery and equipment as collateral for a 5-year credit contract with KGI Bank.

37. 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, 2018 and 2017, the Group's unused letters of credit amounted to $1,372,433 thousand and $538,554 thousand, respectively.

b. Description of Kaohsiung explosions:

Regarding the associate, China General Terminal & Distribution Corporation (hereinafter "CGTD"), who was commissioned to operate the LCY Chemical Corp.'s propene pipeline resulting in a gas explosion on July 31, 2014, and the first instance judgment of the criminal procedures, which was reached on May 11, 2018, whereby three employees of CGTD were each sentenced to four years and six months of imprisonment, and CGTD assisted the employees in appealing against the judgment.

CGTD arrived at an agreement with the Kaohsiung City Government on February 12, 2015, pledging certificates of bank deposits of $227,167 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 2019, the provisionally attached property was worth $141,255 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 with the 64 seriously injured victims' families.

As of February 28, 2019, victims and their families have filed civil (including supplementary civil action) lawsuits against LCY Chemical Corp., CGTD and CPC for compensation. To reduce the lawsuit costs, CGTD had reached a settlement on the original claim of $23,919 thousand, and the amount of the settlement was $3,899 thousand. Along with the case still under litigation and the above-mentioned compensation, the accumulated amount of compensation is $3,881,291 thousand. The first-instance judgments of some of the above-mentioned civil cases (with a total amount of compensation of approximately $1,177,192 thousand) have been gradually announced, starting from June 22, 2018. The proportion of fault liability of the Kaohsiung City Government, LCY Chemical Corp. and CGTD is 4:3:3 in most judgments. The total amount of compensation that CGTD, LCY Chemical Corp. and the other defendants should pay is around $383,831 thousand. In particular, CGTD was exempted to pay $6,194 thousand according to the court's judgement. $188,818 thousand is estimated to be the portion of compensation that CGTD should afford according to the first-instance judgment for the moment. CGTD has appealed some civil cases which were announced but were not yet settled and gradually entered into the second-instance trials. In addition, with regard to the above-mentioned compensation, CGTD estimated and recognized the amount of $136,375 thousand based on its fault liability proportion announced in the first-instance judgment. The actual payment of CGTD still depends on the judgments of the remaining civil cases in the future.

c. TVCM signed a dichloromethane purchase contract with CPC Corporation, Formosa Plastics Corporation and Mitsui Corp. The purchase price was negotiated by both parties according to a pricing formula.

38. 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, 2018

	Foreign Currencies	Exchange Rate (In Single Dollars)	Functional Currencies	NT$
Financial assets				
Monetary items				
USD	$ 50,210	30.715 (USD:NTD)	$ 1,542,209	$ 1,542,209
AUD	687	21.665 (AUD:NTD)	14,885	14,885
EUR	312	35.200 (EUR:NTD)	10,991	10,991
USD	296	6.863 (USD:CNY)	2,034	9,101
GBP	35	38.880 (GBP:NTD)	1,358	1,358
Financial liabilities				
Monetary items				
USD	17,203	30.715 (USD:NTD)	528,379	528,379
JPY	9,500	0.2782 (JPY:NTD)	2,643	2,643

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
JPY	86,195	0.2642 (JPY:NTD)	22,755	22,755
AUD	754	23.185 (AUD:NTD)	17,481	17,481
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	0.2642 (JPY:NTD)	1,919	1,919

For the years ended December 31, 2018 and 2017, net foreign exchange gains (losses) were $36,721 thousand and $(52,702) 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.

39. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others: See Table 1 attached;

2) Endorsements/guarantees provided: 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) The following information on any of the 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.

40. 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, 2018

	VCM Products	PVC Products	Total
Revenue from external customers	$ 1,101,269	$ 14,091,352	$ 15,192,621
Inter-segment revenue	8,640,090	393,546	9,033,636
Segment revenue	$ 9,741,359	$ 14,484,898	24,226,257
Eliminations			(9,033,636)
Consolidated revenue			$ 15,192,621
Segment income	$ 79,696	$ 1,493,227	$ 1,572,923
Share of loss of associates accounted for using the equity method			(25,315)
Interest income			16,218
Rental income			12,526
Gain on disposal of property, plant and equipment			5,557
Foreign exchange gains			36,721
Loss on financial instruments held for trading			(35,062)
Gain on financial assets mandatorily classified as at FVTPL			47,876
Interest expense			(10,149)
Others			33,057
Profit before tax from continuing operations			$ 1,654,352

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

(Continued)

	VCM Products	PVC Products	Total
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

(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		Non-current Assets	
	For the Year Ended December 31		December 31	
	2018	2017	2018	2017
Asia	$ 12,687,936	$ 11,283,238	$ 6,249,901	$ 5,996,781
America	1,477,713	1,720,058	4,825	3,112
Oceania	277,585	320,664	-	-
Europe	155,831	145,870	-	-
Middle East	483,531	1,076,708	-	-
Africa	110,025	155,203	-	-
	$ 15,192,621	$ 14,701,741	$ 6,254,726	$ 5,999,893

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 $1,101,269 thousand and $1,005,595 thousand in the years ended December 31, 2018 and 2017, respectively, is revenue of approximately $966,719 thousand and $936,489 thousand arising from sales to the Group's largest customer.

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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)	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	$ 122,860 (US$ 4,000 thousand)	$ -	$ -	-	b	$ -	Operating capital needed	$ -	-	-	$ 353,757	$ 353,757

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, 2018.

Note 2: The total amount of financing provided 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 which is not located in Republic of China wholly-owned by the Company shall not exceed 100% of the net worth of the CGPC (BVI) 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, 2018.

TABLE 2

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(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 (Note 3)	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	$ 8,374,640	$ 3,307,150	$ 2,907,150	$ 515,358	None	34.71	$ 8,374,640	Yes	No	No

Note 1: The ratio is calculated using the ending balance of equity of the Company as of December 31, 2018.

Note 2: In June 2018, a revision to the regulations governing endorsements/guarantees provided by the Company was approved in the shareholders' meeting, and the total amount of guarantee that may be provided by the Company to any individual entity and in aggregate shall not exceed 100% of the Company's net worth.

Note 3: The amount is calculated using the spot exchange rate as on December 31, 2018.

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(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, 2018				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								
	Cathay No. 1 Real Estate Investment Trust	-	Financial assets at FVTPL - current	4,268,000	$ 63,422	-	$ 63,422	4,268,000	1
	Fubon No. 2 Real Estate Investment Trust	-	Financial assets at FVTPL - current	5,000,000	63,000	-	63,000	5,000,000	1
	Shin Kong No. 1 Real Estate Investment Trust	-	Financial assets at FVTPL - current	3,000,000	45,210	-	45,210	3,000,000	1
	Cathay No. 2 Real Estate Investment Trust	-	Financial assets at FVTPL - current	2,500,000	37,575	-	37,575	2,500,000	1
	Open-end fund beneficiary certificates								
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	3,702,173	50,007	-	50,007	7,418,233	1
	Jih Sun Money Market Fund	-	Financial assets at FVTPL - current	3,143,272	46,500	-	46,500	9,368,793	1
	Hua Nan Phoenix Money Market Fund	-	Financial assets at FVTPL - current	2,466,700	40,041	-	40,041	3,092,509	1
	FSITC Taiwan Money Market Fund	-	Financial assets at FVTPL - current	2,226,387	34,011	-	34,011	9,518,158	1
	Yuanta Wan Tai Money Market Fund	-	Financial assets at FVTPL - current	1,653,002	25,003	-	25,003	3,881,805	1
	Ordinary shares								
	KHL IB Venture Capital Co., Ltd.	-	Financial assets at FVTOCI - non-current	8,353,800	121,047	5.95	121,047	9,100,000	1
Taiwan VCM Corporation	Open-end fund beneficiary certificates								
	Jih Sun Money Market Fund	-	Financial assets at FVTPL - current	12,193,440	180,384	-	180,384	12,193,440	1
	FSITC Taiwan Money Market Fund		Financial assets at FVTPL - current	8,534,572	130,378	-	130,378	8,534,572	1
	Yuanta De-Li Money Market Fund	-	Financial assets at FVTPL - current	3,081,056	50,162	-	50,162	3,085,429	1

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Maximum Shares/Units Held During the Year	Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value		
Taiwan VCM Corporation	Open-end fund beneficiary certificates								
	Prudential Financial Money Market Fund	-	Financial assets at FVTPL - current	3,174,885	$ 50,144	-	$ 50,144	3,180,641	1
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	3,705,515	50,052	-	50,052	5,201,566	1
	Yuanta Wan Tai Money Market Fund	-	Financial assets at FVTPL - current	3,306,310	50,010	-	50,010	6,629,475	1
	Hua Nan Kirin Money Market Fund	-	Financial assets at FVTPL - current	4,182,735	50,009	-	50,009	8,386,307	1
	Hua Nan Phoenix Money Market Fund	-	Financial assets at FVTPL - current	2,529,381	41,058	-	41,058	3,085,963	1
	UPAMC James Bond Money Market Fund	-	Financial assets at FVTPL - current	2,397,737	40,008	-	40,008	3,008,695	1
	Ordinary shares								
	Asia Polymer Corporation	The major shareholders are the same as the those of the Company	Financial assets at FVTOCI - non-current	121,611	1,593	0.02	1,593	121,611	1
CGPC Polymer Corporation	Open-end fund beneficiary certificates								
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	5,670,905	76,600	-	76,600	5,670,905	1
	FSITC Taiwan Money Market Fund	-	Financial assets at FVTPL - current	4,755,891	72,653	-	72,653	4,755,891	1
	Yuanta Wan Tai Money Market Fund	-	Financial assets at FVTPL - current	4,561,990	69,003	-	69,003	4,561,990	1
	Jih Sun Money Market Fund	-	Financial assets at FVTPL - current	3,355,891	49,645	-	49,645	15,404,760	1
	Capital Money Market Fund	-	Financial assets at FVTPL - current	2,793,539	45,006	-	45,006	2,793,539	1
	Hua Nan Phoenix Money Market Fund	-	Financial assets at FVTPL - current	2,523,727	40,967	-	40,967	2,523,727	1
	Nomura Taiwan Market Fund	-	Financial assets at FVTPL - current	1,903,908	31,020	-	31,020	1,903,908	1
CGPC (BVI) Holding Co., Ltd.	Ordinary shares								
	Teratech Corporation	-	Financial assets at FVTPL - non-current	112,000	-	0.67	-	112,000	1 and 3
	SOHOware, Inc. - preference shares	-	Financial assets at FVTPL - non-current	100,000	-	-	-	100,000	1, 2 and 3

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: As of December 31, 2018, the Group evaluates the fair value of the equity instrument as $0.

(Concluded)

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, 2018

(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													
	Taishin 1699 Money Market Fund	Financial assets at FVTPL - current	-	-	6,249,509	$ 84,000	31,986,466	$ 431,300	34,533,802	$ 465,565	$ 465,300	$ 265	3,702,173	$ 50,000
	Jih Sun Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	27,217,007	401,500	24,073,735	355,114	355,000	114	3,143,272	46,500
	FSITC Taiwan Money Market Fund	Financial assets at FVTPL - current	-	-	9,518,158	144,000	21,470,093	327,500	28,761,864	438,447	437,500	947	2,226,387	34,000
	Capital Money Market Fund	Financial assets at FVTPL - current	-	-	2,431,581	39,000	16,355,138	263,000	18,786,719	302,200	302,000	200	-	-
	Fubon Chi-Hsiang Money Market Fund	Financial assets at FVTPL - current	-	-	1,378,417	21,500	31,756,270	496,000	33,134,687	517,628	517,500	128	-	-
Taiwan VCM Corporation	Beneficiary certificates													
	Jih Sun Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	23,728,131	350,000	11,534,691	170,049	170,000	49	12,193,440	180,000
	Hua Nan Kirin Money Market Fund	Financial assets at FVTPL - current	-	-	4,200,022	50,000	45,256,139	540,000	45,273,426	540,105	540,000	105	4,182,735	50,000
	Yuanta Wan Tai Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	29,154,730	440,000	25,848,420	390,104	390,000	104	3,306,310	50,000
	UPAMC James Bond Money Market Fund	Financial assets at FVTPL - current	-	-	1,805,815	30,000	27,027,086	450,000	26,435,164	440,112	440,000	112	2,397,737	40,000
	Yuanta De-Bao Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	25,052,723	300,000	25,052,723	300,131	300,000	131	-	-
	Shin Kong Chi-Hsin Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	19,429,019	300,000	19,429,019	300,066	300,000	66	-	-
CGPC Polymer Corporation	Beneficiary certificates													
	Jih Sun Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	28,460,472	419,500	25,104581	370,263	370,000	263	3,355,891	49,500

Note: The amount as of December 31, 2018 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, 2018
(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	$ 4,230,003	72	45 days	No major difference	No major difference	Trade payables to related parties $ (774,140)	(77)
	CGPC America Corporation	Subsidiary	Sale	(374,307)	(5)	90 days	No major difference	No major difference	Trade receivables from related parties 101,245	9
Taiwan VCM Corporation	China General Plastics Corporation	Parent company	Sale	(4,230,003)	(43)	45 days	No major difference	No major difference	Trade receivables from related parties 774,140	45
	CGPC Polymer Corporation	Fellow subsidiary	Sale	(4,410,087)	(45)	45 days	No major difference	No major difference	Trade receivables from related parties 778,034	45
CGPC Polymer Corporation	Taiwan VCM Corporation	Fellow subsidiary	Purchase	4,410,087	96	45 days	No major difference	No major difference	Trade payables to related parties (778,034)	(97)
CGPC America Corporation	China General Plastics Corporation	Parent company	Purchase	374,307	83	90 days	No major difference	No major difference	Trade payables to related parties (101,245)	(97)

Note: All the transactions were written off when preparing the consolidated financial statements.

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, 2018
(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	$ 101,245	3.41	$ -	-	$ 63,311	Note 1
Taiwan VCM Corporation	China General Plastics Corporation	Parent company	Trade receivables from related parties	$ 774,140	5.70	-	-	774,140	Note 1
	CGPC Polymer Corporation	Fellow subsidiary	Trade receivables from related parties	$ 778,034	5.87	-	-	778,034	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 27, 2019.

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, 2018
(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	$ 774,140	No major difference	6
			1	Other payables to related parties	1,681	No major difference	-
			1	Other expense	1,729	No major difference	-
			1	Purchases	4,230,003	No major difference	28
		CGPC America Corporation	1	Trade receivables from related parties	101,245	No major difference	1
			1	Sales revenue	374,307	No major difference	2
		CGPC Polymer Corporation	1	Other receivables from related parties	1,691	No major difference	-
			1	Purchases	19,239	No major difference	-
			1	Trade payables to related parties	3,247	No major difference	-
1	CGPC Polymer Corporation	Taiwan VCM Corporation	3	Trade payables to related parties	778,034	No major difference	6
			3	Other payables to related parties	24,902	No major difference	-
			3	Purchases	4,410,087	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.

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Business Content	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	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 of VCM	$ 2,930,995	$ 2,930,994	206,008,832	87.22	$ 2,919,181	$ 625,587	$ 535,972	Subsidiary
	CGPC Polymer Corporation	12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing & marketing of PVC resins	800,000	800,000	78,859,281	100.00	1,103,222	257,674	257,674	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	353,757	8,843	8,843	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	18,667,465	33.33	228,250	(75,720)	(25,241)	Associate accounted for using the equity method
	CGPC America Corporation	1181 California Ave., Suite 235 Corona, CA 92881 U.S.A.	Marketing of PVC film and leather products	648,931	648,931	100	100.00	203,543	(11,119)	(11,119)	Subsidiary
	Krystal Star International Corporation	Citco Building, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	Marketing of PVC film and consumer products	283,502	283,502	5,780,000	100.00	76,490	1,646	1,646	Subsidiary
	Acme Electronics Corporation	8F., No. 39, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing & marketing of Mn-Zn ferrite cores, Ni-Zn ferrite cores.	33,995	33,995	3,176,019	1.74	24,296	56,187	978	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 of reinforced plastic products	15,000	15,000	600,000	10.00	1,452	(10,525)	(1,052)	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, 2018
(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, 2018 (Note 1)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (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, 2018 (Notes 1 and 6)	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outflow	Inflow						
Continental General Plastics (Zhong Shan) Co., Ltd. ("CGPC (ZS)") (Note 4)	Manufacturing & marketing of PVC film and consumer products	$ 614,300 (US$ 20,000 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. ("CGPC (BVI)")	$ 614,300 (US$ 20,000 thousand)	$ -	$ -	$ 614,300 (US$ 20,000 thousand)	$ 7,455 (US$ 247 thousand)	100.00	$ 7,455 (US$ 247 thousand)	$ 264,486 (US$ 8,611 thousand)	$ -
CGPC Consumer Products Corporation ("CGPC (CP)") (Note 4)	Manufacturing & marketing of PVC consumer products	46,073 (US$ 1,500 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. ("CGPC (BVI)")	46,073 (US$ 1,500 thousand)	-	-	46,073 (US$ 1,500 thousand)	12 (US$ - thousand)	100.00	12 (US$ - thousand)	13,932 (US$ 454 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 (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
$831,824 (US$27,082 thousand)	$1,053,371 (US$34,295 thousand)	(Note 2)

Note 1: The calculation was based on the spot exchange rate as on December 31, 2018.

Note 2: As the Company has obtained the certificate of qualification for operating headquarters issued by the Industrial Development Bureau, MOEA No. 10620424930 on September 22, 2017, the upper limit on investment in mainland China pursuant to the "Principle of Investment or Technical Cooperation in Mainland China" is not applicable.

