Stock code: 1305

China General Plastics Corporation

2019 Annual Report

Check the Annual Report at:

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

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

Publication date: March 31, 2020

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Name: Liu, Chuan-Yuan
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Name	Address	Telephone Number
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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 District, Taipei City
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IV. Name of the CPA Auditing the Financial Statements in the Most Recent Year:

Name of CPA: Huang, Hsiu-Chun and Chiu, Cheng-Chun
Accounting Firm: Deloitte Taiwan
Address: 20th Floor, No.100, Songren Road, Shinyi District, Taipei City 110
Website: https://www2.deloitte.com/tw/tc.html
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V. Name of the Stock Exchange for Trading Securities Overseas and the Method of Inquiry on the Overseas 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. 2019 Business Report

The Company's consolidated net revenue in 2019 was NT$15.118 billion, which was a decrease of NT$75 million from the same period in the previous year and the budget achievement rate was 96%. The consolidated net operating income was NT$774 million which was a decrease of $799 million and a 51 % decline from the same period last year. The budget achievement rate was 63%. The consolidated net income after tax was NT$698 million which was a decrease of $658 million from the same period last year. The budget achievement rate was 70%. The consolidated net income after tax attributable to the Company was NT$643 million which was a decrease of $633 million from the same period last year.
Review of operations in 2019: Companies in the United States leveraged their advantages in the cost of materials from shale gas production and expanded their production capacity for ethylene and derived products. The production and sales of massive amounts of derived products have impacted the prices in Asia and caused declines. As the continuous increase in new ethylene capacity in Asia, decline in oil prices, and the trade war between the United States and China have affected demand, the price shocks and decline of ethylene prices have become an inevitable trend despite occasional severe fluctuations in the ethylene market due to irregularities in production, imbalances in storage and transportation, and price manipulation. Ethylene prices declined from US$1,000 per ton at the beginning of the year to less than US$800 in the second half of the year before consolidation. EDC prices continued the growth trends in 2018 and rose to the highest levels in four years in the second quarter. The price later fell due to the lack of profitability in PVC/VCM. Due to faltering demand from aluminum oxide and paper mills in the second half of the year, sodium hydroxide inventory levels remained high while prices remained low. Chloralkali processing plants remained reluctant for expansion and EDC production was thus restricted. The prices rose again to approximately US$300/MT CFR. 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 due to overhauls of major plants and China's rigorous environmental safety inspections. India's cancellation of anti-dumping tariffs and implementation of economy-bolstering policies led to an annual increase of nearly 12% or 2 million tons. It also promoted growth in the market in Bangladesh. Southeast Asian countries benefited from the transfer of purchase orders due to the trade war between the United States and China and demand increased. However, PVC demand in Europe and the United States weakened and their products were exported to South Asia at low prices which caused market prices to decline. The Company's revenue thus grew but profitability decreased significantly.

By upholding the spirit of vertical integration of the vinyl chain, the Company actively improved production efficiency and maximized the production and sale of related products to continue to expand the export market for PVC. The annual production of VCM was 448,000 metric tons. After supplying VCM for our own production of PVC resin, we exported 39,000 metric tons of VCM, which was a decrease of 21% and 8% from 2018 and the budget, respectively. The annual production of PVC was 410,000 metric tons. After supplying PVC for our own production of downstream processed products, we exported 383,000 metric tons of PVC, which was an increase of 7% and 5% from 2018 and the budget, respectively. With regard to chemical products, due to the continued decline of sodium hydroxide prices and the electronics industry's poor economic performance, we produced 63,000 metric tons of chemical products (based on 100% concentration) and sold 58,000 metric tons, representing a decrease of 7% and 4% from 2018 and the budget. With regard to processed products, sales of construction materials grew as the government's public construction projects began and the housing market recovered. The purchase orders for plastic leather/cloths from downstream customers declined due to the trade tensions between the United States and China. Low-price competition from China, Mexico, India, and Southeast Asian countries also affected sales. The annual production of building materials was 21,000 metric tons and we sold 21,000 metric tons, which was an increase of 13% and 16% from 2018 and the budget, respectively. The annual production of rubber cloth was 33,000 metric tons and we sold 32,000 metric tons, which was a decrease of 11% and 17% from 2016 and the budget. The annual production of rubber sheets was 6.54 million yards and we sold 6.96 million yards, which was a decrease of 2% and 1% from 20178 and the budget, respectively.