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 $21,009 thousand (US$684 thousand), the investment amount of Union (ZS) of $27,582 thousand (US$898 thousand) and the investment amount of CGPC (SH) of $122,860 thousand (US$4,000 thousand).

Note 4: The board of directors of the Company passed a resolution to dissolve CGPC (ZS) and CGPC (CP) on October 24, 2011. As of December 31, 2018, the dissolution procedures have not yet been completed.

Note 5: The investment income (loss) recognition in 2018 is based on the financial statements audited by the parent company's CPA.

Note 6: All the transactions were written off when preparing the consolidated financial statements.

V. Parent Company Only Financial Report Audited and Certified by CPAs for the Most Recent Fiscal Years

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, 2018 and 2017, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, 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, 2018. 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 of the Company's financial statements for the year ended December 31, 2018 are stated as follows:

Validity of Specific Revenue

The amount of revenue derived from partial customers was NT$1,581,634 thousand, representing 19% of total revenue of the Company for the year ended December 31, 2018. Most of these customers were distributors, and the amount of revenue derived from specific regions significantly increased compared to the figure as of December 31, 2017. Therefore, the validity of the revenue derived from these customers has been identified as a key audit matter.

For the accounting policy of the validity of the revenue derived from these customers, refer to Notes 4 and 21 to the accompanying financial statements.

Our main audit procedures performed to assess the validity of the revenue derived from the above-mentioned customers are as follows:

1. We obtained an understanding and tested the internal control design and operating effectiveness of the validity of revenue derived from the above-mentioned customers.

2. We sampled the transaction documents related to revenue derived from the above-mentioned customers, including sales order, shipping, customs and receipt documents, to verify that the revenue was recognized while completing the performance obligation.

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

Valuation of Inventory

As of December 31, 2018, the carrying amount of the Company's inventory was NT$820,821 thousand (i.e. the gross amount of inventory of NT$863,881 thousand with a deduction of the allowance for inventory valuation of NT$43,060 thousand), representing 7% of the Company's total assets. As the Company's inventory was stated at the lower of cost or net realizable value in accordance with IAS 2 "Inventories", which involved critical judgement and accounting estimates by the management, the valuation of inventory has been identified as a key audit matter.

Refer to Notes 4, 5 and 11 to the Company's financial statements for the related accounting policies and disclosures on inventory valuation.

The main audit procedures we performed for valuation of inventory are as follows:

1. We obtained an understanding of the reasonableness of the Company's policies and methods of the allowance for inventory valuation.

2. By performing a year-end inventory observation, we understood the inventory status and evaluated the reasonableness of the allowance for inventory valuation.

3. We tested the inventory aging and net realizable value report used in valuation, including verification of the completeness, net realizable value and recalculation of the accuracy of the reports. Besides, we also performed the retrospective test to verify the validity of the impairment items and value decline in subsequent period.

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, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 6, 2019

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 150,729	1	$ 86,856	1
Financial assets at fair value through profit or loss (FVTPL) - current (Notes 4 and 7)	405,396	4	968,999	9
Notes receivable (Notes 4 and 10)	190,380	2	175,609	2
Trade receivables (Notes 4 and 10)	832,697	8	692,568	7
Trade receivables from related parties (Notes 4, 10 and 28)	101,570	1	118,613	1
Other receivables (Notes 4 and 10)	26,985	-	25,070	-
Other receivables from related parties (Notes 4, 10 and 28)	2,407	-	1,979	-
Inventories (Notes 4 and 11)	820,821	7	681,785	6
Prepayments	17,348	-	18,188	-
Other current assets	1,040	-	388	-
Total current assets	2,549,373	23	2,770,055	26
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Notes 4, 8 and 20)	121,047	1	-	-
Financial assets measured at cost - non-current (Notes 4 and 9)	-	-	91,000	1
Investments accounted for using equity method (Notes 4 and 12)	4,910,191	45	4,405,384	42
Property, plant and equipment (Notes 4, 13, 28 and 29)	3,046,423	28	2,914,824	28
Investment properties (Notes 4, 14 and 25)	135,277	1	140,260	1
Intangible assets (Notes 4 and 15)	1,640	-	4,178	-
Deferred tax assets (Notes 4 and 23)	251,089	2	260,296	2
Refundable deposits (Note 29)	2,474	-	2,474	-
Total non-current assets	8,468,141	77	7,818,416	74
TOTAL	$ 11,017,514	100	$ 10,588,471	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at FVTPL - current (Notes 4 and 7)	$ -	-	$ 508	-
Notes payable (Note 16)	288	-	183	-
Trade payables (Note 16)	226,463	2	210,127	2
Trade payables to related parties (Notes 16 and 28)	777,387	7	712,689	7
Other payables (Note 17)	394,539	4	340,506	3
Other payables to related parties (Note 28)	4,162	-	1,796	-
Current tax liabilities (Notes 4 and 23)	63,552	1	88,007	1
Provisions - current (Notes 4 and 18)	-	-	27,849	-
Other current liabilities	61,363	-	50,074	-
Total current liabilities	1,527,754	14	1,431,739	13
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 23)	484,666	4	484,890	5
Net defined benefit liabilities - non-current (Notes 4 and 19)	627,435	6	863,130	8
Other non-current liabilities	3,019	-	2,371	-
Total non-current liabilities	1,115,120	10	1,350,391	13
Total liabilities	2,642,874	24	2,782,130	26
EQUITY (Notes 4, 8, 9, 12, 19, 20 and 23)				
Ordinary Shares	5,067,596	46	4,919,996	47
Capital surplus	8,929	-	8,236	-
Retained earnings				
Legal reserve	512,954	5	385,973	4
Special reserve	408,223	4	408,223	4
Unappropriated earnings	2,334,921	21	2,063,146	19
Total retained earnings	3,256,098	30	2,857,342	27
Other equity	42,017	-	20,767	-
Total equity	8,374,640	76	7,806,341	74
TOTAL	$ 11,017,514	100	$ 10,588,471	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, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
NET REVENUE (Notes 4, 21 and 28)	$ 8,248,176	100	$ 8,110,347	100
COST OF REVENUE (Notes 4, 11, 22 and 28)	7,184,172	87	6,936,238	86
GROSS PROFIT	1,064,004	13	1,174,109	14
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	8,150	-	7,002	-
REALIZED GROSS PROFIT	1,072,154	13	1,181,111	14
OPERATING EXPENSES (Notes 22 and 28)				
Selling and marketing expenses	318,651	4	295,934	4
General and administrative expenses	151,862	2	153,109	2
Research and development expenses	31,586	-	31,581	-
Total operating expenses	502,099	6	480,624	6
PROFIT FROM OPERATIONS	570,055	7	700,487	8
NON-OPERATING INCOME AND EXPENSES (Notes 4, 7, 12, 14, 22 and 28)				
Other income	27,818	1	24,328	-
Other gains and losses	18,012	-	(56,210)	-
Interests expense	(14)	-	(60)	-
Share of profit or loss of subsidiaries and associates	767,701	9	747,150	9
Total non-operating income and expenses	813,517	10	715,208	9
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	1,383,572	17	1,415,695	17
INCOME TAX EXPENSE (Notes 4 and 23)	107,416	1	145,887	2
NET PROFIT FOR THE YEAR	1,276,156	16	1,269,808	15
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 8, 12, 19, 20 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	3,712	-	(3,299)	-
Unrealized gain on investments in equity instruments at FVTOCI	20,947	-	-	-

(Continued)

CHINA GENERAL PLASTICS CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018 Amount	2018 %	2017 Amount	2017 %
Share of the other comprehensive loss of subsidiaries and associates accounted for using the equity method-unrealized loss on investments in equity instruments at FVTOCI	$ (20,017)	-	$ -	-
Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method - remeasurement of defined benefit plans	(3,291)	-	(3,821)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	7,778	-	561	-
	9,129	-	(6,559)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	7,723	-	(38,607)	-
Unrealized loss on available-for-sale financial assets	-	-	(60)	-
Share of other comprehensive loss of associates accounted for using the equity method - exchange differences on translating foreign operations	(400)	-	(151)	-
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	-
Income tax relating to items that may be reclassified subsequently to profit or loss	(3,565)	-	6,563	-
	3,758	-	(20,371)	-
Other comprehensive income (loss) for the year, net of income tax	12,887	-	(26,930)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,289,043	16	$ 1,242,878	15
EARNINGS PER SHARE (Note 24)				
Basic	$ 2.52		$ 2.51	
Diluted	$ 2.51		$ 2.50	

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Share Capital (Note 20)	Capital Surplus (Notes 4 and 20)			Retained Earnings (Notes 4, 19, 20 and 23)				Other Equity (Notes 4, 8, 12, 20 and 23)				
	Ordinary Shares	Unpaid Dividend	Others	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Investments in Equity Instruments at FVTOCI	Total	Total Equity
BALANCE AT JANUARY 1, 2017	$ 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
Effect of retrospective restatement	-	-	-	-	-	-	-	-	-	(40,350)	56,912	16,562	16,562
BALANCE AT JANUARY 1, 2018, AS RESTATED	4,919,996	7,929	307	8,236	385,973	408,223	2,063,146	2,857,342	(19,583)	-	56,912	37,329	7,822,903
Appropriation of the 2017 earnings													
Legal reserve	-	-	-	-	126,981	-	(126,981)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(737,999)	(737,999)	-	-	-	-	(737,999)
Share dividends distributed by the Company	147,600	-	-	-	-	-	(147,600)	(147,600)	-	-	-	-	-
Other changes in capital surplus	-	693	-	693	-	-	-	-	-	-	-	-	693
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	1,276,156	1,276,156	-	-	-	-	1,276,156
Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	8,199	8,199	3,758	-	930	4,688	12,887
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	-	1,284,355	1,284,355	3,758	-	930	4,688	1,289,043
BALANCE AT DECEMBER 31, 2018	$ 5,067,596	$ 8,622	$ 307	$ 8,929	$ 512,954	$ 408,223	$ 2,334,921	$ 3,256,098	$ (15,825)	$ -	$ 57,842	$ 42,017	$ 8,374,640

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,383,572	$ 1,415,695
Adjustments for:		
Depreciation expenses	176,198	146,961
Amortization expenses	2,813	3,889
Net (gain) loss on fair value change on financial assets carried at FVTPL	(7,829)	18,058
Interest expense	14	60
Interest income	(6,670)	(6,607)
Dividend income	(1,649)	(13)
Share of profit of subsidiaries and associates	(767,701)	(747,150)
Gain on disposal of property, plant and equipment	(1,384)	(1,427)
Net gain on disposal of available-for-sale financial assets	-	(2,936)
Write-downs of inventories	866	2,192
Reversal of impairment loss recognized on property, plant and equipment	-	(951)
Realized gain on the transactions with subsidiaries	(8,150)	(7,002)
Changes in operating assets and liabilities		
Financial assets held for trading	(17,777)	8,867
Financial assets mandatorily classified as at FVTPL	588,701	-
Notes receivable	(14,771)	(32,224)
Trade receivables	(140,129)	(16,159)
Trade receivables from related parties	17,043	2,804
Other receivables	(1,863)	(5,748)
Other receivables from related parties	(428)	1,371
Inventories	(139,902)	15,834
Prepayments	840	7,486
Other current assets	(652)	318
Notes payable	105	(168)
Trade payables	16,336	(19,892)
Trade payables to related parties	64,698	365,419
Other payables	29,946	(2,436)
Other payables to related parties	2,366	(7,034)
Provisions	-	10,266
Other current liabilities	(16,560)	(5,897)
Net defined benefit liabilities	(231,983)	(356,540)
Cash generated from operations	926,050	787,036
Interest received	6,618	6,649
Interest paid	(14)	(60)
Income tax paid	(118,675)	(90,445)
Net cash generated from operating activities	813,979	703,180

(Continued)

CHINA GENERAL PLASTICS CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from capital reduction of financial assets at FVTOCI	$ 7,462	$ -
Proceeds from sale of available-for-sale financial assets	-	5,948
Refunds of financial assets measured at cost by capital reduction	-	9,000
Payments for property, plant and equipment	(278,787)	(644,671)
Proceeds from disposal of property, plant and equipment	2,140	1,686
Increase in refundable deposits	-	(21)
Payments for intangible assets	(275)	(160)
Dividends received	256,708	373,725
Net cash used in investing activities	(12,752)	(254,493)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from guarantee deposits received	925	732
Refunds of guarantee deposits received	(278)	(2,192)
Increase (decrease) in other non-current liabilities	1	(70)
Dividends paid	(738,002)	(812,040)
Net cash used in financing activities	(737,354)	(813,570)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	63,873	(364,883)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	86,856	451,739
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 150,729	$ 86,856

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, 2018 AND 2017
(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 6, 2019.

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:

   1) IFRS 9 "Financial Instruments" and related amendments

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

      The requirements for classification, measurement and impairment of financial assets have been applied retrospectively starting from January 1, 2018. IFRS 9 is not applicable to items that have already been derecognized as of December 31, 2017.

      <u>Classification, measurement and impairment of financial assets</u>

      On the basis of the facts and circumstances that existed as of January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Company's financial assets and financial liabilities as of January 1, 2018.

Financial Asset	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 86,856	$ 86,856	a)
Derivatives	Held for trading	Mandatorily at fair value through profit or loss (i.e. FVTPL)	1,450	1,450	
Equity securities	Available for sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	91,000	107,562	b)
Fund beneficiary certificates	Held for trading	Mandatorily at FVTPL	967,549	967,549	
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	989,115	989,115	a)
Refundable deposits	Loans and receivables	Amortized cost	2,454	2,454	a)

Financial Asset	IAS 39 Carrying Amount as of January 1, 2018	Reclassification	Remeasurement	IFRS 9 Carrying Amount as of January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTOCI						
Equity instruments	$ -	$ -	$ -			
Add: Reclassification from available-for-sale (IAS 39)	-	91,000	16,562			b)
	-	91,000	16,562	$ 107,562	$ 16,562	
Amortized cost						
Add: Reclassification from loans and receivables (IAS 39)	-	1,078,425	-			a)
	-	1,078,425	-	1,078,425	-	
Total	$ -	$ 1,169,425	$ 16,562	$ 1,185,987	$ 16,562	

a) Cash and cash equivalents, notes receivable, trade receivables, other receivables and refundable deposits previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

b) As equity securities previously classified as available-for-sale financial assets under IAS 39 were not held for trading, the Company elected to designate these securities as at FVTOCI and FVTPL under IFRS 9. As a result, the related other equity - unrealized gain (loss) on available-for-sale financial assets of $40,350 thousand was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI.

   Investments in unlisted shares, respectively, previously measured at cost under IAS 39 have been classified at FVTPL and designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $16,562 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

   IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for the related accounting policies.

In identifying performance obligations, IFRS 15 and the related amendments require that a good or service is distinct if it is capable of being distinct and the promise to transfer it is distinct within the context of the contract. The application of IFRS 15 is not expected to have a material impact on the Company.

The Company elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and to reclassify the advances received of $33,748 thousand to contract liabilities and the provision for customer returns and rebates of $27,849 thousand to refund liabilities.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the "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)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term 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 January 1, 2018.

Note 3: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

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)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (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 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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 Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the parent company only 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 parent company only 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 which 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 and associates. 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 the 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 is not allocated to any asset, including goodwill, that 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 measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured 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 FVTPL) 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 FVTPL 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

2018

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and derivative instruments and fund beneficiary certificates that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured 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 such a financial asset. Fair value is determined in the manner described in Note 27.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable at amortized cost, trade receivables, other receivables and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such a financial asset; and

- Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such a financial asset.

Cash equivalents include time deposits and reverse 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.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale financial assets and loans and receivables.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are held for trading.

Financial assets at FVTPL 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 27.

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 FVTPL.

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

<u>2018</u>

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and investments in debt instruments that are measured at FVTOCI.

The Company always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the respective financial asset.

<u>2017</u>

Financial assets, other than those at FVTPL, 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.

Before 2018, 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. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, 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. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

Except the derivative instruments, 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 on which 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.

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, derivatives embedded in hybrid contracts, which contain financial asset hosts within the scope of IFRS 9, are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

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

2018

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied. The refund liabilities are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

- Revenue from the sale of goods

  Revenue from the sale of goods comes from the sale of chlor-alkali products, PVC resins, PVC compounds and other related products. The sale of goods above is recognized as revenue when the goods are delivered to a customer because it is the time when the customer has full discretion over the manner of distribution and the price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

2017

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. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and 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 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, estimations 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.

Write-down of Inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

Associate's Estimated Damage Compensation for Kaohsiung Gas Explosions

The Company's associate, China General Terminal & Distribution Corporation ("CGTD"), recognized a provision caused by the Kaohsiung gas explosions. The management estimated the provision based on the progress of civil/criminal judgements, settlement, and the legal advice. However, the difference between the estimated compensation and the actual amount may exist.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand and petty cash	$ 192	$ 145
Checking accounts and demand deposits	81,428	74,807
Time deposits	69,109	11,904
	$ 150,729	$ 86,856

The market rate intervals of cash in banks at the end of the reporting period was as follows:

	December 31	
	2018	2017
Cash in banks	0.001%-2.50%	0.001%-0.28%

7. FINANCIAL INSTRUMENTS AT FVTPL - CURRENT

	December 31	
	2018	2017
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	$ -	$ 1,450
Non-derivative financial assets		
Open-end fund beneficiary certificates	-	777,343
Closed-end fund beneficiary certificates	-	190,206
	-	968,999

(Continued)

	December 31	
	2018	2017
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	$ 627	$ -
Non-derivative financial assets		
Open-end fund beneficiary certificates	195,562	-
Closed-end fund beneficiary certificates	209,207	-
	405,396	-
	$ 405,396	$ 968,999
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ -	$ 508

(Concluded)

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, 2018			
Sell	USD/NTD	2019.01.03-2019.03.15	USD12,360/NTD379,620
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

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. FINANCIAL ASSETS AT FVTOCI - 2018

Investments in Equity Instruments at FVTOCI

	December 31, 2018
Non-current	
Domestic equity investments	
Unlisted ordinary shares	
KHL IB Venture Capital Co., Ltd.	$ 121,047

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 2018. The return was made by reducing 8.2% of the capital, in aggregation of 12,536 thousand shares (proportionately reducing 82 shares per 1,000 shares) and refunding $820 per 1,000 shares to shareholders. The capital reduction was officially registered on August 16, 2018, and the Company received the capital refund of $7,462 thousand in August 2018.