II. 2020 Business Plan Outline

2020 Business prospects: The overhaul period of ethylene plants in Asia in the first half of the year and temporary fluctuations in supply and demand or storage and transportation imbalances are likely to cause major fluctuations in ethylene prices. The new large-scale cracking plants in the United States and Asia will continue to ramp up/continue mass production in the second half of the year. The improvements of the United States' ethylene shipping capacity for export means that the ethylene market will return to the original state of oversupply and prices will decline once again. With regard to EDC, the current chloralkali processing plants are unwilling to expand production due to the low demand/price for sodium hydroxide and EDC prices thus remain high. However, the biggest factor that affected prices last year was a series of production accidents that led to suspension of production. With the exception of Braskem in Brazil, most plants have restored operations. In addition, the overhauls of certain PVC and VCM plants in the United States in the first quarter meant that the EDC usage was decreased and they should have more capacity for sales. The increase in the supply of EDC from the expansion of LG chloralkali/EDC plants in Korea, the increase in EDC produced in China due to low ethylene prices, and reduced demand for import will help reduce EDC prices. With regard to VCM, numerous overhauls are scheduled for the first quarter and they may cause supplies to tighten and increase prices, thereby causing fluctuations in PVC prices. The low inventory levels of PVC at the beginning of 2020, sustained high PVC demand from the emerging market, and China's rigorous implementation of environmental safety inspections, reduction of reduction in PVC production using ethylene will help promote the positive development of PVC/VCM prices. As the material supply side is estimated to be superior to levels in 2019, we expect to attain a certain amount of profits. However, we must pay close attention to the impact of the COVID-19 epidemic, its impact on the global economy, and the Company's carefully-implemented countermeasures.

To achieve sustainable development, the Company and subsidiaries actively sought to increase PVC/VCM output. We obtained the operation permit for increasing TVCM's annual VCM production to 485,000 tons, increasing the output of CGPC's annual PVC production to 220,000 tons, and increasing CGPC's annual PVC output to 230,000 tons from competent authorities. CGPC’s Toufen Plant also continued refurbishment to replace old equipment, purchased automatic PVC packaging/stacking/film wrapping machines and equipment, and constructed 3D automatic warehouse storage systems to enhance overall operation efficiency. We also implemented the ISO 50001 Energy Management System to 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's management team will implement overall plans for the vinyl industry to maximize profitability. We shall also use vertical integration mechanisms as well as active and effective management to implement related improvements for construction safety and environmental protection and fulfill corporate social responsibilities. We shall build and expand niche products to maximize operating performance and achieve the goal of 550,000 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 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. As there were no operating activities in recent years, Krystal Star International Corporation was dissolved and the procedures were completed on December 2, 2019.

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,

it was disposed 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 Nan'an 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 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 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 operations started in February, 2012. PVC resin annual production capacity was 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.

In June 2019, VCM annual production capacity was raised to 485,000 tons from 450,000 tons.

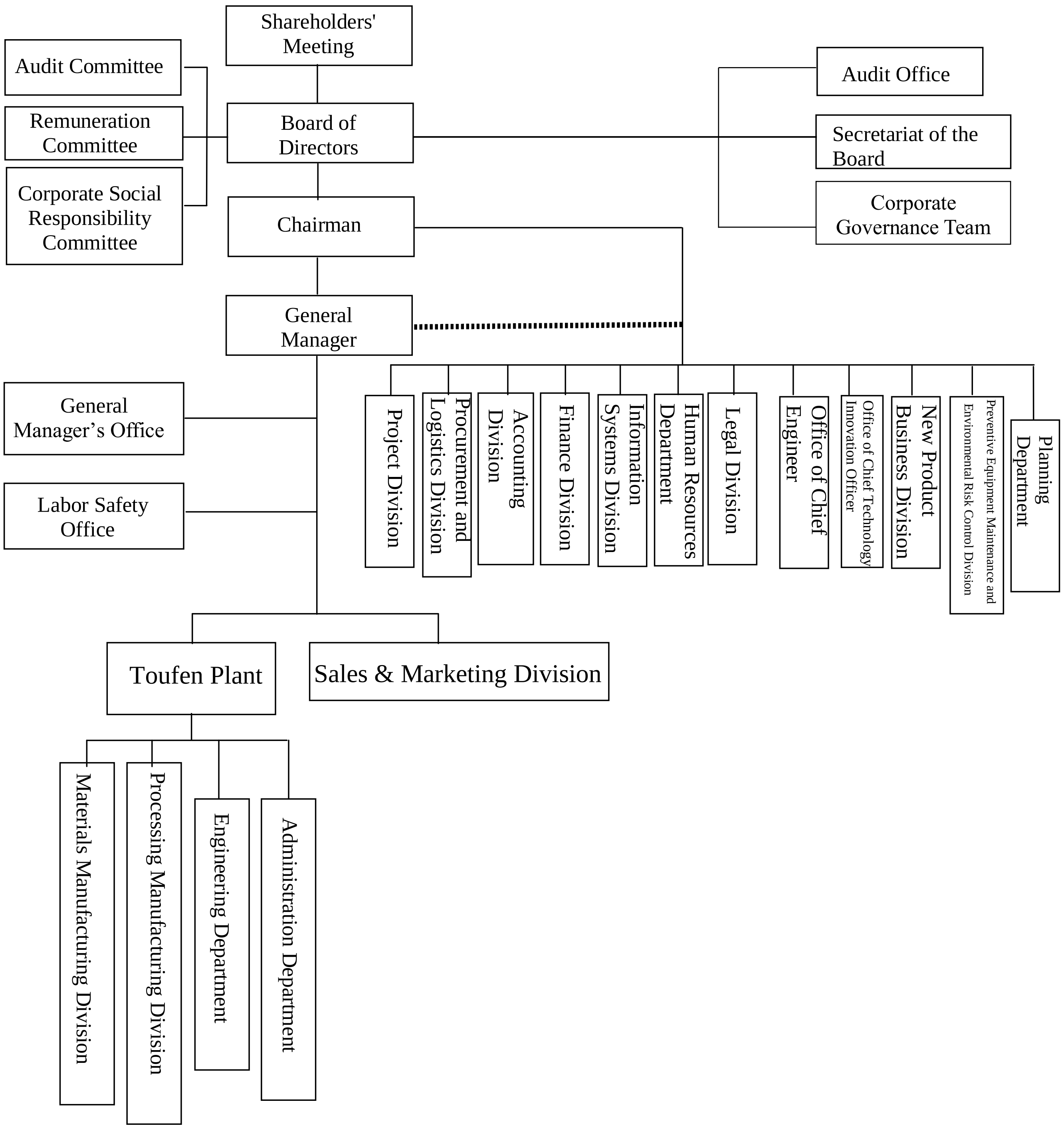
In September 2019, PVC resin annual production capacity was raised to 430,000 tons from 410,000 tons.