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as it believes that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale financial assets and financial assets measured at cost under IAS 39. Refer to Notes 3 and 9 for information relating to their reclassification and comparative information for 2017.

9. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31, 2017
Domestic equity investments	
KHL IB Venture Capital Co., Ltd. ("KHL")	$ 91,000

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	
	2018	2017
Notes receivable		
Notes receivable-operating	$ 190,380	$ 175,609
Trade receivables		
At amortized cost		
Gross carrying amount	$ 843,349	$ 703,220
Less: Allowance for impairment loss	(10,652)	(10,652)
	$ 832,697	$ 692,568
Trade receivables from related parties (Note 28)	$ 101,570	$ 118,613

(Continued)

	December 31	
	2018	2017
Other receivables		
Tax refund receivables	$ 26,615	$ 24,724
Others	370	346
	$ 26,985	$ 25,070
Other receivables from related parties (Note 28)	$ 2,407	$ 1,979

(Concluded)

a. Trade receivables

2018

The Company's credit period for the sale of goods ranges from 10 days to 60 days. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting a new customer, the Company surveys the customers' credit history and measures the potential customer's credit quality to set a credit limit. A customer's credit limit and rating are reviewed annually. In addition, the Company reviews the recoverable amount of trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company applies the simplified approach to the recognition of allowances for expected credit losses during the reporting as prescribed by IFRS 9, which permits the use of a lifetime expected losses allowance for all trade receivables. The expected credit losses on trade receivables are estimated using an allowance matrix by reference to past default experience with the respective debtors and an analysis of the debtors' current financial positions, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.

The Company writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables which are due.

The following table details the loss allowance of trade receivable based on the Company's allowance matrix.

December 31, 2018

	Credit Rating A	Credit Rating B	Credit Rating C	Others	Total
Gross carrying amount	$ 9,292	$ 312,448	$ 112,252	$ 409,357	$ 843,349
Loss allowance (lifetime ECLs)	-	(3,888)	(2,576)	(4,188)	(10,652)
Amortized cost	$ 9,292	$ 308,560	$ 109,676	$ 405,169	$ 832,697

The aging of notes receivable and trade receivables was as follows:

	December 31, 2018
Not past due	$ 1,118,061
Less than and including 60 days	17,238
Over 60 days	-
	$ 1,135,299

The above aging schedule was based on the number of days past due from the end of credit term.

The movements of the loss allowance of trade receivables were as follows:

	For the Year Ended December 31, 2018
Balance at January 1, 2018 per IAS 39	$ 10,652
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	10,652
Add: Net remeasurement of loss allowance	-
Less: Amounts written off	-
Foreign exchange gains and losses	-
Balance at December 31, 2018	$ 10,652

2017

The Company applied the same credit policy in 2018 and 2017.

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. For part of the trade receivables, the Company entered into credit insurance contracts to enhance its guarantee. Therefore, the Company considered the recoverable amount of the insurance contracts when determining the amount of allowance for impairment loss. In addition, the Company did not have the legal right to offset any amounts owed by the Company against those payables to the respective counterparties.

The aging of notes receivable and trade receivables was as follows:

	December 31, 2017
Not past due	$ 982,488
Less than and including 60 days	14,148
Over 60 days	806
	$ 997,442

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
Less than and including 60 days	$ 14,148
Over 60 days	806
	$ 14,954

The above aging schedule was based on the number of past due days from the end of the credit term.

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, 2017	$ -	$ 10,652	$ 10,652
Less: Amounts written off during the period	-	-	-
Foreign exchange translation gains or losses	-	-	-
Balance at December 31, 2017	$ -	$ 10,652	$ 10,652

b. Other receivables

As of December 31, 2018, the Company assessed the impairment loss of other receivables using expected credit losses. There were no other receivables which were past due and for which there was an unrecognized allowance for the respective doubtful accounts as of December 31, 2017.

11. INVENTORIES

	December 31	
	2018	2017
Finished goods	$ 491,471	$ 354,113
Work in progress	45,025	39,207
Raw materials	284,325	288,465
	$ 820,821	$ 681,785

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017, was $7,184,172 thousand and $6,936,238 thousand, respectively.

The cost of goods sold included inventory write-downs of $866 thousand and $2,192 thousand for the years ended December 31, 2018 and 2017, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	$ 4,656,193	$ 4,106,640
Investments in associates	253,998	298,744
	$ 4,910,191	$ 4,405,384

a. Investments in subsidiaries

	December 31	
	2018	2017
Unlisted company		
Taiwan VCM Corporation ("TVCM")	$ 2,919,181	$ 2,642,545
CGPC Polymer Corporation ("CGPCPOL")	1,103,222	845,548
CGPC (BVI) Holding Co., Ltd. ("CGPC (BVI)")	353,757	347,575
CGPC America Corporation ("CGPC America")	203,543	198,483
Krystal Star International Corporation ("Krystal Star")	76,490	72,489
	$ 4,656,193	$ 4,106,640

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	**2018**	**2017**
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%

On May 23, 2018 and May 22, 2017, the board of directors of CGPCPOL, on behalf of the shareholders, resolved to increase its capital by declaring a share dividend of $223,810 thousand and $243,465 thousand, representing 22,381 thousand shares and 24,347 thousand shares, respectively. The record date of the capital increase was July 6, 2018 and July 7, 2017, respectively.

On April 23, 2018 and May 4, 2017, the TVCM shareholders in their meeting passed a resolution to increase TVCM's capital by declaring a share dividend of $112,476 thousand and $107,120 thousand, representing 11,248 thousand shares and 10,712 thousand shares, respectively. The record date of the capital increase was July 6, 2018 and July 7, 2017, respectively.

As of December 31, 2018, 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, 2018, the dissolution procedures have not yet been completed.

The investment 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, 2018 and 2017 were based on the subsidiaries' financial statements which have been audited for the same years.

b. Investments in associates

1) Associates that are not individually material

	December 31	
	2018	2017
Listed company		
Acme Electronics Corporation ("ACME")	$ 24,296	$ 23,731
Unlisted company		
China General Terminal & Distribution Corporation ("CGTD")	228,250	272,509
Thintec Materials Corporation ("TMC")	1,452	2,504
	$ 253,998	$ 298,744

2) Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2018	2017
The Company's share of:		
Gain (loss) from continuing operations	$ (25,315)	$ 15,898
Other comprehensive income (loss)	(19,431)	11,492
Total comprehensive income (loss) for the year	$ (44,746)	$ 27,390

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	**2018**	**2017**
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	**2018**	**2017**
ACME	$ 42,241	$ 58,439

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 or loss of those investments for the years ended December 31, 2018 and 2017 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, 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)	-	(71,041)
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
Cost							
Balance at January 1, 2018	$ 1,644,182	$ 946,535	$ 4,692,564	$ 53,629	$ 170,023	$ 334,512	$ 7,841,445
Additions	-	-	-	-	-	303,570	303,570
Disposals	-	(7,572)	(61,445)	(2,281)	(2,847)	-	(74,145)
Reclassification	-	22,362	310,523	4,602	3,197	(340,684)	-
Balance at December 31, 2018	$ 1,644,182	$ 961,325	$ 4,941,642	$ 55,950	$ 170,373	$ 297,398	$ 8,070,870
Accumulated depreciation and impairment							
Balance at January 1, 2018	$ -	$ 614,551	$ 4,113,676	$ 38,024	$ 160,370	$ -	$ 4,926,621
Depreciation expenses	-	32,498	130,051	4,817	3,849	-	171,215
Disposals	-	(7,190)	(61,218)	(2,280)	(2,701)	-	(73,389)
Balance at December 31, 2018	$ -	$ 639,859	$ 4,182,509	$ 40,561	$ 161,518	$ -	$ 5,024,447
Carrying amounts at December 31, 2018	$ 1,644,182	$ 321,466	$ 759,133	$ 15,389	$ 8,855	$ 297,398	$ 3,046,423

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 are 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

(Continued)

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

(Concluded)

The Company set out the property, plant and equipment pledged as collateral for bank borrowings in Note 29.

14. INVESTMENT PROPERTIES

	Land	Building and improvements	Total
Cost			
Balance at January 1, 2017	$ 27,715	$ -	$ 27,715
Reclassification from properties, plant and equipment	-	142,751	142,751
Reclassification to properties, plant and equipment	(14,511)	(13,204)	(27,715)
Balance at December 31,2017	$ 13,204	$ 129,547	$ 142,751
Accumulated depreciation			
Balance at January 1, 2017	$ -	$ -	$ -
Depreciation expense	-	2,491	2,491
Balance at December 31,2017	$ -	$ 2,491	$ 2,491
Carrying amount at December 31, 2017	$ 13,204	$ 127,056	$ 140,260
Cost			
Balance at January 1 and December 31, 2018	$ 13,204	$ 129,547	$ 142,751
Accumulated depreciation			
Balance at January 1, 2018	$ -	$ 2,491	$ 2,491
Depreciation expense	-	4,983	4,983
Balance at December 31,2018	$ -	$ 7,474	$ 7,474
Carrying amount at December 31, 2018	$ 13,204	$ 122,073	$ 135,277

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. The Company entered into a mutual lease agreement with USIO after the Company acquired the plant located at Toufen and its attached equipment in June 2017.

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.

Regarding the lease on the land in Toufen Industrial District between the Company and USIO, refer to Note 25 for the related disclosures.

15. INTANGIBLE ASSETS

	Computer Software	
	For the Year Ended December 31	
	2018	2017
Cost		
Balance at January 1	$ 15,123	$ 14,963
Additions	275	160
Disposals	(5,488)	-
Balance at December 31	9,910	15,123
Accumulated amortization		
Balance at January 1	10,945	7,056
Amortization expenses	2,813	3,889
Disposals	(5,488)	-
Balance at December 31	8,270	10,945
Carrying amounts at December 31	$ 1,640	$ 4,178

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	
	2018	2017
Notes payable		
Operating	$ 288	$ 183
Trade payables (including related parties)		
Operating	$ 1,003,850	$ 922,816

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.

3. 4. **17. OTHER PAYABLES**

	December 31	
	2018	2017
Payables for salaries or bonuses	$ 219,020	$ 227,287
Payables for purchases of equipment	44,868	20,085
Payables for utilities	34,567	32,258
Payables for freight	33,136	27,998
Others	62,948	32,878
	$ 394,539	$ 340,506

18. PROVISIONS-CURRENT

	December 31	
	2018	2017
Provision for customer returns and rebates	$ -	$ 27,849

For contracts with customers in 2017, the provision for customer returns and rebates was 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 was recognized as a reduction of operating income in the periods of the sales of the related goods. Starting from January 1, 2018, the Company applied IFRS 15 and recognized estimated sales returns and rebates as refund liabilities (presented in other current liabilities).

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	
	2018	2017
Present value of defined benefit obligation	$ 1,337,890	$ 1,355,238
Fair value of plan assets	(710,455)	(492,108)
Net defined benefit liabilities	$ 627,435	$ 863,130

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, 2017	$ 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
Service cost			
Current service cost	12,521	-	12,521
Net interest expense (income)	14,977	(6,656)	8,321
Recognized in profit or loss	27,498	(6,656)	20,842
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(10,330)	(10,330)
Actuarial loss - changes in financial assumptions	27,133	-	27,133
Actuarial gain - experience adjustments	(20,515)	-	(20,515)
Recognized in other comprehensive income	6,618	(10,330)	(3,712)
Contributions from the employer	-	(252,825)	(252,825)
Benefits paid	(51,464)	51,464	-
Balance at December 31, 2018	$ 1,337,890	$ (710,455)	$ 627,435

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	
	2018	2017
Operating costs	$ 16,481	$ 22,509
Selling and marketing expenses	2,017	2,694
General and administrative expenses	1,551	2,184
Research and development expenses	793	1,002
	$ 20,842	$ 28,389

The Company accumulated net losses after taxes of the remeasurement of the defined benefit plans in other comprehensive loss, which were $115,000 thousand and $126,490 thousand as of December 31, 2018 and 2017, 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	
	2018	2017
Discount rate	0.875%	1.125%
Expected rate of salary increase	2.500%	2.500%

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	
	2018	2017
Discount rates		
0.25% increase	$ (27,133)	$ (29,269)
0.25% decrease	$ 28,017	$ 30,255
Expected rates of salary increase		
0.25% increase	$ 27,084	$ 29,318
0.25% decrease	$ (26,370)	$ (28,515)

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 $60,437 thousand to the defined benefit plans in the next year starting from January 1, 2019. The weighted average duration of defined benefit obligation is 8.4 years.

20. EQUITY

a. Ordinary shares

	December 31	
	2018	2017
Number of shares authorized (in thousands)	650,000	500,000
Shares authorized	$ 6,500,000	$ 5,000,000
Number of shares issued and fully paid (in thousands)	506,760	492,000
Shares issued	$ 5,067,596	$ 4,919,996

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

Under the dividends policy as set forth in the Company's Articles of Incorporation, 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 after amendment, refer to "Employees' compensation and remuneration of directors" in Note 22-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 2017 and 2016 approved in the shareholders' meetings on June 22, 2018 and June 8, 2017, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		**Dividends Per Share (NT$) For the Year Ended December 31**	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ 126,981	$ 144,312		
Cash dividends	737,999	812,038	$1.5	$1.7
Share dividends	147,600	143,301	0.3	0.3

The appropriation of earnings for 2018 was proposed by the Company's board of directors on March 6, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 127,616	
Cash dividends	760,139	$1.5
Share dividends	202,704	0.4

The appropriation of earnings for 2018 are subject to resolution in the shareholders' meeting to be held on June 21, 2019.

d. Special reserve

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, 2018, 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	
	2018	**2017**
Balance at January 1	$ (19,583)	$ 12,612
Effect of change in tax rate	(2,020)	-
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	7,723	(38,607)
Related income tax	(1,545)	6,563
Share of exchange differences of associates accounted for using the equity method	(400)	(151)
Balance at December 31	$ (15,825)	$ (19,583)

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended 2017
Balance at January 1, 2017	$ 28,526
Recognized for the year	
Unrealized gain on revaluation of available-for-sale financial assets	832
Share of profit of associates accounted for using the equity method	11,884
Reclassification adjustments	
Net (gain)/loss on disposal of available-for-sale financial assets	(892)
Balance at December 31, 2017	$ 40,350
Balance at January 1 per IAS 39	$ 40,350
Adjustment on initial application of IFRS 9	(40,350)
Balance at January 1 per IFRS 9	$ -

3) Unrealized gain (loss) on financial assets at FVTOCI s

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	$ -
Adjustment on initial application of IFRS 9	56,912
Balance at January 1 per IFRS 9	56,912
Recognized during the period	
Unrealized gain on equity instruments	20,947
Share of loss of subsidiaries and associates accounted for using the equity method	(20,017)
Other comprehensive income for this year	930
Balance at December 31	$ 57,842

21. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from sale of goods		
PVC products	$ 8,248,176	$ 8,110,347

Refer to Schedule 8 for information related to revenue from sale of goods.

22. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income		
Bank deposits	$ 481	$ 573
Financial assets at FTVPL	5,981	5,941
Others	208	93
	6,670	6,607
Rental income	12,480	10,333
Others	8,668	7,388
	$ 27,818	$ 24,328

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Gain on disposal of property, plant and equipment	$ 1,384	$ 1,427
Gross foreign exchange gains	38,698	13,972
Gross foreign exchange losses	(20,347)	(55,755)
Loss on financial assets held for trading (see Note 7)	-	(8,399)
Loss on financial liabilities held for trading (see Note 7)	(17,269)	(3,391)
Gain on financial assets mandatorily classified as at FVTPL (see Note 7)	28,388	-
Depreciation expense of investment properties	(4,983)	(2,491)
Others	(7,859)	(1,573)
	$ 18,012	$ (56,210)

c. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 171,215	$ 144,470
Investment properties	4,983	2,491
Intangible assets	2,813	3,889
	$ 179,011	$ 150,850
An analysis of depreciation by function		
Operating costs	$ 168,717	$ 141,696
Operating expenses	2,498	2,774
Non-operating expenses	4,983	2,491
	$ 176,198	$ 146,961
An analysis of amortization by function		
General and administrative expenses	$ 2,813	$ 3,889

d. Employee benefits expense

	For the Year Ended December 31	
	2018	**2017**
Post-employment benefits		
Defined contribution plans	$ 14,897	$ 13,990
Defined benefit plans (see Note 19)	20,842	28,389
	35,739	42,379
Other employee benefits	872,462	879,817
Total employee benefits expense	$ 908,201	$ 922,196
An analysis of employee benefits expense by function		
Operating costs	$ 732,446	$ 739,629
Operating expenses	175,755	182,567
	$ 908,201	$ 922,196

Refer to Schedule 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, 2018 and 2017, which have been approved by the Company's board of directors on March 6, 2019 and March 12, 2018, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	**2017**
Employees' compensation	1%	1%
Remuneration of directors	-	-

Amount

	For the Year Ended December 31	
	2018	**2017**
Employees' compensation	$ 13,975	$ 14,300

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, 2017 and 2016.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 69,726	$ 61,771
Income tax on unappropriated earnings	25,067	28,159
Adjustments for prior years	(573)	931
	94,220	90,861
Deferred tax		
In respect of the current year	48,769	56,170
Effect of different tax rates	3,564	910
Unrecognized deductible temporary differences	(670)	(1,229)
Adjustments for prior years	671	(825)
Adjustments to deferred tax attributable to changes in tax rates and laws	(39,138)	-
	13,196	55,026
Income tax expense recognized in profit or loss	$ 107,416	$ 145,887

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2018	2017
Profit before tax from continuing operations	$ 1,383,572	$ 1,415,695
Income tax expense calculated at the statutory rate	$ 276,714	$ 240,668
Domestic investment gains accounted for using the equity method	(153,666)	(126,094)
Others	(4,553)	3,367
Income tax on unappropriated earnings	25,067	28,159
Unrecognized deductible temporary differences	(670)	(1,229)
Effect of different tax rates	3,564	910
Adjustments to deferred tax attributable to changes in tax rates and laws	(39,138)	-
Adjustments for prior years' tax	98	106
Income tax expense recognized in profit or loss	$ 107,416	$ 145,887

In 2017, the applicable corporate income tax rate used by the Company in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
Adjustments to deferred tax attributable to changes in tax rates and law	$ 6,500	$ -
In respect of the current year		
Translation of foreign operations	(1,545)	6,563
Remeasurement on defined benefit plans	(742)	561
	(2,287)	7,124
Income tax recognized in other comprehensive income	$ 4,213	$ 7,124

c. Current tax liabilities

	December 31	
	2018	2017
Current tax liabilities		
Income tax payable	$ 63,552	$ 88,007

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, 2018

Deferred tax assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Allowance for inventory valuation	$ 7,173	$ 1,439	$ -	$ 8,612
Share of profit of subsidiaries and associates accounted for using the equity method	78,351	16,644	(3,565)	91,430
Unrealized losses on property, plant and equipment	188	(157)	-	31
Deferred revenue	15,578	(2,444)	-	13,134
Provisions	4,898	(4,898)	-	-
Refund liabilities	-	4,666	-	4,666
Defined benefit plans	145,157	$ (29,300)	7,778	$ 123,635
Payables for annual leave	5,644	943	-	6,587
Unrealized foreign exchange losses	532	(196)	-	336
Others	2,775	(117)	-	2,658
	$ 260,296	$ (13,420)	$ 4,213	$ 251,089

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax liabilities				
Temporary differences				
Differences on depreciation period between finance and tax	$ 1,517	$ (189)	$ -	$ 1,328
FVTPL financial assets	160	(35)	-	125
Revaluation increments of land	483,213	-	-	483,213
	$ 484,890	$ (224)	$ -	$ 484,666

(Concluded)

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

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
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

(Concluded)

e. Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

As of December 31, 2018 and 2017, the deductible temporary differences for which no deferred tax assets have been recognized in the Company's balance sheets were respectively $215,617 thousand and $218,969 thousand.

f. Income tax assessments

The income tax returns of the Company through 2016 have been assessed by the tax authorities.

24. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	**2017**
Basic earnings per share	$ 2.52	$ 2.51
Diluted earnings per share	$ 2.51	$ 2.50

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 3, 2018. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2017 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic and diluted earnings per share	$ 2.58	$ 2.51
Diluted earnings per share	$ 2.58	$ 2.50

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	
	2018	2017
Earnings used in the computation of basic and diluted earnings per share	$ 1,276,156	$ 1,269,808

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Year Ended December 31	
	2018	2017
Weighted average number of ordinary shares used in computation of basic earnings per share	506,760	506,760
Effect of potentially dilutive ordinary shares:		
Employees' compensation	724	568
Weighted average number of ordinary shares used in the computation of diluted earnings per share	507,484	507,328

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.

25. 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. After the lease contract expired, it was resigned with a new lease term from June 16, 2018 to June 15, 2020. USIO does not have a bargain purchase option to acquire the leased factory at the expiry of the lease period.

26. 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.

27. 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, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 627	$ -	$ 627
Fund beneficiary certificates	404,769	-	-	404,769
	$ 404,769	$ 627	$ -	$ 405,396
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted equity investments	$ -	$ -	$ 121,047	$ 121,047

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

There were no transfers between Levels 1 and 2 for the years ended December 31, 2018 and 2017.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2018

Financial Assets	Financial Assets at FVTOCI
Balance at January 1, 2018	$ 107,562
Recognized in other comprehensive income (included in unrealized gain on financial assets at FVTOCI)	20,947
Return of capital	(7,462)
Balance at December 31, 2018	$ 121,047

3) 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.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

To determine the fair value for Level 3 financial instruments, the Company’s financial department conducts independent fair value verification using independent resources so as to better reflect the market conditions, as well as periodically reviewing the valuation results in order to guarantee the rationality of the measurement. For unlisted domestic equity investments, the Company utilizes the asset approach and takes into account the most recent net asset value, observable financial status as well as the financing activities of investees in order to determine their net asset value. The unobservable input used was a discount for the lack of marketability of 15% on December 31, 2018. When other inputs remain unchanged, the fair value will decrease by $1,424 thousand if the discount for lack of marketability increases by 1%.

c. Categories of financial instruments

	December 31	
	2018	**2017**
Financial assets		
Financial assets at FVTPL		
Mandatorily classified at FVTPL	$ 405,396	$ -
Held for trading	-	968,999
Loans and receivables		
Cash and cash equivalents	-	86,856
Notes receivable	-	175,609
Trade receivables (including related parties)	-	811,181
Other receivables (including related parties and excluding tax refund receivable)	-	2,325
Refundable deposits	-	2,454
Available-for-sale financial assets (including financial assets measured at cost)	-	91,000
Financial assets at amortized cost		
Cash and cash equivalents	150,729	-
Notes receivable	190,380	-
Trade receivables (including related parties)	934,267	-
Other receivables (including related parties and excluding tax refund receivable)	2,777	-
Refundable deposits	2,454	-
Financial assets at FVTOCI		
Equity instruments	121,047	-
Financial liabilities		
Financial liabilities at FVTPL		
Held for trading	-	508
Financial liabilities measured at amortized cost		
Notes payable	288	183
Trade payables (including related parties)	1,003,850	922,816
Other payables (including related parties)	398,701	342,302
Guarantee deposits	2,688	2,041

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 31.

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, 2018 and 2017 would have decreased/increased by $21,236 thousand and $13,205 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	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 71,263	$ 14,058
Cash flow interest rate risk		
Financial assets	65,649	59,394

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, 2018 and 2017 would have increased/decreased by $328 thousand and $297 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 marketable equity securities prices had fluctuated by 5%, the pre-tax profit for the years ended December 31, 2018 would have increased/decreased by $20,238 thousand as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2018 would have increased/decreased by $6,052 thousand as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had fluctuated by 5%, the pre-tax profit for the years ended December 31, 2017 would have increased/decreased by $48,377 thousand as a result of the changes in fair value of held-for-trading investments.

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, 2018

	On Demand or Less than 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities			
Non-interest bearing liabilities	$ 1,183,819	$ -	$ -

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	$ -	$ -

b) Financing facilities

The Company relies on bank loans as a significant source of liquidity. As of December 31, 2018 and 2017, the unused amounts of bank loan facilities were as follows:

	December 31	
	2018	2017
Bank loan facilities		
Amount unused	$ 2,491,134	$ 2,186,877

28. TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2018 and 2017, USI Corporation held 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

(Continued)

Related Party Name	Related Party Category
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
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 ("INOMA")	Fellow subsidiary
APC Investment Corporation	Subsidiary of investor with significant influence
USI Educational Foundation ("USIF")	Related party in substance

(Concluded)

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31 2018	2017
Subsidiary	$ 374,307	$ 437,187
Investor with significant influence	2,341	5,169
Fellow subsidiary	222	501
Parent company		
USI	-	2,133
	$ 376,870	$ 444,990

Sales of goods to related parties had no material differences from those of general sales transactions.

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2018	2017
Subsidiary		
TVCM	$ 4,230,003	$ 3,970,741
Others	19,239	2,584
Fellow subsidiary	985	712
Parent Company		
USI	56	-
Investor with significant influence	13	-
	$ 4,250,296	$ 3,974,037

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.

d. Trade receivables from related parties

Related Party Category/Name	December 31 2018	December 31 2017
Subsidiary		
CGPC America	$ 101,245	$ 118,018
Investor with significant influence	325	493
Fellow subsidiary	-	102
	$ 101,570	$ 118,613

The outstanding trade receivables from related parties were unsecured. For the years ended December 31, 2018 and 2017, no impairment loss was recognized for trade receivables from related parties.

e. Trade payables to related parties

Related Party Category/Name	December 31 2018	December 31 2017
Subsidiary		
TVCM	$ 774,140	$ 710,651
Others	3,247	1,988
Fellow subsidiary	-	50
	$ 777,387	$ 712,689

The outstanding trade payables to related parties were unsecured.

f. Other receivables from related parties

Related Party Category/Name	December 31 2018	December 31 2017
Subsidiary		
CGPCPOL	$ 1,691	$ 1,410
Others	28	14
Investor with significant influence		
TTC	615	490
Others	17	3
Fellow subsidiary	49	39
Parent company		
USI	4	10
Associate	2	12
Subsidiary of investor with significant influence	1	1
	$ 2,407	$ 1,979

g. Other payables to related parties

Related Party Category/Name	December 31 2018	December 31 2017
Parent company		
USI	$ 2,156	$ 1,291
Subsidiary		
TVCM	1,681	290
Investor with significant influence	216	9
Fellow subsidiary	109	206
	$ 4,162	$ 1,796

h. Acquisition of property, plant and equipment (for the year ended December 31, 2018: None)

Related Party Category/Name	Purchase Price For the Year Ended December 31, 2017
Fellow subsidiary	
USIO	$ 290,000

i. Endorsements and guarantees

Related Party Category/Name	December 31 2018	December 31 2017
Subsidiary		
CGPCPOL	$ 2,907,150	$ 3,297,600

j. Rental expenses

Related Party Category/Name	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Parent company		
USI	$ 5,644	$ 5,282
Investor with significant influence		
APC	2,412	2,380
	$ 8,056	$ 7,662

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 2018	2017
Fellow subsidiary		
UM	$ 46,226	$ 41,530
Others	114	114
Parent company		
USI	3,786	3,981
	$ 50,126	$ 45,625

Contracts stating that UM and parent company should provide labor support, equipment and other related services to the Company were effective starting from July 1, 2001. The service expenses were based on the actual quarterly expenses which should be paid in the subsequent quarter.

l. Donations (classified as general and administrative expenses)

Related Party Category/Name	For the Year Ended December 31 2018	2017
Related party in substance		
USIF	$ 1,500	$ 1,000

m. Rental income

Related Party Category/Name	For the Year Ended December 31 2018	2017
Fellow subsidiary		
USIO	$ 12,011	$ 9,841
Investor with significant influence	89	116
	$ 12,100	$ 9,957

USIO leased the land and facility located in Toufen from the Company, the detailed lease term can be referred to Note 25.

n. Other revenue

Related Party Category/Name	For the Year Ended December 31 2018	2017
Investor with significant influence		
TTC	$ 2,002	$ 1,565
Subsidiary	580	1,422
	$ 2,582	$ 2,987

o. Other expense

Related Party Category/Name	For the Year Ended December 31 2018	2017
Subsidiary	$ 1,729	$ -

p. Compensation of key management personnel

Related Party Category/Name	For the Year Ended December 31 2018	2017
Salaries and others	$ 19,150	$ 18,336
Post-employment benefits	220	194
	$ 19,370	$ 18,530

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.

29. 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 2018	2017
Pledge deposits (classified as refundable deposits)	$ 2,154	$ 2,154
Property, plant and equipment		
Land	1,517,928	1,517,928
Buildings and improvements, net	64,987	72,678
	$ 1,585,069	$ 1,592,760

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 to enrich working capital. The Company set the land and plants which is owned by the Company as collateral. As of December 31, 2018 and 2017, the Company has not used its revolving credit.

The Company pledged its land and plant 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.

30. 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, 2018 and 2017, the Company’s unused letters of credit amounted to $18,866 thousand and $23,123 thousand, respectively.

b. Description of Kaohsiung explosions:

Regarding the associate, China General Terminal & Distribution Corporation (hereinafter “CGTD”), who was commissioned to operate the LCY Chemical Corp.’s propene pipeline resulting in a gas explosion on July 31, 2014, and the first instance judgment of the criminal procedures, which was reached on May 11, 2018, whereby three employees of CGTD were each sentenced to four years and six months of imprisonment, and CGTD assisted the employees in appealing against the judgment.

CGTD arrived at an agreement with the Kaohsiung City Government on February 12, 2015, pledging certificates of bank deposits of $227,167 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 2019, the provisionally attached property was worth $141,255 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 with the 64 seriously injured victims’ families.

As of February 28, 2019, victims and their families have filed civil (including supplementary civil action) lawsuits against LCY Chemical Corp., CGTD and CPC for compensation. To reduce the lawsuit costs, CGTD had reached a settlement on the original claim of $23,919 thousand, and the amount of the settlement was $3,899 thousand. Along with the case still under litigation and the above-mentioned compensation, the accumulated amount of compensation is $3,881,291 thousand. The first-instance judgments of some of the above-mentioned civil cases (with a total amount of compensation of approximately $1,177,192 thousand) have been gradually announced, starting from June 22, 2018. The proportion of fault liability of the Kaohsiung City Government, LCY Chemical Corp. and CGTD is 4:3:3 in most judgments. The total amount of compensation that CGTD, LCY Chemical Corp. and the other defendants should pay is around $383,831 thousand. In particular, CGTD was exempted to pay $6,194 thousand according to the court’s judgement. $188,818 thousand is estimated to be the portion of compensation that CGTD should afford according to the first-instance judgment for the moment. CGTD has appealed some civil cases which were announced but were not yet settled and gradually entered into the second-instance trials. In addition, with regard to the above-mentioned compensation, CGTD estimated and recognized the amount of $136,375 thousand based on its fault liability proportion announced in the first-instance judgment. The actual payment of CGTD still depends on the judgments of the remaining civil cases in the future.

31. 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 Currencies and Carry Amounts in Thousands

December 31, 2018

	December 31, 2018		
	Foreign Currencies	**Exchange Rate (In Single Dollars)**	**NT$ (Carry Amount)**
Financial assets			
Monetary items			
USD	$ 23,339	30.715 (USD:NTD)	$ 716,866
EUR	312	35.200 (EUR:NTD)	10,991
AUD	687	21.665 (AUD:NTD)	14,885
Non-monetary items			
Subsidiaries accounted for using the equity method			
USD	20,635	30.715 (USD:NTD)	633,790
Financial liabilities			
Monetary items			
USD	293	30.715 (USD:NTD)	8,987

December 31, 2017

	December 31, 2017		
	Foreign Currencies	**Exchange Rate (In Single Dollars)**	**NT$ (Carry Amount)**
Financial assets			
Monetary items			
USD	$ 15,158	29.760 (USD:NTD)	$ 451,104
EUR	663	35.570 (EUR:NTD)	23,567
JPY	86,158	0.2642 (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

For the years ended December 31, 2018 and 2017, net foreign exchange gain (losses) were $18,351 thousand and $(41,783) 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.

32. 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 28 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) The following information on any of the 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, 2018
(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 (Note 4)	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	$ 122,860 (US$ 4,000 thousand)	$ -	$ -	-	b	$ -	Operating capital needed	$ -	-	-	$ 353,757	$ 353,757

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, 2018.

Note 2: The total amount of financing provided 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 which is not located in Republic of China wholly-owned by the Company shall not exceed 100% of the net worth of the CGPC (BVI) 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, 2018.

CHINA GENERAL PLASTICS CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(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 (Note 3)	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	$ 8,374,640	$ 3,307,150	$ 2,907,150	$ 515,358	None	34.71	$ 8,374,640	Yes	No	No

Note 1: The ratio is calculated using the ending balance of equity of the Company as of December 31, 2018.

Note 2: In June 2018, a revision to the regulations governing endorsements/guarantees provided by the Company was approved in the shareholders' meeting, and the total amount of guarantee that may be provided by the Company to any individual entity and in aggregate shall not exceed 100% of the Company's net worth.

Note 3: The amount is calculated using the spot exchange rate of December 31, 2018.