In January 2020, PVC resin annual production capacity was raised to 450,000 tons from 430,000 tons.

Chapter 3 Corporate Governance Report

I. Organization System

(I) Organization Chart as of March 31, 2020



(II) Responsibilities and Functions of Major Departments

Department	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.

Department	Main Responsibilities
Remuneration Committee	1. The Committee evaluates the remuneration policy and system of the Directors and managers objectively and make suggestions to the Board of Directors accordingly for policy-making reference. 2. The Committee adopts a comprehensive remuneration management system to encourage managerial officers to perform their duties for business operations, improve management performance, core competitiveness, and short, mid, and long-term profitability and create value for shareholders.
Audit Committee	1. Establishment, amendment, and evaluation of the effectiveness of internal control systems. 2. Stipulate or amend procedures for acquiring or disposing of assets, derivatives trading, provision of capital loans to other parties, the provision of endorsements or guarantees to other parties, and other major financial activities. 3. Major assets or derivative trading. 4. Major loaning of funds, making of endorsements or provision of guarantees. 5. Appointment, dismissal and compensation of CPAs. 6. Review the annual financial reports. 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
Audit 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 projects.

Department	Main Responsibilities
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 declaration 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 shareholder service matters.
Information Systems Division	Plan, build, develop and manage various information systems and facilities at the Company.
Human Resources Department	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 Division	Provide legal advice, review legal documents, and handle legal cases and other legal 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 projects entirely. 3. Integration of engineering personnel and engineering specifications.
Office of Chief Technology Innovation 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.

Department	Main Responsibilities
Preventive Equipment 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. Assist Directors in performing their duties, provide the necessary information, arrange continuing education for Directors, and process liability insurance policies. 2. Organize matters related to the proceedings of Board of Directors' meetings and shareholders' meetings and confirm compliance matters of resolutions. 3. Maintain relations with investors: The Company updates website information from time to time to keep investors abreast of the Company’s financial, business, and corporate governance information and protect the interests of shareholders.

II. Information of Directors, General Managers, Deputy General Managers, Senior Managers and Heads of Departments and Branches

1. Members of the Board (1)

March 30, 2020; Unit: share

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date Elected (Appointed)	Term	Date first elected (Note 2)	Shares Held when Elected		Shares Currently Held		Shares Held by Spouse and Minors		Shares Held in the Name of Other Persons		Major Work Experience and Academic Qualifications (Note 3)	Current Position Held in the Company and Other Companies	Managerial Officers, Directors or Supervisors Who Are Spouses or Relatives within the Second Degree of Kinship			Notes
							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 Chief Executive Officer	Taiwan (R.O.C.)	Union Polymer Int'l Investment Corp. Representative: Wu, Yi-Gui	Male	2019. 6.21	3 years	2001.6.12	126,529,947	24.97%	131,591,144	24.97%	—	—	0	0%	Chairman, USI	(Note 5)	None			Note 4
						1997.2.27	—	—	0	0%	—	—	0	0%						
Vice Chairperson and General Manager	Taiwan (R.O.C.)	Union Polymer Int'l Investment Corp. Representative: Lin, Han-Fu	Male	2019. 6.21	3 years	2001.6.12	126,529,947	24.97%	131,591,144	24.97%	—	—	0	0%	Graduated from Dept. of Chemical Engineering of Chung Yuan Christian University. General Manager of Taiwan VCM Corporation; Deputy Manager of the Plastics Division of Formosa Plastics; Manager and Consultant of the Polypropylene Division of Formosa Plastics	(Note 6)	None			
						2010.6.18	—	—	0	0%	121,703	0.02%	0	0%						
Director	Taiwan (R.O.C.)	Union Polymer Int'l Investment Corp. Representative: Wang, Ke-Shun	Male	2019. 6.21	3 years	2001.6.12	126,529,947	24.97%	131,591,144	24.97%	—	—	0	0%	Master of Business Administration, Andrews University, Michigan (U.S.A.); Bachelor of Chemistry, National Tsing Hua University (Taiwan); and General Manager, China Petrochemical Development Corporation	(Note 7)	None			
						2019.6.21	—	—	0	0%	0	0%	0	0%						
Director	Taiwan (R.O.C.)	Union Polymer Int'l Investment Corp. Representative: Liu, Han-Tai	Male	2019. 6.21	3 years	2001.6.12	126,529,947	24.97%	131,591,144	24.97%	—	—	0	0%	PhD in Chemical Engineering, Pennsylvania State University (U.S.A.)	(Note 8)	None			
						2010.6.18	—	—	0	0%	—	—	0	0%						
Director	Taiwan (R.O.C.)	Union Polymer Int'l Investment Corp. Representative: Liu, Zhen-Tu	Male	2019. 6.21	3 years	2001.6.12	126,529,947	24.97%	131,591,144	24.97%	—	—	0	0%	PhD in Business Administration, Nova Southeastern University (U.S.A.)	(Note 9)	None			
						2001.6.12	—	—	0	0%	0	0%	0	0%						
Director	Taiwan (R.O.C.)	Union Polymer Int'l Investment Corp. Representative: Wu, Hung-To	Male	2019. 6.21	3 years	2001.6.12	126,529,947	24.97%	131,591,144	24.97%	—	—	0	0%	Graduated from the International Technological University (U.S.A.) and Maine Central Institute (U.S.A.). General Manager and Chief Executive Officer of Yiding Technology Co., Ltd. and Yi-Ding Technology Co., Ltd.	(Note 10)	None			
						2019.6.21	—	—	0	0%	—	—	0	0%						

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date Elected (Appointed)	Term	Date first elected (Note 2)	Shares Held when Elected		Shares Currently Held		Shares Held by Spouse and Minors		Shares Held in the Name of Other Persons		Major Work Experience and Academic Qualifications (Note 3)	Current Position Held in the Company and Other Companies	Managerial Officers, Directors or Supervisors Who Are Spouses or Relatives within the Second Degree of Kinship			Notes
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Independent Director	Taiwan (R.O.C.)	Li, Zu-De	Male	2019. 6.21	3 years	2016.6.13	0	0%	0	0%	0	0%	0	0%	School of Dentistry, Taipei Medical University; experience provided in (Note 11).	(Note 12)	None			
Independent Director	Taiwan (R.O.C.)	Zheng, Ying-Bin	Male	2019. 6.21	3 years	2016.6.13	0	0%	0	0%	0	0%	0	0%	MBA, National Taiwan University, Chairman of Long Chen Paper Co., Ltd.	(Note 13)	None			
Independent Director	Taiwan (R.O.C.)	Li, Liang-Xian	Male	2019. 6.21	3 years	2016.6.13	0	0%	0	0%	0	0%	0	0%	Department of Chemistry, Fu Jen Catholic University; experience provided in (Note 14).	None	None			

Note 1: For institutional shareholders, their names and representatives shall be stated (for representatives, the names of institutional 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: Where the Chairman, General Manager, or individual with equivalent roles are the same individual, spouses, or relatives within the first degree of kinship, the Company shall specify related information regarding the reason, reasonableness, necessity, and response measures (e.g., appointment of additional Independent Directors and requiring the appointment of more than half of the Directors from individuals who are not employees or managers).

The Company appoints the same person to serve as the Chairman and CEO of the Company due to overall business operations. We rely on the Chairman's insight for business operations to manage business decisions and improve operational efficiency.

More than half of the members of the Company's current Board of Directors do not serve concurrently as employees or managerial officers. The Company also appoints a major CPA firm to perform audits and established the Audit Committee, Remuneration Committee, and Corporate Social Responsibility Committee to strengthen corporate governance and continues to implement rigorous internal control mechanisms to reduce operational risks.