TABLE 3

CHINA GENERAL PLASTICS CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(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, 2018				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								
	Cathay No. 1 Real Estate Investment Trust	-	Financial assets at FVTPL - current	4,268,000	$ 63,422	-	$ 63,422	4,268,000	1
	Fubon No. 2 Real Estate Investment Trust	-	Financial assets at FVTPL - current	5,000,000	63,000	-	63,000	5,000,000	1
	Shin Kong No. 1 Real Estate Investment Trust	-	Financial assets at FVTPL - current	3,000,000	45,210	-	45,210	3,000,000	1
	Cathay No. 2 Real Estate Investment Trust	-	Financial assets at FVTPL - current	2,500,000	37,575	-	37,575	2,500,000	1
	Open-end fund beneficiary certificates								
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	3,702,173	50,007	-	50,007	7,418,233	1
	Jih Sun Money Market Fund	-	Financial assets at FVTPL - current	3,143,272	46,500	-	46,500	9,368,793	1
	Hua Nan Phoenix Money Market Fund	-	Financial assets at FVTPL - current	2,466,700	40,041	-	40,041	3,092,509	1
	FSITC Taiwan Money Market Fund	-	Financial assets at FVTPL - current	2,226,387	34,011	-	34,011	9,518,158	1
	Yuanta Wan Tai Money Market Fund	-	Financial assets at FVTPL - current	1,653,002	25,003	-	25,003	3,881,805	1
	Ordinary shares								
	KHL IB Venture Capital Co., Ltd.	-	Financial assets measured at FVTOCI - non-current	8,353,800	121,047	5.95	121,047	9,100,000	1
Taiwan VCM Corporation	Open-end fund beneficiary certificates								
	Jih Sun Money Market Fund	-	Financial assets at FVTPL - current	12,193,440	180,384	-	180,384	12,193,440	1
	FSITC Taiwan Money Market Fund	-	Financial assets at FVTPL - current	8,534,572	130,378	-	130,378	8,534,572	1
	Yuanta De-Li Money Market Fund	-	Financial assets at FVTPL - current	3,081,056	50,162	-	50,162	3,085,429	1
	Prudential Financial Money Market Fund	-	Financial assets at FVTPL - current	3,174,885	50,144	-	50,144	3,180,641	1

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Maximum Shares/Units Held During the Year	Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value		
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	3,705,515	$ 50,052	-	$ 50,052	5,201,566	1
	Yuanta Wan Tai Money Market Fund	-	Financial assets at FVTPL - current	3,306,310	50,010	-	50,010	6,629,475	1
Taiwan VCM Corporation	Open-end fund beneficiary certificates								
	Hua Nan Kirin Money Market Fund	-	Financial assets at FVTPL - current	4,182,735	50,009	-	50,009	8,386,307	1
	Hua Nan Phoenix Money Market Fund	-	Financial assets at FVTPL - current	2,529,381	41,058	-	41,058	3,085,963	1
	UPAMC James Bond Money Market Fund	-	Financial assets at FVTPL - current	2,397,737	40,008	-	40,008	3,008,695	1
	Ordinary shares								
	Asia Polymer Corporation	The major shareholders are the same as the those of the Company	Financial assets at FVTOCI - non-current	121,611	1,593	0.02	1,593	121,611	1
CGPC Polymer Corporation	Open-end fund beneficiary certificates								
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	5,670,905	76,600	-	76,600	5,670,905	1
	FSITC Money Market Fund	-	Financial assets at FVTPL - current	4,755,891	72,653	-	72,653	4,755,891	1
	Yunata Wan Tai Money Market Fund	-	Financial assets at FVTPL - current	4,561,990	69,003	-	69,003	4,561,990	1
	Jih Sun Money Market Fund	-	Financial assets at FVTPL - current	3,355,891	49,645	-	49,645	15,404,760	1
	Capital Money Market Fund	-	Financial assets at FVTPL - current	2,793,539	45,006	-	45,006	2,793,539	1
	Hua Nan Phoenix Market Fund	-	Financial assets at FVTPL - current	2,523,727	40,967	-	40,967	2,523,727	1
	Nomura Taiwan Money Market Fund	-	Financial assets at FVTPL - current	1,903,908	31,020	-	31,020	1,903,908	1
CGPC (BVI) Holding Co., Ltd.	Ordinary shares								
	Teratech Corporation	-	Financial assets at FVTPL - non-current	112,000	-	0.67	-	112,000	1 and 3
	SOHOware, Inc. - preference shares	-	Financial assets at FVTPL - non-current	100,000	-	-	-	100,000	1, 2 and 3

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: As of December 31, 2018, the Company evaluates the fair value of the equity investment as $0.

(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, 2018
(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													
	Taishin 1699 Money Market Fund	Financial assets at FVTPL - current	-	-	6,249,509	$ 84,000	31,986,466	$ 431,300	34,533,802	$ 465,565	$ 465,300	$ 265	3,702,173	$ 50,000
	Jih Sun Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	27,217,007	401,500	24,073,735	355,114	355,000	114	3,143,272	46,500
	FSITC Taiwan Money Market Fund	Financial assets at FVTPL - current	-	-	9,518,158	144,000	21,470,093	327,500	28,761,864	438,447	437,500	947	2,226,387	34,000
	Capital Money Market Fund	Financial assets at FVTPL - current	-	-	2,431,581	39,000	16,355,138	263,000	18,786,719	302,200	302,000	200	-	-
	Fubon Chi-Hsiang Money Market Fund	Financial assets at FVTPL - current	-	-	1,378,417	21,500	31,756,270	496,000	33,134,687	517,628	517,500	128	-	-
Taiwan VCM Corporation	Beneficiary certificates													
	Jih Sun Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	23,728,131	350,000	11,534,691	170,049	170,000	49	12,193,440	180,000
	Hua Nan Kirin Money Market Fund	Financial assets at FVTPL - current	-	-	4,200,022	50,000	45,256,139	540,000	45,273,426	540,105	540,000	105	4,182,735	50,000
	Yuanta Wan Tai Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	29,154,730	440,000	25,848,420	390,104	390,000	104	3,306,310	50,000
	UPAMC James Bond Money Market Fund	Financial assets at FVTPL - current	-	-	1,805,815	30,000	27,027,086	450,000	26,435,164	440,112	440,000	112	2,397,737	40,000
	Yuanta De-Bao Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	25,052,723	300,000	25,052,723	300,131	300,000	131	-	-
	Shin Kong Chi-Shin Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	19,429,019	300,000	19,429,019	300,066	300,000	66	-	-
CGPC Polymer Corporation	Beneficiary certificates													
	Jih Sun Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	28,460,472	419,500	25,104,581	370,263	370,000	263	3,355,891	49,500

Note: The amount as of December 31, 2018 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, 2018
(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	$ 4,230,003	72	45 days	No major difference	No major difference	Trade payables to related parties	$ (774,140)	(77)
	CGPC America Corporation	Subsidiary	Sale	(374,307)	(5)	90 days	No major difference	No major difference	Trade receivables from related parties	101,245	9
Taiwan VCM Corporation	China General Plastics Corporation	Parent company	Sale	(4,230,003)	(43)	45 days	No major difference	No major difference	Trade receivables from related parties	774,140	45
	CGPC Polymer Corporation	Fellow subsidiary	Sale	(4,410,087)	(45)	45 days	No major difference	No major difference	Trade receivables from related parties	778,034	45
CGPC Polymer Corporation	Taiwan VCM Corporation	Fellow subsidiary	Purchase	4,410,087	96	45 days	No major difference	No major difference	Trade payables to related parties	(778,034)	(97)
CGPC America Corporation	China General Plastics Corporation	Parent company	Purchase	374,307	83	90 days	No major difference	No major difference	Trade payables to related parties	(101,245)	(97)

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, 2018
(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	$ 101,245	3.41	$ -	-	$ 63,311	Note 1
Taiwan VCM Corporation	China General Plastics Corporation	Parent company	Trade receivables from related parties	$ 774,140	5.70	-	-	774,140	Note 1
	CGPC Polymer Corporation	Fellow subsidiary	Trade receivables from related parties	$ 778,034	5.87	-	-	778,034	Note 1

Note 1: There is no allowance for impairment loss after an impairment assessment.

Note 2: The subsequent period is between January 1 and February 27, 2019.

CHINA GENERAL PLASTICS CORPORATION

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Business Content	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	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 and marketing of VCM	$ 2,930,995	$ 2,930,994	206,008,832	87.22	$ 2,919,181	$ 625,587	$ 535,972	Subsidiary
	CGPC Polymer Corporation	12F., No. 37, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing and marketing of PVC resins	800,000	800,000	78,859,281	100.00	1,103,222	257,674	257,674	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	353,757	8,843	8,843	Subsidiary
	China General Terminal & Distribution Corporation	No. 1, Jianji St., Qianzhen Dist., Kaohsiung City 806, Taiwan (R.O.C.)	Warehousing and transportation of petrochemical raw materials	41,106	41,106	18,667,465	33.33	228,250	(75,720)	(25,241)	Associate accounted for using the equity method
	CGPC America Corporation	1181 California Ave., Suite 235 Corona, CA 92881 U.S.A.	Marketing of PVC film and leather products	648,931	648,931	100	100.00	203,543	(11,119)	(11,119)	Subsidiary
	Krystal Star International Corporation	Citco Building, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	Marketing of PVC film and consumer products	283,502	283,502	5,780,000	100.00	76,490	1,646	1,646	Subsidiary
	Acme Electronics Corporation	8F., No. 39, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing and marketing of Mn-Zn and Ni-Zn ferrite cores	33,995	33,995	3,176,019	1.74	24,296	56,187	978	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 and marketing of reinforced plastic products	15,000	15,000	600,000	10.00	1,452	(10,525)	(1,052)	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, 2018
(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, 2018 (Note 1)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (Note 1)	Net Income (Loss) of Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 5)	Carrying Amount as of December 31, 2018 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outflow	Inflow						
Continental General Plastics (ZhongShan) Co., Ltd. ("CGPC (ZS)") (Note 4)	Manufacturing and marketing of PVC film and consumer products	$ 614,300 (US$ 20,000 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. ("CGPC (BVI)")	$ 614,300 (US$ 20,000 thousand)	$ -	$ -	$ 614,300 (US$ 20,000 thousand)	$ 7,455 (US$ 247 thousand)	100.00	$ 7,455 (US$ 247 thousand)	$ 264,486 (US$ 8,611 thousand)	$ -
CGPC Consumer Products Corporation ("CGPC (CP)") (Note 4)	Manufacturing and marketing of PVC consumer products	46,073 (US$ 1,500 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. ("CGPC (BVI)")	46,073 (US$ 1,500 thousand)	-	-	46,073 (US$ 1,500 thousand)	12 (US$ - thousand)	100.00	12 (US$ - thousand)	13,932 (US$ 454 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 (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
$831,824 (US$27,082 thousand)	$1,053,371 (US$34,295 thousand)	(Note 2)

Note 1: The calculation was based on the spot exchange rate as on December 31, 2018.

Note 2: As the Company has obtained the certificate of qualification for operating headquarters issued by the Industrial Development Bureau, MOEA No. 10620424930 on September 22, 2017, the upper limit on investment in mainland China pursuant to the "Principle of Investment or Technical Cooperation in Mainland China" is not applicable.

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 $21,009 thousand (US$684 thousand), the investment amount of Union (ZS) of $27,582 thousand (US$898 thousand) and the investment amount of CGPC (SH) of $122,860 thousand (US$4,000 thousand).

Note 4: The board of directors of the Company passed a resolution to dissolve CGPC (ZS) and CGPC (CP) on October 24, 2011. As of December 31, 2018, the dissolution procedures have not yet been completed.

Note 5: The investment income (loss) recognition in 2018 is based on the financial statements audited by the parent company's CPA.

VI. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the Company's financial situation. The term "affiliates" as used in above refers to entities meeting the requirements set forth under Article 369-1 of the Company Act: None

Chapter 7 Review and Analysis of Financial Position and Performance and Risk Items

I. Financial Position

Comparison and analysis of financial position

Unit: NT$ thousands

Year / Item	The end of 2017	The end of 2018	Increase (decrease) amount	Increase/decrease (%)	Details
Current assets	5,993,631	6,314,227	320,596	5.35	
Investment under equity method	298,744	253,998	(44,746)	(14.98)	
Property, plant and equipment	5,729,861	6,009,889	280,028	4.89	
Other assets	650,985	645,981	(5,004)	(0.77)	
Total assets	12,673,221	13,224,095	550,874	4.35	
Current Liability	1,785,947	2,107,698	321,751	18.02	
Long-term borrowing	1,050,000	1,000,000	(50,000)	(4.76)	
Deferred income tax liabilities	594,162	593,964	(198)	(0.03)	
Net defined benefit liabilities	1,039,875	707,679	(332,196)	(31.95)	1
Other liabilities	2,389	3,650	1,261	52.78	
Total Liabilities	4,472,373	4,412,991	(59,382)	(1.33)	
Share Capital	4,919,996	5,067,596	147,600	3.00	
Capital Surplus	8,236	8,929	693	8.41	
Retained earnings	2,857,342	3,256,098	398,756	13.96	
Other equity	20,767	42,017	21,250	102.33	2
Total equity attributable to owners of the Company	7,806,341	8,374,640	568,299	7.28	
Non-controlling interest	394,507	436,464	41,957	10.64	
Total equity	8,200,848	8,811,104	610,256	7.44	

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 is that made up for the pension fund according to Article 56-2 of the Labor Standards Act, appropriating NT$290 million to the special account of the Bank of Taiwan.
2. The main reason is that the gains from cumulative translation adjustment increased by NT$4 million and the unrealized profit of financial assets increased by NT$17 million.

II. Where there is material impact on the financial status, the future countermeasure plans shall be stated: None.

II. Financial Performance

(I) Comparison and analysis of financial performance

Unit: NT$ thousands

Item \ Year	2017	2018	Increase (decrease) amount	Increase/decrease (%)	Details
Net sales revenue	14,701,741	15,192,621	490,880	3.34	
Cost of goods sold	11,924,810	12,490,058	565,248	4.74	
Gross operating profit	2,776,931	2,702,563	(74,368)	(2.68)	
Operating expense	1,126,143	1,129,640	3,497	0.31	
Net operating profit	1,650,788	1,572,923	(77,865)	(4.72)	
Non-operating income and expenses	(34,645)	81,429	116,074	(335.04)	1
Income from operations of continued segments - before tax	1,616,143	1,654,352	38,209	2.36	
Income tax expenses	274,672	305,699	31,027	11.30	
Income from operations of continued segments - after tax	1,341,471	1,348,653	7,182	0.54	
Gain (loss) from discontinued operations	(2,197)	7,467	9,664	(439.87)	2
Net income for the year	1,339,274	1,356,120	16,846	1.26	
Other comprehensive income for the year (net amount after taxes)	(27,454)	12,260	39,714	(144.66)	3
Total comprehensive income for the year	1,311,820	1,368,380	56,560	4.31	

I. Analysis of changes in the ratio of increase or decrease in the most recent two years (if the gross profit of sales changes by more than 20%, the difference analysis shall be made as shown in Table (2); If the change is less than 20%, the analysis shall be exempted):

1. The main reasons are the increase of foreign exchange gains by NT$89 million and the increase of revenue from water pollution regulation services by NT$29 million.
2. This is mainly caused by the increase in income from leased assets of the discontinued subsidiaries in mainland China.
3. The main reason is that the conversion profit of financial statements of foreign operating institutions increased by NT$46 million and the unrealized loss of financial assets increased by NT$11 million.

II. The sales volume forecast and the basis, and the possible impact on the Company's future financial operations and response plans for the upcoming year:

Outlook for operation in 2019: the international oil market has limited rising space due to the sustainable yield increase in U.S. shale oil production and the oversupply trend, as well as the impact from slowdown in overall economic growth. The growth of ethylene production capacity is greater than the demand, and the price will bid farewell to four years of rising. Even during the annual survey period of naphtha cracking plant from March to June in Asia, ethylene demand market will still heat up. The caustic soda removal obstacle is lifted, and the price rises. After the completion of the process transformation of the European alkali and chlorine plant, the production will be gradually resumed, which will ease the tension of EDC supply. Mainland China has conducted measures to expand domestic demand and stimulate consumption, India has driven pipe material demand due to PVC supply shortage and peak farming season, while Bangladesh has improved market conditions, strong PVC demand was seen for emerging markets, and mainland China has strengthened environmental inspection and reduced PVC production capacity with calcium carbide method. All these circumstances will help PVC/VCM market develop in a positive direction. Subsidiary companies Taiwan VCM Corporation and CGPC Polymer Corporation continued to remove bottlenecks to increase production capacity at the same time, CGPC Toufen Plant also launched major renovations, replacing the old equipment, installing PVC automatic packaging machine, and building an AS/RS (Automatic Storage & Retrieval System), to enhance overall operating efficiency, reduce energy consumption, promoted process safety management (PSM) to ensure safe operation, and actively developed new products with high value-added and differentiation. The management team of the Company will strive for the largest profit room with the overall planning of the VINYL industrial chain, and make good use of the vertical integration mechanism and active and effective management to implement the improvement related to work safety and environmental protection and fulfill corporate social responsibility, create and expand niches to maximize operational performance, to achieve/exceed the annual budget sales target of 540,000 metric tons.

(II) Analysis table of changes in sales margin:

Unit: NT$ thousands

	Increase (decrease) amount between the beginning and the end periods	Reason for difference			
		Difference in sales prices	Difference in cost	Difference in product sales combination	Difference in volume
Gross profit on sales	(74,368)	83,097	(214,745)	(67,618)	124,898
Details	The output of PVC resin is limited and the price is firm due to the routine environmental safety inspection in mainland China. While India got rid of interference from goods and service tax (GST), as a result, buy order emerged, which has driven the Bangladesh market growing with favorable price variance of NT$83,097 thousand. Due to the rising cost of main raw materials, such as EDC and ethylene, the cost price difference has caused a loss of NT$214,745 thousand. In addition, the sales volume increased compared with the previous year, with a loss of NT$57,280 thousand due to differences in sales mix and quantity. In conclusion, the comprehensive sales margin in the year decreased by NT$74,368 thousand.				

III. Cash Flow

Cash Flow Analysis

Unit: NT$ thousands

Cash balance at the beginning of the period	Annual cash inflow (outflow) generated from other than business activities	Annual cash flows not derived from operating activities	Cash Balance	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
663,145	1,827,636	(1,556,101)	934,680	-	-

1. Analysis of changes in cash flow in current year:
   (1) Operating activities: Net cash inflow from operating activities was NT$1,827,636 thousand and it was mainly caused by the NT$1.66 billion in net income before taxes, depreciation expense of NT$500 million, increase of NT$120 million in accounts receivable, decrease of NT$140 million in inventory, increase of NT$230 million in accounts payable, decrease of NT$330 million in net defined benefit liabilities, and the payment of NT$250 million in income tax.
   (2) Investment activities: Net cash outflow in investment activities amounted to NT$736,867 thousand, mainly due to the NT$760 million in the purchase of properties, plant and equipment.
   (3) Financing activities: Net cash outflow in financing activities amounted to NT$822,101 thousand mainly due to the NT$770 million distribution of cash dividends and NT$50 million repayment of long-term loans.
   (4) The exchange rate effects on cash and cash equivalents was a cash inflow of NT$2,867 thousand.
2. Liquidity improvement plan: Not applicable.
3. Cash liquidity analysis for the following year: Unit: NT$ thousands

Cash balance at the beginning of the period:	934,680
Expected annual net cash flows from operating activities:	1,091,734
Expected annual cash flows not derived from operating activities:	(1,227,136)
Expected annual cash flow:	1,479
Expected cash balance	800,757

IV. Impact of any major capital expenditures during the most recent fiscal year

(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		
				2017	2018	2019
(1) Expansion of new product lines						
Plant control valve spare parts project	Own funds	2017.06.30	5,801	5,801	0	0
Polymerization #5 dryer renewal project	Own funds	2019.04.30	100,700	16,089	5,294	984
Heat feeding production process improvement project	Own funds	2017.07.31	12,757	1,076	0	0
Additional coal-fired boiler construction project	Own funds	2018.05.29	220,947	52,717	405	0
Chlor-alkali evaporation chamber renewal project	Own funds	2018.05.31	37,059	23,983	421	0
Polymerization BIRD centrifuge replacement (including peripheral equipment) project	Own funds	2019.07.31	17,500	10,187	3,745	1,539
Additional one 2"-4" medium two-pipe extrusion production line construction for building materials	Own funds	2019.07.30	12,000	676	5,259	1,801
New #41 plastic cloth machine equipment project	Own funds	2019.07.30	158,000	94,589	37,959	4,639
New Silo 17 in shipping area	Own funds	2019.08.31	28,300	531	14,149	2,332
Polymerization Section's VCM recycling compressor renewal project	Own funds	2019.12.30	22,000	72	158	81
#7 dryer powder transportation pipeline (including M-274) renewal project	Own funds	2019.10.30	15,000	953	11,235	280
Construction of the new Silo 2 and the removal and replacement of the old Silo 1	Own funds	2019.12.31	45,000	631	10,035	4,263
Improvement project for the warehouse of processed finished products	Own funds	2018.10.30	12,685	2,085	10,600	0
Improvement of the transportation of powder from the intermediary silo to the product silo	Own funds	2019.10.31	42,136	65	9,156	11,113
Automatic packaging and stacking system for 25kg packaged PVC resin	Own funds	2020.05.30	81,440	19	339	102
Raw Materials Control Section's 800RT freezer chiller system modification and renewal project	Own funds	2019.12.31	32,000	3	1,416	46
Polymerization reactor sprinkler head renewal project	Own funds	2019.05.31	10,000	0	7,599	360
Positive pressure system improvement project of #7 dryer	Own funds	2019.10.15	12,500	0	8,425	640
#4 dryer renewal project of polymerization department	Own funds	2020.10.31	145,000	0	13	103
Hydrochloric acid furnace renovation project	Own funds	2020.12.30	70,000	0	0	16,568
New construction project of automatic storage system	Own funds	2020.12.30	485,000	0	0	139,093
Cracking boiler exhaust pipe waste heat recovery improvement project	Own funds	2017.11.30	2,146	2,146	0	0
Rotating machinery part replacement project	Own funds	2018.12.31	7,966	761	7,205	0
HBF high-efficiency biology system	Own funds	2018.01.31	16,980	16,980	0	0
F-6202 cracking boiler production and renewal project	Own funds	2018.08.31	2,398	2,198	200	0

	Actual or expected source of funding	Actual or expected date of completion	Total capital required	Actual and expected expenditures		
				2017	2018	2019
Pressure container spare production project	Own funds	2018.04.30	6,372	6,232	140	0
Rotating machinery part replacement project	Own funds	2018.04.30	1,346	1,346	0	0
F-6801 incinerator system improvement project	Own funds	2018.01.31	8,360	8,360	0	0
F-6201 cracking boiler production and renewal project	Own funds	2017.12.31	137,584	137,584	0	0
E-6151 reactor spare production project	Own funds	2019.12.31	166,000	24,043	108,135	2,053
E-6163 heat exchange energy-conservation system	Own funds	2018.04.30	24,612	22,018	2,594	0
Pressure container spare production project	Own funds	2019.06.30	34,700	21,559	10,091	0
Tank renewal project	Own funds	2020.03.31	70,000	16,324	37,993	8,870
Purchase of K-6153B-1 air compressor	Own funds	2019.10.31	11,300	0	9,803	290
2017 annual overhaul - pipeline update project	Own funds	2018.03.31	12,799	12,379	420	0
Spares for fixed equipment	Own funds	2020.06.30	73,800	0	52,731	2,296
Annual overhaul of pipelines and equipment maintenance	Own funds	2019.12.31	43,237	0	29,710	13,527
F-6702/V-6701 expansion project	Own funds	2019.12.31	21,000	0	19,346	550
Rotating equipment parts	Own funds	2019.12.31	20,000	0	13,295	2,018
Waste liquid incinerator system equipment steel structure renovation project	Own funds	2019.12.31	10,000	0	3,300	5,500
F-6801 off-gas decomposition furnace renovation project	Own funds	2019.04.30	26,179	0	23,365	2,814
C-6703 renewal project	Own funds	2019.05.31	17,000	0	13,204	0
Rotating equipment parts	Own funds	2019.12.31	18,700	0	0	102
Valve replacement procurement	Own funds	2019.12.31	12,000	0	0	484
Annual overhaul of pipelines and equipment maintenance	Own funds	2019.12.31	32,000	0	0	1,346
Construction of original storage tank and ancillary equipment and utilities for Zhouji phase II	Own funds	2021.05.31	2,178,000	0	0	217,800
(2) Industrial and security facilities						
ethylene external industrial pipeline project of Zhouji phase II	Own funds	2021.05.31	263,000	0	0	26,300
Compliance construction for the application of the Taiwan VCM Corporation Linyuan Plant building usage license	Own funds	2019.06.30	30,000	345	380	0
Office building wall repairs construction and additional entrance gate and guard post inspections and repairs	Own funds	2019.04.30	42,100	439	29,239	4,150
Steel frame rearrangement project of chlor-alkali salt silo	Own funds	2018.04.30	9,578	2,591	6,858	0
Remaining and waste materials warehouse construction project	Own funds	2019.04.30	13,000	7,553	3,755	1,228
Construction project for plant and auxiliary electrical and mechanical facilities purchased from USIO	Own funds	2017.06.30	292,931	292,931	0	0
F-11 circuit and high - voltage plate replacement project	Own funds	2019.09.30	10,000	0	0	0

	Actual or expected source of funding	Actual or expected date of completion	Total capital required	Actual and expected expenditures		
				2017	2018	2019
(3) Pollution prevention						
Additional HBF high-efficiency biological wastewater treatment system project	Own funds	2019.01.31	41,590	16,679	24,911	0
CGTD Corporation to Taiwan VCM Corporation underground pipeline ILI detection project	Own funds	2019.07.31	40,000	0	31,691	1,492
VOC Mass spectrometer and sampling piping project	Own funds	2019.05.31	11,000	0	7,469	1,079
Construction project for the Biotechnology Office and Fermentation Plant	Own funds	2019.12.31	40,000	10,070	23,775	0
Decoration project of Environmental development department office, fermentation plant and certification laboratory and related ancillary equipment purchase	Own funds	2019.12.31	16,600	0	1,360	0
Decoration project of Environmental development department office, fermentation plant and certification laboratory	Own funds	2019.06.30	12,000	0	9,900	0
Groundwater pollution regulation plan (including deep water) of Taiwan VCM Corporation Toufen Plant	Own funds	2019.12.31	13,683	0	0	0
New centrifuge process water recycling and processing equipment construction project	Own funds	2019.10.15	25,000	16,734	5,554	11
Rainwater canal construction project for the east side of the Northern Plant	Own funds	2019.07.31	20,000	0	4,140	2,589
Main pipe and piping project in natural gas plant	Own funds	2019.10.30	12,000	0	40	1,718
Rubber factory hot fuel oil boiler combustion engine renewal project	Own funds	2019.10.30	21,500	0	163	130
Total				828,749	606,975	480,291

(II) Projected potential benefits:

The above major capital expenditures are renewal projects to maintain current production efficiency.

V. Reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year:

(I) The reinvestment of the Company and its subsidiaries in 2018 exceeding 5% of the paid-in capital: None.

(II) Investments expected in the next year that exceed 5% of paid-in capital: None.

VI. Risk Analysis and Assessment

Risk management organization structure

Important risk assessment matters		Implementation and responsible units	Supervision unit
(I)	Impact of fluctuations in interest rates and foreign exchange rates and inflation on the Company’s profitability and future countermeasures	Finance Division	Audit Office
(II)	Policies regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and future countermeasures to be taken:	Finance Division	
(III)	Research and development work to be carried out in the future, and further expenditures expected for research and development work.	R&D department and production technology unit	
(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 changes in science and technology as well as industry on the Company's financial operations and countermeasures	Information Technology Division/Operations Division	
(VI)	Impact of changes in corporate image on corporate crisis management and countermeasures	Human Resources Division	
(VII)	Expected benefits and possible risks associated with any merger and acquisitions, and countermeasures	Finance Division/Legal Division /Accounting Division	
(VIII)	Expected benefits and possible risks to expand the plants and the countermeasures	General Manager Office	
(IX)	Risks faced with concentrated procurement and sales, and countermeasures	Procurement and Logistics Division/Operations Division	
(X)	Impacts and risks resulted from major equity transfer or replacement of directors, supervisors, or shareholders holding more than 10% of the Company's shares, and related countermeasures	Finance Division/Legal Division	
(XI)	Impact, risk, and countermeasures associated with any change in governance personnel or top management	Board of Directors	
(XII)	Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the Company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report.	Legal Division	
(XIII)	Risk management, policies and management plans for information security	Information Technology Division	
(XIV)	Climate change affects the Company's operations, finance, supply chain, policy and investment decisions, etc.	Corporate Social Responsibility Committee	

(I) Impact of fluctuations in interest rates and foreign exchange rates and inflation on the Company's profitability and future countermeasures:

1. Interest income (payment) and exchange gain (loss) in 2018:

Item	2018 (NT$ thousands)
Net interest income (expense)	6,069
Net currency exchange gain (loss)	36,721
Ratio of net interest income (expense) to net revenue	0.04%
Ratio of net interest income (expense) to net income before taxes	0.37%
Ratio of net currency exchange gain (loss) to net revenue	0.24%
Ratio of net foreign exchange gain (loss) to net income before taxes	2.21%

2. Interest rate:

In order to enrich working capital and avoid the risk from interest rate rising, the Company signed a five-year medium-term secured loan agreement with Chang Hwa Bank in 2018, with interest calculated at a floating rate, and will enter into an IRS agreement at an appropriate time to avoid the risk from interest rate rising. In terms of short-term borrowing, in the first three quarters, commercial papers were issued in the monetary market in order to obtain capital with lower cost. In the fourth quarter, as interest rates in the commercial paper market rose sharply, the strategy was adjusted to appropriate short-term loans from banks to reduce the cost of capital as a whole.

In order to enrich working capital and avoid the risk from interest rate rising, CGPC Polymer Corporation (CGPCPOL) respectively signed a three-year medium-term loan agreement of NT$500 million with KGI Bank in 2016, with interest calculated at a floating rate, and a 5-year secured loan agreement of NT$1 billion, whose loan facility, according to the agreement, was NT$950 million as of November, 2018, with interest subject to a floating or fixed rate. CGPCPOL will enter into an IRS agreement at an appropriate time to avoid the risk from interest rate rising.

The current strategy of the Company is to diversify investment on the surplus funds as follows, which can not only reduce the risk caused by interest rate fluctuations, but also contribute to the Company's profits:

2.1 Beneficiary certificate of monetary fund: the investment amount is about NT$195,500 thousand, and the rate of return on investment is about 0.51%.

2.2 REITs (Domestic Real Estate Investment Trusts): the average investment amount is about NT$76,851 thousand, and the fixed yield is about 4.03%, which is better than the long-term bond yield.

3. Exchange rate: the Company adopts the hedging method of net foreign exchange positions to avoid the risk of exchange rate fluctuations.

4. Inflation: no significant impact on the Company.

4.1 Some countries (including Taiwan) have not yet experienced hyperinflation, and the inflation is considered moderate.

4.2 The main cost of the Company is the raw material cost, and the product selling price fluctuates in the same direction as the raw material cost.

(II) Policies regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and future countermeasures to be taken:

1. Engaging in high-risk investments, highly leveraged investments, loans to other parties:

   The "Regulations Governing the Acquisition and Disposal of Assets" established by the Company stipulates that the Company shall not conduct high-risk investments, highly leveraged investments. There is also a "Operational Procedures for Loaning of Company Funds" formulated, which has not yet been carried out.

2. Endorsements/guarantees:

   There have been no losses since the implementation of the Company's "Procedures for the Making of Endorsements/Guarantees".

3. Derivatives transactions:

   The Company engages in derivatives 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 transaction: the forward foreign exchange mainly avoids the exchange rate changes that have occurred or not occurred, and does not intervene in speculative operations.

(III) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

1. Future research and development plan: planned and carried out by Raw Materials R&D Department, Product R&D Department, and Production Technology Units.

2. Estimated R&D expenses

Unit: NT$ thousands

Research and Development Plan	Current progress	Research expenses to be reinvested	Estimated time to complete mass production	Main factors affecting the success of R&D in the future
Polymerization experiment of 30L PVC	5%	6,500	Before the end of 2019	Equipment, formulas and process conditions
Low-membrane rapidly gelatinized PVC resin	10%	1,000	Before the end of 2019	Equipment, formulas and process conditions
TPE medical grade rubber development	10%	700	Before the end of 2019	Equipment, formulas and process conditions
TPE leather series for automotive upholstery	50%	600	Before the end of 2019	Equipment, formulas and process conditions
TPE American furniture series rubber	40%	600	Before the end of 2019	Raw materials formulas and process conditions
Water-based scratch-resistant soft PVC leather for automobiles	60%	500	Before the end of 2019	Raw materials formulas and process conditions
TPE sporting goods series foam rubber	30%	500	Before the end of 2019	Equipment, formulas and process conditions
Multi - plate printing transfer film soft leather	50%	500	Before the end of 2019	Equipment, formulas and process conditions
PVC imitation cloth feels breathable furniture soft leather	50%	300	Before the end of 2019	Raw materials formulas and process conditions
Medical grade colloidal particles	50%	250	Before the end of 2019	Equipment, formulas and process conditions

Research and Development Plan	Current progress	Research expenses to be reinvested	Estimated time to complete mass production	Main factors affecting the success of R&D in the future
Development of TPE leather products for baby strollers	70%	200	Before the end of 2019	Raw materials formulas and process conditions
Development of third generation stain-resistant PVC leather	90%	200	Before the end of 2019	Raw materials formulas and process conditions
PU casting PVC continuous development of antifouling rubber	90%	200	Before the end of 2019	Raw materials formulas and process conditions
Vacuum embossed antifouling soft leather	70%	200	Before the end of 2019	Raw materials formulas and process conditions
High - pressure and high - temperature exhaust pipe rubber development	70%	150	Before the end of 2019	Raw materials formulas and process conditions
Fire-retardant plastic pellets for Grade 2 building materials	70%	80	Before the end of 2019	Raw materials formulas and process conditions

(IV) Impact of changes of the important domestic and foreign policies and laws on the Company’s finance and business, and countermeasures:

1. Impact on financial operations:

(1) Please refer to paragraph (3) under Information Regarding Environmental Protection Expenditure in chapter V. Operations Overview of the Annual Report for countermeasures to the European Union's Restriction of Hazardous Substances Directive (RoHS).

(2) According to the "Greenhouse Gases Reduction and Management Act", the five 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 No.12 subsidiary legislation, the Company shall improve the rain and sewage water distribution system and increase high-efficiency industrial wastewater recycling and reuse facilities to achieve the target of water conservation and waste reduction.

(4) Continuously assess the impact of IFRSs issued by IASB but not yet approved and issued in effect by FSC. For example, "Definition of a Business" (Amendments to IFRS 3), "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (Amendments to IFRS 10 and IAS 28), "Insurance Contracts" (Amendments to IFRS 17) and "Definition of Material" (Amendments to IAS 1 and IAS 8).

(5) Continuously assess the impact of "The international tax co-operation economic substance law".

2. Countermeasures:

The Company has established a Legal Department for evaluating legal risks and formulating countermeasures. 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 division, from time to time, evaluates the impact of such changes on the Company's financial operations and relevant measures in response to the changes in relevant accounting and tax laws and regulations, and discuss with the accountant to prepare the advance planning for such changes.

(V) Impact of changes in science and technology as well as industry on the Company's financial operations and countermeasures:

1. Introduce BI system, provide consistent indicator data and management report definition for the whole company, integrate the Company's operation and target management report, so that senior managers can obtain relevant information at any time, to improve the overall operation and management efficiency of the Company.
2. Introduce mobile approval, optimize UI interface, be in line with various mobile devices, automatically adjust page presentation, make real-time operation smoother, improve review efficiency, and get handling process faster.
3. Introduce the security trading platform, so that both customers and suppliers can log in the platform to inquire and download relevant trading documents, so as to avoid the occurrence of face-changing fraud event in which the email is intercepted and the trading documents are tampered with, improve the Company's external trading security, and reduce the possibility of fraud for customers and suppliers with low data security protection.
4. In addition to the introduction of the aforementioned system, the Company will devote itself to AI big data analysis and industrialization 4.0 in the future to provide the Company with decision-making reference for production, quality control and sales and strengthen the competitiveness of the Company.
5. Promote social engineering exercises to enhance employees' awareness of information security, so as to protect data from external intrusion and tampering.
6. The Company also introduced ERP system, knowledge management platform, online approval management system and operation management information system, etc., to shorten the work schedule, improve operation efficiency, strengthen the Company's competitiveness, implement the management technology-based target, and is committed to research and development of new products, developing high value-added PVC material products, such as POE, TPO, TPV and so on, in response to the environmental protection requirements. 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's products is RoHS-compliant, and RoHS compliance has no impact on the Company's financial operations.