Note 5: 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, Acme Electronics (Cayman) Corporation, USI Education Foundation and Fujian Gulei Petrochemical.

Director: Taiwan VCM Corporation, INOMA Corporation, USI (Hong Kong), Swanlake, USI International Corporation, Acme Components (Malaysia) Sdn. Bhd., Forever Young Co., Ltd., Curtana Co., Ltd., Swanson Plastics (Singapore) Pte. Ltd., Swanson Plastics (Malaysia) Sdn. Bhd., Swanson International, Swanson Plastics (India) Private Limited, Swanson Plastics (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, 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 Int'l 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 6: Chairman: CGPC Consumer Products Corporation, Continental General Plastics (Zhongshan) Co., Ltd. and Taiwan VCM Corporation

Director: CGPC (BVI), CGPC America, Forum Pacific Trading, 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: Chairman: USI Trading (Shanghai) Co., Ltd.

Director: Cypress Epoch Limited, Dynamic Ever Investments Limited, Ever Victory Global Limited, Forum Pacific Trading Ltd., Swanlake Traders Ltd., USI (Hong Kong) Co., Ltd., USI Management Consulting Corp., USI, Chong Loong Trading Co., Ltd., Taiwan United Venture Capital Corp., INOMA Corporation, USI Trading (Shanghai) Co., Ltd., Union Polymer International Investment Corp., Swanson Technologies Corporation, USI Education Foundation, Ever Conquest Global Ltd. and USI Investment Co.

Supervisor: Fujian Gulei Petrochemical Co., Ltd.

General Manager: USI, USIG (Shanghai) Co., Ltd. and Chong Loong Trading Co., Ltd.

Note 8: Director: Ever Victory Global Ltd., Dynamic Ever Investments Ltd., TTC, Continental General Plastics (Zhongshan) Co., Ltd., Taiwan VCM Corporation, Swanson Plastics Corp., and INOMA Corporation

Supervisor: China General Terminal and Distribution Corporation

Deputy General Manager: USI Corporation

Note 9: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: Note: Served as Director of Wafer Works Corp. 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

Note 10: Chairman: Yiding Technology Co., Ltd. and Yi-Ding Technology Co., Ltd.

Note 11: 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 12: Consulting Member of the National Health Research Institutes and member of the ITRI Performance Target Setting Team
Chairman: Handing Medical Electronics Biotechnology Management Consultancy Co., Ltd.
Director: Taipei Medical University, Handing, Diamond Capital, Diamond Biotechnology, ONYX Healthcare Inc., Scripps International Co., Ltd., Dermai Int. Co., Ltd., Digivideo International. Co., Ltd., USI Education Foundation, iHELPER Inc.
Independent Director: Machvision Inc.

Note 13: Chairman: LongChen Paper & Packaging Co., Ltd., Qianjiang Investment, Long Chen Investment Developing Co., Ltd.
Director: Long Chen Paper (China) Holding Co., Ltd., Jiangsu LongChen Greentech Co., Ltd., Wuxi LongChen Greentech Co., Ltd., Pinghu LongChen Greentech Co., Ltd., Suzhou LongChen Paper Co., Ltd.., Zhejiang Xiasha Longchen Packing Co., Ltd., Shanghai Minhang Longchen Packing Co., Ltd., Long Chen Paper Hong Kong Co., Ltd., Hubei LongChen Greentech Co., Ltd., Xiantao LongChen Greentech Co., Ltd.., Jingzhou LongChen Greentech Co., Ltd., Wuhan LongChen Greentech Co., Ltd., Long Chen Paper Japan Co., Ltd. and L&C Co., (BVI) Ltd.

Note 14: 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 corporate shareholders April 14, 2020

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.
Note 3: Where an institutional shareholder is not organized as a company, the name of the shareholders and shareholding ratio that must be disclosed in accordance with the above shall be the name of the funder or donor and the funding or donation ratio.

Table 2: Main shareholders of corporate shareholders in Table 1 April 14, 2020

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%
	Fubon Securities Co., Ltd. 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	1.75%
	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.
Note 3: Where an institutional shareholder is not organized as a company, the name of the shareholders and shareholding ratio that must be disclosed in accordance with the above shall be the name of the funder or donor and the funding or donation ratio.
Note 4: The data of Table 1 and Table 2 were updated to the latest book closure date.