(VI) Impact of changes in corporate image on corporate crisis management and countermeasures:

The Company has always uphold the professional and integrity of the operating principles, paid attention to corporate governance, corporate social responsibility, therefore, there is no foreseeable risk associated with changes in corporate image.

(VII) Expected benefits and possible risks associated with any merger and acquisitions, and countermeasures: None.

(VIII) Expected benefits and possible risks to expand the plants and the countermeasures:

The Company does not have a plant expansion plan.

(IX) Risks faced with concentrated procurement and sales, and countermeasures:

The Company has always been focusing on the petrochemical and plastics market information research and evaluation and strengthening the production, marketing and procurement and other operational strategic planning to maximize profits. Therefore, it can minimize the risk of purchase or sales concentration.

(X) Impacts and risks resulted from major equity transfer or replacement of directors, supervisors, or shareholders holding more than 10% of the Company's shares, and related countermeasures:

As of the date of publication of the annual report, there has been no substantial transfer or replacement of the equity of directors or major shareholders holding more than 10% of the Company's shares, therefore there is no impact on the Company's operation.

(XI) Impact, risk, and countermeasures associated with any change in governance personnel or top management:

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) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the Company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report:

1. Implementation and Responsible Unit: Legal Division.
2. Concluded or pending major litigious, non-litigious or administrative disputes in the most recent year and as of the date of report:
   (1) The Company: None.
   (2) Any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent: None.
   (3) Investee companies adopting equity method:

The Company’s investee company CGTD Corporation. (hereinafter referred to as CGTD) adopting equity method was entrusted to operate the propylene pipeline of LCY CHEMICAL CORP. (hereinafter referred to as LCY), experienced a gas explosion on the evening of July 31, 2014. On May 11, 2018, the first judgment of the criminal part of this gas explosion case was handed down. Three employees of CGTD were each sentenced to 4 years and 6 months in prison. CGTD has assisted the employees to file an appeal.

On February 12, 2015, CGTD entered into an agreement with the Kaohsiung City Government to provide the Kaohsiung City Government with pledge right set of a bank deposit certificate of NT$227,167 thousand (including interest) as the guarantee for the loss caused by the gas explosion. Kaohsiung City Government has also filed civil lawsuits against LCY, CGTD and CPC Corporation. On August 27, 2015 and November 26, 2015, respectively, Taiwan Power Company applied to the court for provisional seizure of the property of CGTD. Taiwan Water Corporation. also applied to the court on February 3 and March 2, 2017, respectively, for provisional seizure of the property of CGTD. As of April 30, 2019, the value of the seized property of CGTD is about NT$139,997 thousand.

For the victims of the gas explosion, CGTD, LCY and the Kaohsiung City Government signed a tripartite agreement for severe injuries on July 17, 2015 agreeing to negotiate the compensation first with the 32 severely injured victims, agreeing to negotiate compensation in advance for all the heirs and claimants of the 32 victims (hereinafter referred to as "the families of the victims"), paying the families of the victims NT$12,000 thousand for each victim, with a total settlement of NT$384,000 thousand. The settlement was paid in advance by LCY. On behalf of the three parties, LCY negotiated and signed a settlement agreement with the families of the victims of the gas explosion.

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 settlement was paid in advance by CGTD and the Kaohsiung City Government. On behalf of the three parties, CGTD negotiated with the severely injured in the gas explosion and signed a settlement agreement with 64 of them.

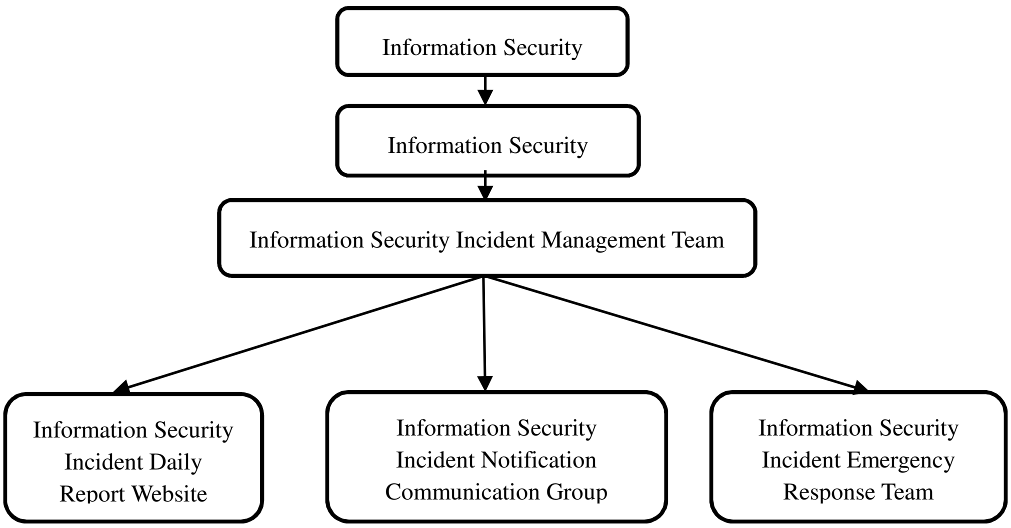
As of April 30, 2019, the injured, victims or their relatives of the Kaohsiung gas explosion case have filed civil (including incidental civil to criminal) lawsuits to claim compensation from LCY, CGTD and CPC Corporation, Taiwan. Based on the consideration of reducing the litigation cost, CGTD has reached a settlement on the claim with the original claim amount of NT$23,919 thousand, and the settlement compensation amount is NT$3,899 thousand. The total amount of the claim in the lawsuit and the settlement of agreement for the victims and the severely injured mentioned in the preceding paragraph is about NT$3,879,657 thousand. The judgments of the first instance of some of the above civil cases (the amount of compensation claimed is about NT$1,177,192 thousand) have been successively pronounced since June 22, 2018. In most cases, the negligence liability ratio of Kaohsiung City Government, LCY and CGTD was found to be 4:3:3, and the compensation amount of CGTD, LCY and other defendants was about NT$383,831 thousand (NT$6,194 thousand among which the court ruled CGTD to be exempted from liability). According to the proportion of negligence liability determined by the judgment of first instance, the tentative estimate of the amount borne by CGTD is NT$188,818 thousand. For the civil cases that have been sentenced but not settled, CGTD has filed an appeal and has started the second trial procedure one after another. And for the settlement of the above-mentioned victims and severely injured, CGTD has estimated to recognize the amount of NT$136,375 thousand to be borne by itself according to the proportion of negligence liability in the judgment of first instance, and has estimated to recognize it in the account. For the remaining civil cases that have not yet been adjudicated, the actual amount of compensation required by CGTD will be confirmed after the proportion of the judgment apportionment liability has been determined in accordance with the civil lawsuit.

(XIII) Risk management, policies and management plans for information security

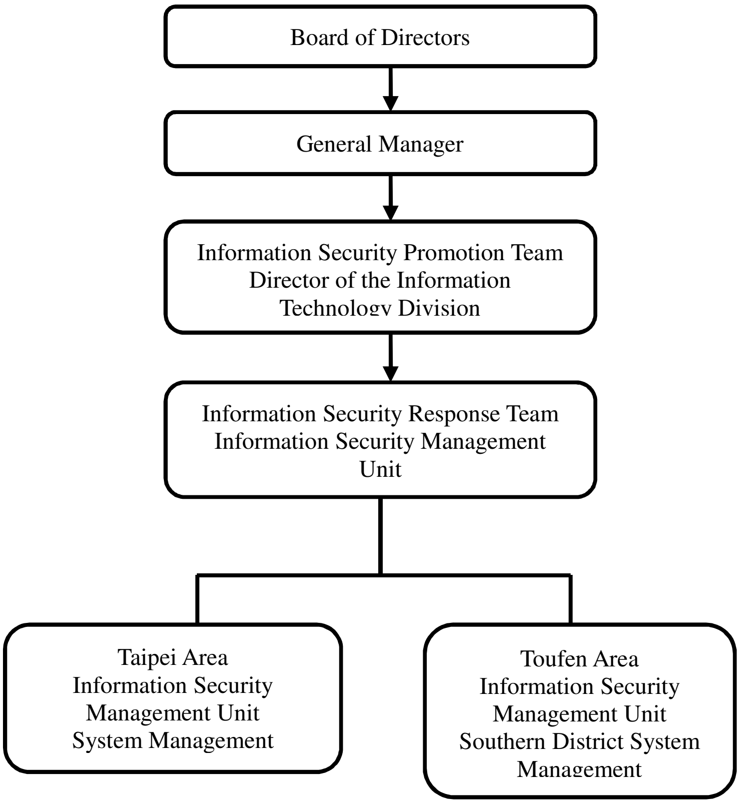
1. Information security risk management framework:

(1) Information security governance system:

In order to improve information security management, the Company has been certified to ISO 27001 since 2014. Based on ISO 27001 related specifications and the considerations of enhancing the overall information security of the group, the Company holds an annual "information security management review meeting", make a judgment on the six input projects (resolution status of past management reviews, changes to internal and external issues related to the information security management system, feedback on information security performance, feedback from related parties, status of risk assessment results and risk management plans, opportunities for continuous improvement) of the information security system management, and make a conclusion on the two output projects of the management review of the information security management system (including decisions related to continuous improvement opportunities and any need for changes to the information security management system), to verify the achievement of the locked objectives of the information security management system. In addition, according to the provisions in the standard operating procedure (SOP) of the Company "Setting Standards of Information Security Promotion Organization", an "information security promotion team" has been set up to supervise the operation of information security management within the group and define the roles and responsibilities of each promotion organization. The meeting is held once a year. If there is a major information security incident, it can be held immediately. The director of Information Technology Division serves as the convener of the team and is responsible for the convening of the team's meetings and the resolution and arbitration of its opinions; the heads of department under the Information Technology Division are team members. Any major information security incidents will be reported to the general manager or relevant department heads by the director of Information Technology Division.



(2) Operation of the information security promotion team:



Responsibilities of Information Security Promotion Team:

(2-1) Formulate the information security risk management framework and information security policy

(2-2) Conduct information security risk assessment and analysis

(2-3) Conduct information security maintenance and implementation

(2-4) Verify the effectiveness of information security operation implementation

The Information Technology Division formulates information security related policies and plans, governs, supervises and implements them in accordance with ISO 27001 to ensure the Group's information security capability and enhance the awareness of its colleagues on information security.

2. Specific management plan for information security management:

(1) Internal audit is conducted by the Company's audit department on a regular basis, while external audit also earnestly requests the British Standards Institution (BSI), an internationally renowned certification company, to carry out ISO 27001 certification inspection every year. Since obtaining the ISO 27001 certificate issued by BSI in July 2014, the Company has passed the audit of the security system operation by BSI for four consecutive years. In addition to the audit of information security risk management framework, the Company also carries out the prevention coaching and information security risk assessment analysis for the internal and external issues.

(2) In order to strengthen information security management and prevent the occurrence of hacker invasion or data leakage, the Company provides information personnel with information security education for four hours every year, and commissions an external professional information security

consulting firm to conduct information security check, and provide appropriate data protection in line with relevant data protection norms.

(3) At least twice a year, the Company entrusts an external professional security consulting company to carry out social engineering drills, so as to effectively enhance employees' awareness of security, protect data from external intrusion and tampering.

(4) For the operating system of the server host and other equipment, the Company entrusts an external professional security consulting company to conduct a vulnerability scan every year to identify potential risks for system correction or propose compensatory measures.

(5) In order to protect personal data, since 2017, the Company has successively covered and restricted the relevant information fields of personal data in various information application systems and provided appropriate protection. And in response to the requirements of the EU General Data Protection Regulation (GDPR), the Company has also taken relevant measures accordingly.

(6) Establish the security trading platform, introduce the encryption security certificate (Secure Sockets Layer, SSL),so that both customers and suppliers can log in the platform to inquire and download relevant trading documents, so as to avoid the occurrence of face-changing fraud event in which the email is intercepted and the trading documents are tampered with, improve the Company's external trading security, and reduce the possibility of fraud for customers and suppliers with low data security protection. Change the connection mode of the Company's official website from HTTP to HTTPS to increase the security of the general public to browse the Company's official website.

3. Formulation of information security policy:

Consider three areas: information security governance, compliance with relevant laws and regulations, and application of technology tools.

Information Security Policy		
Information Security Governance	1. Ensure the continuous and robust operation of the information security management system. 2. Ensure confidentiality, completeness and availability of information use and operations. 3. Risk control and prevention. 4. Optimize the management system. 5. Establish a network architecture that complies with the highest information security standards and confirm the reliability of network transmission.	1. Hold an ISMS information security management review meeting to confirm the accomplishment of the objectives of the ISMs. 2. Enhance employees' awareness of information security and strengthen information security education and training to ensure that data is well protected from intrusion, tampering and leakage. 3. Conduct information security risk assessment and analysis on internal and external issues. 4. Review the information security infrastructure design.
Compliance With Relevant Laws and Regulations	1. Regularly review the updates and amendments to the legislation. 2. Establish a timely and appropriate information operation mechanism.	Regularly review and revise internal processes and practices to comply with relevant national and international information security legislation.

Information Security Policy		
Application of Technology Tools	1. Collect internal and external data of the Group. 2. Make good use of data analysis. 3. Predict possible information security threats.	Establish internal firewall and network traffic monitoring, filter encapsulation with security concerns, analyze potential threats, prevent unauthorized intrusion, and avoid direct exposure of Intranet information.

For information security insurance, from all aspects such as crisis management, operating income and loss, additional costs, third party liability, fines, etc., the Company has assessed and considered the approval of the insurance amount and the selection of insurance companies (such as quotation, underwriting conditions provided and the situation of its underwriting and providing claims, etc.), and is now prudently evaluating the appropriate information security insurance.

(XIV) Climate change affects the Company's operations, finance, supply chain, policy and investment decisions, etc.:

1. Climate risk and opportunity identification assessment procedures

In order to fulfill CGPC's corporate social responsibility commitment to continuously manage the risks associated with climate change and make the corresponding strategies and measures, except for complying to the energy saving and carbon reduction targets set by USI Group, and refer to the climate risk and opportunity identification process in the Task Force on Climate-related Financial Disclosures (TCFD) released in 2017 by International Financial Stability Board (FSB), the evaluation process of CGPC is as follows:

(1) Collect climate risk and opportunity issues
(2) Identify significant climate risks and opportunities
(3) Establishment of countermeasures
(4) Action program implementation
(5) Results tracking and performance checking

2. Climate change-related financial structure disclosure

Governance	Strategy	Risk Management	Measurement Indicators and Goals
1. Regularly report the status of climate risks and opportunities to the CSR committee, and directly report to the directors and independent directors	1. Assess the impacts of climate on related risks and opportunities in operations and strategies 2. Identify the content of short, medium and long-term climate risks and opportunities 3. Consider the corresponding strategic planning under different situations	1. Integrate climate change risks into the overall risk assessment of the organization 2. Define climate change risk management processes 3. Establish the risk impact matrix	1. Greenhouse gas emission checking 2. Greenhouse gas reduction planning 3. Plan the setting of renewable energy 4. Calculate emissions category 3 step by step
2018 Operation Overview			
1. The CSR committee was held in March and August 2018, with the chairman, the general manager and two independent directors attended	1. USI Group, the parent company of CGPC, has set an annual carbon reduction performance target of 1.5% since 2016	1. Assess the impact of climate change on CGPC's operations, finance, supply chain, policies and investment decisions	1. CGPC calculates greenhouse gas emissions in category 1 and 2 every year 2. To be included in category 3 emission calculation planning in recent years

3. Climate risk identification and countermeasures

	Risk Categories	Countermeasures	Action/Performance
Regulations	1. The levy of carbon tax 2. Mandatory requirements for emission reporting 3. Mandatory product and service regulations 4. Consumer lawsuits rising	1. Collect information on changes in environmental laws and regulations at home and abroad; discuss and formulate countermeasures 2. Actively participate in the government's energy saving programs 3. Apply the group's raw material resources to develop green related products 4. Continuously develop products that meet the requirements of the EU and US environmental protection laws and regulations	1. Application for registration of "IEM liquid alkali vaporizer replacement program" is confirmed with a statement by TAF
Economy	1. Operation interruption (shortage of raw materials, inability to produce in the factory, disruption of transportation) 2. Property damage	1. Strategically diversify procurement risks and actively develop stable raw material supply sources 2. Obtain property insurance and operation interruption insurance 3. Establish safety inventory, and regularly review the best inventory planning	1. Use the vertical integration mechanism and active and effective management to make the upstream and downstream production and marketing smooth and control cost reasonably 2. Promote process safety management to ensure operation safety
Environment	1. Shortage of water resources 2. Insufficient power supply 3. Greenhouse gas emission increase	1. Strengthen water resource management and reuse, and strengthen water supply system management 2. Replace the old equipment and improve the operation efficiency 3. Do predictive maintenance 4. Continue to promote energy conservation and carbon reduction 5. Capacity setting of renewable energy device	1. Introduce ISO50001 energy management system, and continuously control the energy usage of the factory and office 2. In October 2018, the Company signed a solar photovoltaic lease contract with the solar power generation company and installed a solar system with a capacity of 938 kWp 3. Switch to low pollution fuels and replace thermal oil boilers with natural gas
Society	1. Customer's preference and behavior change 2. Industrial goodwill 3. Negative response from stakeholders 4. Impact on employees' health	1. Continuous R&D and market development of green products 2. Develop high value-added products Expand the production capacity of professional products and strive for the market of high value-added products 3. Strengthen the awareness education of work safety	1. Regularly hold the safety and fire protection education and training to cultivate employees' ability of emergency response and self-safety management 2. Establish good communication with stakeholders to make the Company a stable and sustainable enterprise

VII. Other important matters: The Company's key performance indicators

(I) Yield achievement rate: 103% of raw materials and 94.4% of processed products, compared with the annual target.