(I) Board of Directors (2)

March 31, 2020

Criteria / Name (Note 1)	Has more than 5 years of work experience and the following professional qualifications			Status of Independence (Note 2)												Number of other public companies the person serves as an independent director
	Serve as an instructor or higher positions in a private or public college or university in the field of business, law, finance, accounting, or other departments relevant to the business of the Company	Serve as a judge, prosecutor, lawyer, certified public accountant or other professional or technical specialists who have passed the relevant national examinations and successfully obtained certificates in professions necessary for the business of the Company	Have work experience in business, law, finance, accounting or other areas relevant to the business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Wu, Yi-Gui			✓			✓					✓		✓	✓		0
Lin, Han-Fu			✓			✓		✓	✓		✓	✓	✓	✓		0
Wang, Ke-Shun			✓			✓	✓	✓		✓			✓	✓		0
Liu, Han-Tai			✓			✓		✓	✓	✓		✓	✓	✓		0
Liu, Zhen-Tu			✓			✓				✓	✓		✓	✓		0
Wu, Hung-To			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		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 whose shareholding, together with those of his/her spouse, minor children, and shares held under others' names, exceed 1% of the total number of outstanding shares of the Company, or ranks the person in the top ten shareholders of the Company.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managers listed in subparagraph (1) or persons listed in subparagraphs (2) and (3);

(5) Not a Director, Supervisor or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company or is ranked top five in terms of the number of shares held or is designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(6) Not a Director, Supervisor, or employee of a company with a majority of the company's director seats or voting shares and those of any other company are controlled by the same person (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(7) Not a Director, Supervisor, or employee of a company or institution with the same chairperson of the board, president, or equivalent position, or a spouse thereof (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(8) Not a Director, Supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company (this restriction does not apply to specific companies or institutions if they hold more than 20% but less than 50% of the outstanding shares of the Company or independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(9) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not a spouse or relative of second degree or closer to any other directors.

(11) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.

(12) 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

March 30, 2020; Unit: share

Title (Note 1)	Nationality	Name	Gender	Date Elected (Appointed)	Shares Held		Shares Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Major Work Experience and Academic Qualifications (Note 2)	Current Position Held in Other Companies	Managerial Officers Who are Spouses or Relatives within the Second Degree of Kinship			Notes
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Chief Executive Officer	Taiwan (R.O.C.)	Wu, Yi-Gui	Male	2009.09.01	0	0%	—	—	0	0%	Chairman, USI	(Note 3)	None			
Vice Chairman	Taiwan (R.O.C.)	Lin, Han-Fu	Male	2013.02.27	0	0%	121,703	0.02%	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	Taiwan (R.O.C.)	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	Taiwan (R.O.C.)	Chen, Wan-Ta	Male	2017.03.16	0	0%	1,008	0%	0	0%	Department of Chemistry, Fu Jen Catholic University	Director: Taita Chemical (ZhongShan)	None			
Corporate Governance Officer	Taiwan (R.O.C.)	Chen, Yung-Chih	Male	2019.05.09	0	0%	0	0%	0	0%	PhD in Law, Ludwig Maximilian University of Munich; experience provided in (Note 6)	(Note 7)	None			
Director, Materials Manufacturing Division	Taiwan (R.O.C.)	Tsai, Pei-Hong	Male	2018.07.01	0	0%	0	0%	0	0%	Department of Chemical Engineering, Tatung University	None	None			
Director, Processing Manufacturing Division	Taiwan (R.O.C.)	Cheng, Yung-Bing	Male	2019.06.01	0	0%	0	0%	0	0%	Department of Mechanical Engineering, Feng Chia University	None	None			
Director, Sales & Marketing Division	Taiwan (R.O.C.)	Chen, Wan-Yu	Male	2019.01.01	0	0%	0	0%	0	0%	Department of Chemistry, Tamkang University	None	None			
Manager, Accounting Department	Taiwan (R.O.C.)	Kuo, Chien-Chou	Male	1999.11.01	742	0%	0	0%	0	0%	Department of Accounting, Tunghai University	Accounting Manager: CGPC Polymer Corporation	None			
Manager, Finance Department	Taiwan (R.O.C.)	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, heads 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, Acme Electronics (Cayman) Corporation, USI Education Foundation and Fujian Gulei Petrochemical.
Director: Taiwan VCM Corporation, INOMA Corporation, USI (Hong Kong), Swanlake, USI International Corporation, Acme Components (Malaysia) Sdn. Bhd., Forever Young Co., Ltd., Curtana Co., Ltd., Swanson Plastics (Singapore) Pte. Ltd., Swanson Plastics (Malaysia) Sdn. Bhd., Swanson International, Swanson Plastics (India) Private Limited, Swanson Plastics (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, 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 Manag1er: Union Polymer Int'l Investment Corp. and USI Management Consulting Corporation
Chief Executive Officer: USI, APC, TTC, Acme Electronics Corporation and USI Optronics Corporation.
Executive Director: Chinese National Federation of Industries

Note 4: Chairman: CGPC Consumer Products Corporation, Continental General Plastics (Zhongshan) Co., Ltd. and Taiwan VCM Corporation
Director: CGPC (BVI), CGPC America, Forum Pacific Trading, 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 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

Note 6: Director, Legal Department, Lite-On Technology Corporation; Attorney, Winkler Partners; Independent Director, Chipsip Technology Co., Ltd.; Arbitrator, Chinese Arbitration Association, Taipei

Note 7: Independent Director: Man Zai Industrial Co., Ltd. and RD&D Cold Logistics Co., Ltd.
Supervisor: Taiwan United Venture Management Corporation, Union Polymer International Investment Corp. and Cerebra Technologies Co., Ltd.
Corporate Governance Officer: USI, APC, TTC and Acme Electronics Corporation

(III) Where the Chairman, General Manager, or individual with equivalent roles are the same individual, spouses, or relatives within the first degree of kinship, the Company shall specify related information regarding the reason, reasonableness, necessity, and response measures (e.g., appointment of additional Independent Directors and requiring the appointment of more than half of the Directors from individuals who are not employees or managers).

The Company appoints the same person to serve as the Chairman and CEO of the Company due to overall business operations. We rely on the Chairman's insight for business operations to manage business decisions and improve operational efficiency.

More than half of the members of the Company's current Board of Directors do not serve concurrently as employees or managerial officers. The Company also appoints a major CPA firm to perform audits and established the Audit Committee, Remuneration Committee, and Corporate Social Responsibility Committee to strengthen corporate governance and continues to implement rigorous internal control mechanisms to reduce operational risks.

III. Remuneration paid to Directors (Including Independent Directors), Supervisors, General Manager and Deputy General Manager during the most recent fiscal year

1. 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) 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 three (3) 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. (Description: The "Directors' remuneration" plus "Supervisor's remuneration" in the attached table plus the remuneration for the aforementioned Directors and Supervisors; excluding related remuneration received for concurrent services as employees.)

(5) A company listed on the Taiwan Stock Exchange (TWSE) or the Taipei Exchange (TPEx) is ranked in the lowest tier in the corporate governance evaluation for the most recent fiscal year, or in the most recent fiscal year or up to the date of publication of the annual report for that year, the company's securities have been placed under an altered trading method, suspended from trading, delisted from the TWSE or the TPEx, or the Corporate Governance Evaluation Committee has resolved that the company shall be excluded from evaluation.

(6) The average annual salary of the full-time non-supervisory employees in a TWSE or TPEx listed company is less than NT$500,000.

2. If the circumstance in sub-item "(I)" or in sub-item "(V)" of the preceding item applies to a company listed on the TWSE or the TPEx, it shall disclose the individual remuneration paid to each of its top five management personnel (e.g., General Manager, Deputy General Managers, Chief Executive Officer, or Chief Financial Officer).

[Note 1] Example: Suppose the 2019 Annual Report was prepared by the Shareholders' Meeting in 2020. 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 in any year from 2017 to 2019. However, although post-tax loss was recorded in the Company's parent company-only or individual financial statements in 2017 and/or 2018, its parent company-only or individual financial statements in 2019 recorded a net income after taxes which was sufficient to cover cumulative losses; therefore, the Company may choose not to disclose individual 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 regular Directors and Independent Directors (aggregate remuneration with name(s) indicated for each remuneration range)

Unit: NT$ thousands

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name
(Note 1)</th><th colspan="8">Remuneration of Directors</th><th colspan="2" rowspan="2">Percentage of the total sums of A, B, C, and D on the net profit after tax (Note 10)</th><th colspan="8">Relevant remuneration received by Directors who also serve as employees</th><th colspan="2" rowspan="2">Percentage of the total sums of A, B, C, D, E, F, and G on the net profit after tax (Note 10)</th><th rowspan="4">Remuneration received from investee companies other than subsidiaries or the parent company (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></th><th></th><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="8">0</td><td rowspan="8">0</td><td rowspan="8">0</td><td rowspan="8">0</td><td rowspan="8">0</td><td rowspan="8">0</td><td rowspan="8">1,464</td><td rowspan="8">1,728</td><td rowspan="8">0.23</td><td rowspan="8">0.27</td><td rowspan="8">9,385</td><td rowspan="8">15,498</td><td rowspan="8">0</td><td rowspan="8">108
(Note 13)</td><td rowspan="8">9</td><td rowspan="8">0</td><td rowspan="8">65</td><td rowspan="8">0</td><td rowspan="8">1.69</td><td rowspan="8">2.71</td><td rowspan="8">32,163</td></tr>
<tr><td>Director</td><td>Zhang, Ji-Zhong
Representative of Union Polymer Int'l Investment Corp.
(dismissed on June 21, 2019)</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>Wang, Ke-Shun
Representative of Union Polymer Int'l Investment Corp.
(newly-appointed on June 21, 2019)</td></tr>
<tr><td>Director</td><td>Ying, Bao-Luo
Representative of Union Polymer Int'l Investment Corp.
(dismissed on June 21, 2019)</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>Director</td><td>Wu, Hung-To
Representative of Union Polymer Int'l Investment Corp.
(newly-appointed on June 21, 2019)</td></tr>
</table>