(II) Yield: 100.5% of raw materials and 99.8% of processing products, compared with the annual target.

(III) Customer dissent: the annual ratio of customer dissent loss (excluding quantity discount) is 0.46% (the ratio of the amount of customer dissent loss to the turnover), which is within the control scope of the Company.

(IV) Employee proposal: 461 proposals (number of cases), estimated saving benefit of NT$9.77 million.

(V) Work safety accidents:

injury frequency (number of disabled persons per million hours): 2.65

Injury severity rate (total days of loss on disabled damage per million hours): 60

The incidence of work safety is still within a manageable range for the Company.

(VI) Pollution prevention:

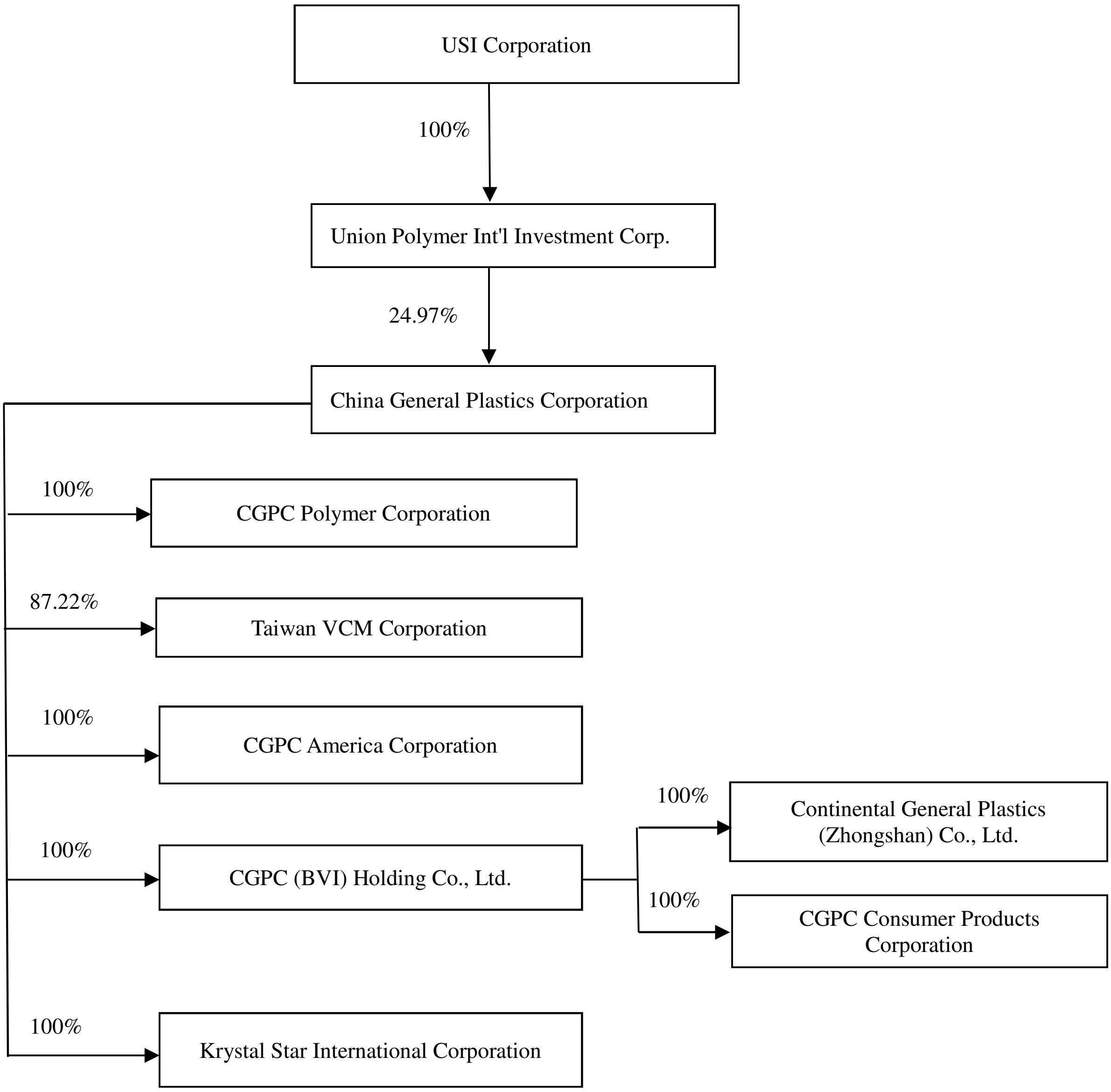
1. The Company's subsidiary Taiwan VCM Corporation rented part of the land occupied by the China Petrochemical Development Corporation's Qianzhen Plant from January 1, 1970 to December 31, 1989 to set up its plant and manufacture VCM, and was declared as the groundwater pollution control site in October 2006. After regulating 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 unit 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 unit 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. Affiliates Information

(I) 2018 Consolidated business report of affiliated enterprises

1. Organization Chart of Affiliates



2. Basic information of each affiliated enterprises

Unit: NT$ thousands

Company Name	Date of Founding	Address	Paid-in Capital	Principal Business or Production Items
Taiwan VCM Corporation	1970.01.21	No.1 Industrial 1st. Rd., Lin Yuan District, Kaohsiung City 832, Taiwan	2,362,005	Production and sale of vinyl chloride monomer
CGPC America Corporation	1988.06.21	1181 California Ave., Suite 235 Corona, CA 92881	615,836	Sales of PVC secondary processing, third processing products
CGPC (BVI) Holding Co., Ltd.	1997.04.10	Citco Building, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	500,908	Reinvestment holding Company
Krystal Star International Corporation	1998.03.23	Citco Building, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	177,533	Sales of PVC secondary processing, third processing products
Continental General Plastics (Zhongshan) Co., Ltd.	1997.12.02	Yanjiang East 2nd Road, Zhongshan Torch High-tech Industrial Development Zone, Huoju, Zhongshan City, Guangdong Province	614,300	Manufacturing and sales of PVC secondary processing, three processing products
CGPC Consumer Products Corporation	2006.12.12	Yanjiang East 2nd Road, Zhongshan Torch High-tech Industrial Development Zone, Huoju, Zhongshan City, Guangdong Province	46,073	Manufacturing and sales of PVC third processing products
CGPC Polymer Corporation	2009.05.19	12F, No.37, JiHu Road, NeiHu District, Taipei City	788,593	Manufacturing and sales of PVC resin

3. Information of The same legal person shareholder presumed to have relationship of controlled and affiliated: None.

4. Business of affiliates and their relationships

Industry	Name of Affiliates	Business Relationship with Other Affiliates
Petrochemical manufacturing industry	CGPC Polymer Corporation	Procurement from Taiwan VCM Corporation
	Taiwan VCM Corporation	Sell products to CGPC Polymer Corporation
Plastics manufacturing	Continental General Plastics (Zhongshan) Co., Ltd.	Business suspended
	CGPC Consumer Products Corporation	
Plastic sales industry	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 each affiliated enterprise

Units: unless otherwise specified, all units are share

Company Name or Responsible Unit	Title	Name or Representative	Number of Shares Held by Individuals/ Shareholding Ratio	Number of Shares/Shareholding Ratio of The Legal Representative
Taiwan VCM Corporation	Chairman	Lin,Han-Fu (Representative of China General Plastics Corporation)	0/0	206,008,832/87.22%
	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	Li,Kuo-Hung (Representative of China General Plastics Corporation)	0/0	
	Director	Liu,Han-Tai (Representative of China General Plastics Corporation)	0/0	
	Director	Hu,Chi-Hong (Representative of China General Plastics Corporation)	0/0	
	Director	Chen,Chin-Yuan (Representative of Ocean Plastics Co. Ltd.)	0/0	29,431,419/12.46%
	Supervisors	Huang,Kuang-Che	0/0	—
	Supervisors	Huang,Ya-I	0/0	—
	General Manager	Lin,Han-Fu	0/0	—
CGPC America Corporation	Director	Wu,Yi-Gui	0/0	—
	Director	Lin,Han-Fu	0/0	—
	Director and General Manager	Hu,Chi-Hong	0/0	—
CGPC (BVI) Holding Co., Ltd.	Director	Wu,Yi-Gui	0/0	—
	Director	Lin,Han-Fu	0/0	—
	Director	Hu,Chi-Hong	0/0	—
	Director	Liu,Zhen-Tu	0/0	—
Krystal Star International Corporation	Director	Wu,Yi-Gui	0/0	—
	Director	Lin,Han-Fu	0/0	—
	Director	Hu,Chi-Hong	0/0	—
Continental General Plastics (Zhongshan) Co., Ltd. (Business suspended)	Director concurrently be the general manager	Lin,Han-Fu (Appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	Capital contribution: US$ 20,000,000/100
	Director	Liu,Han-Tai (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	
	Supervisor	Huang,Ya-I (Appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	

Company Name or Responsible Unit	Title	Name or Representative	Number of Shares Held by Individuals/ Shareholding Ratio	Number of Shares/Shareholding Ratio of The Legal Representative
CGPC Consumer Products Corporation (Business suspended)	Director concurrently be the general manager	Lin,Han-Fu (Appointed by CGPC (BVI) Holding Co., Ltd.)	0/0	Capital contribution: US$1,500,000/100
	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	78,859,281/100.00%
	Director	Lin,Han-Fu (Representative of China General Plastics Corporation)	0/0	
	Director	Hu,Chi-Hong (Representative of China General Plastics Corporation)	0/0	
	Supervisors	Huang,Ya-I (Representative of China General Plastics Corporation)	0/0	
	General Manager	Lin,Han-Fu	0/0	

Note 1: If the affiliated enterprise is a foreign company, list the personnel holding key positions.

Note 2: If the invested company is a joint stock limited company, please fill in the number of shares and the proportion of shareholding. For other companies, please fill in the amount of capital and the proportion of capital contribution, and give clear indication.

Note 3: when a director or supervisor is a legal person, the relevant information of the representative shall be disclosed separately.

6. Business overview of affiliates in 2018

Unit: NT$ thousands

Company Name	Capital Contribution	Total Assets	Total Liabilities	Net Value	Net Operating Income	Operating Profit (Loss)	Profit or loss for the current period (after taxes)	Earnings (Loss) per share (NT$) (after-tax)
Taiwan VCM Corporation	2,362,005	4,792,217	1,377,598	3,414,619	9,741,358	704,955	625,587	2.65
CGPC America Corporation	615,836	362,603	115,280	247,323	578,033	(10,408)	(11,119)	(111,189.07)
CGPC (BVI) Holding Co., Ltd.	500,908	353,757	0	353,757	0	(92)	8,843	0.54
Krystal Star International Corporation	177,533	76,612	122	76,490	0	(87)	1,646	0.28
Continental General Plastics (Zhongshan) Co., Ltd. (Note 3)	614,300	284,092	19,606	264,486	0	(3,496)	7,455	—
CGPC Consumer Products Corporation (Note 3)	46,073	14,132	200	13,932	0	0	12	—
CGPC Polymer Corporation	788,593	3,045,651	1,942,429	1,103,222	5,658,689	316,364	257,674	3.27

Note 1: All related enterprises regardless of size, should be disclosed.

Note 2: If the affiliated enterprise is a foreign company, the relevant figures shall be converted into new Taiwan dollars at the spot exchange rate of December 31, 2018.

Note 3: On October 24, 2011, the board of directors of the Company resolved to dissolve CGPC (ZS) and CGPC (CP), and the profits and losses of the above companies, after deduction of the income and expense losses among the merged individuals, shall be listed in the losses of the suspended entities in the consolidated income statement.

(II) Consolidated financial statements of affiliated enterprises

Statement of Consolidated Financial Statements of Affiliated Enterprises

In 2018 (from January 1, 2018 to December 31 2018), the "companies" required to be included in the consolidated financial statements of affiliates under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", are all the same as companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in the International Financial Reporting Standards No. 10 (IFRS 10), and relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the proceeding consolidated financial statements of parent and subsidiary companies, thus the Company is not required to prepare separate consolidated financial statements of affiliates.

Hereby declare

Company Name: China General Plastics Corporation

Responsible person: Wu,Yi-Gui

March 6, 2019

(III) Affiliation Reports

1. Statement of Affiliation Reports

Statement of Affiliation Reports

The Company's affiliation reports for the fiscal year of 2018 (from January 1, 2018 to 31 December 2018) was prepared 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 not materially inconsistent with the information disclosed in the notes to the financial statements of the above-mentioned period.

Hereby declare

Company Name: China General Plastics Corporation

Responsible person: Wu,Yi-Gui

March 6, 2019

2. CPAs' opinion on affiliation reports

April 24, 2019 Deloitte & Touche Audit Report No.10804257

Recipient: China General Plastics Corporation

Subject: to provide CPAs' opinion on the statement that there is no material discrepancy in the related information of your company's annual affiliation reports in 2018.

Explanation:

I. Your Company stated that the affiliation reports for the fiscal year of 2018 (from January 1, 2018 to 31 December 2018) Prepared on March 6,2019 were 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 not materially inconsistent with the information disclosed in the notes to the financial statements of the above-mentioned period. The statement is as attached.

II. The CPAs have audited the affiliation reports prepared by the Company in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and compared with the notes to the Company's financial report of the year 2018, and has not found any material inconsistency with the above-mentioned statement.

Deloitte & Touche

CPA Wu,Shih-Tsung

CPA Kuo,Tzu-Jung

3. Overview of the relationship between the subordinate company and the controlling company

Unit: Share

Name of the Controlling Company (Note 1)	Reasons for the Control	Details of Shareholding and Pledges by the Controlling Company			Any Directors or Supervisors Appointed to the Subordinate Company by the Controlling Company	
		Number of Shares Held	Shareholding Ratio	The Number of Pledged Shares	Title	Name
Shing Lee Enterprise (Hong Kong) Limited	The major shareholder and representative of USI was elected as Chairman of the board	—	—	—	—	—
USI Corporation (USI)	It is the parent company of the major shareholder (Union Polymer Int'l Investment Corp.) and has the same chairman	—	—	—	—	—
Union Polymer Int'l Investment Corp. (UPI)	It is the majority shareholder and holds a majority of the directors' seats	126,529,947	24.97%	19,500,000	Chairman	Wu,Yi-Gui
					Director	Chang Chi-Chung, Lin,Han-Fu, Ying,Bao-Luo, Liu,Han-Tai, Liu,Zhen-Tu

Note 1: Where the controlling company of a subordinate company is the subordinate company of the other company, the relevant information of the other company should also be filled in. The same shall apply to any other company which is a subordinate company of another company.

Note 2: As of December 31, 2018, the number of pledged shares of Union Polymer Int'l Investment Corp. is 19,500,000 shares; as of the book closure date on April 23, 2019, the number of pledged shares of Union Polymer International Investment Co., Ltd. is 19,500,000 shares.

4. Purchase (Sale) of Goods

Unit: NT$ thousands

Name of the Controlling Company	Transactions With Controlling Companies				Terms of Transaction With the Controlling Companies		General Terms of Transaction		Reason for Difference	Accounts Receivable (Payable), Notes Receivable (Payable)		Overdue Accounts Receivable (Payable)			Remarks
	Purchase (Sale) Goods	Amount	As A Proportion Of Total Goods Purchased (Sold)	Gross Profit on Sales	Unit Price (NT$)	Credit Granting Period	Unit Price (NT$)	Credit Granting Period		Balance	As A Proportion of Total Accounts Receivable (Payable) or Notes Receivable (Payable)	Amount	Treatment Method	Amount of Allowance for Bad Debts	
USI Corporation	Purchase	56	0.00	–	56	60 days	56	60 days	–	–	–	–	–	–	–

Note: In case of advance receipt (payment), the reasons, contractual terms, amount and difference from the general transaction shall be stated in the Remarks column.

5. Status of property transactions: None.
6. Status of financing: None.
7. Asset leasing

Unit: NT$ thousands

Name of the Controlling Company	Transaction type (leasing or renting)	Name of the Object Leased		Lease Period	Nature of Leasing	Determination Basis of Leasing Price	Collection (Payment) Method	Comparison With Ordinary Leasing Price Levels	Total Leasing Price for the Current Period	Collection/Payment Status in The Current Period	Other Stipulations
		Name	Location								
USI Corporation	Lessee	Housing and Parking Lots	Underground Parking and 7F, No.37, JiHu Road, NeiHu District, Taipei City	2015.05 ~ 2019.04	Operating Lease	Market Quotation	Monthly Payment	Same	2,676	Normal	None
		Housing	Part of 6F-10F, No. 37 and 39, JiHu Road, NeiHu District, Taipei City	2015.01 ~ 2018.12	Operating Lease	Market Quotation	Monthly Payment	Same	2,968	Normal	None

8. Other significant business transactions: None.
9. Endorsements/guarantees: None.

II. Where the Company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

III. Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

IV. Other matters that require additional description: None.

V. Matters that materially affect shareholders' equity or the price of the Company's securities specified in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act, occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

China General Plastics Corporation

Responsible person: Wu,Yi-Gui