Title	Name (Note 1)	Remuneration of Directors								Percentage of the total sums of A, B, C, and D on the net profit after tax (Note 10)		Relevant remuneration received by Directors who also serve as employees								Percentage of the total sums of A, B, C, D, E, F, and G on the net profit after tax (Note 10)		Remuneration received from investee companies other than subsidiaries or the parent company (Note 11)
		Remuneration (A) (Note 2)		Severance pay and pension (B)		Directors' remuneration (C) (Note 3)		Allowances (D) (Note 4)				Salaries, bonuses, and special allowances (E) (Note 5)		Severance pay and pension (F)		Employee remuneration (G) (Note 6)						
		The Company	All companies in the Financial Report (Note 7)	The Company	All companies in the Financial Report (Note 7)	The Company	All companies in the Financial Report (Note 7)	The Company	All companies in the Financial Report (Note 7)	The Company	All companies in the Financial Report (Note 7)	The Company	All companies in the Financial Report (Note 7)	The Company	All companies in the Financial Report (Note 7)	The Company		All companies in the Financial Report (Note 7)		The Company	All companies in the Financial Report (Note 7)	
Independent Director	Li, Zu-De	3,600	3,600	0	0	0	0	508	508	0.64	0.64	0	0	0	0	0	0	0	0	0.64	0.64	0
Independent Director	Zheng, Ying-Bin																					
Independent Director	Li, Liang-Xian																					

Note:

1. Please describe the policy, system, standards and structure of the compensation of the Independent Directors and explain the relevance of the amount of remuneration paid to them based on factors such as responsibility, risk and time commitment:
   The remuneration of Independent Directors is determined in accordance with the Company's Articles of Incorporation and the remuneration policies and regulations. It is also determined by their level of participation in the Company's operations, value of their contribution, and median pay in the industry. The methods of distribution are filed to the Remuneration Committee for approval and the Board of Directors for resolution before implementation. Independent Directors do not receive other remuneration except for the fixed remuneration.
2. 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.

* Please list related information on Directors (general Directors who are not Independent Directors) and Independent Directors separately.

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)	The parent company and all investees (Note 9) I
Less than NT$ 1,000,000	Wu, Yi-Gui / Lin, Han-Fu / Wang, Ke-Shun / Liu, Han-Tai / Liu, Zhen-Tu / Ying, Bao-Luo / Zhang, Ji-Zhong / Ying, Bao-Luo	Wu, Yi-Gui / Lin, Han-Fu / Wang, Ke-Shun / Liu, Han-Tai / Liu, Zhen-Tu / Ying, Bao-Luo / Zhang, Ji-Zhong / Ying, Bao-Luo	Wu, Yi-Gui, / Wang Ke-Shun / Liu, Han-Tai / Liu, Zhen-Tu / Wu, Hung-To / Zhang, Ji-Zhong / Ying, Bao-Luo	Liu Chen-Tu / Wu, Hung-To / Zhang, Ji-Zhong / Ying, Bao-Luo
NT$ 1,000,000 (inclusive) to NT$ 2,000,000 (exclusive)	Li, Zu-De / Zheng, Ying-Bin / Li, Liang-Xian	Li, Zu-De / Zheng, Ying-Bin / Li, Liang-Xian	Li, Zu-De / Zheng, Ying-Bin / Li, Liang-Xian	Li, Zu-De / Zheng, Ying-Bin / Li, Liang-Xian
NT$ 2,000,000 (inclusive) to NT$ 3,500,000 (exclusive)				
NT$ 3,500,000 (inclusive) to NT$ 5,000,000 (exclusive)				
NT$ 5,000,000 (inclusive) to NT$ 10,000,000 (exclusive)			Lin, Han-Fu	Liu, Han-Tai / Wang, Ke-Shun
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)				Wu, Yi-Gui
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$ 5,572 thousand	NT$ 5,836 thousand	NT$ 14,966 thousand	NT$ 53,670 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 remuneration 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 investee companies or the parent company by the Company's Directors shall be stated clearly in this column (please specify "none" if there is no remuneration).
b. If a Director of the Company receives remuneration from investee companies other than subsidiaries or the parent company, the amount of remuneration received by the director from investee companies other than subsidiaries or the parent company shall be combined into Column I of the table for ranges of remuneration, and this column shall be renamed as "Parent Company and All Investee Companies".
c. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expenses received by the Director serving as a director, supervisor or manager of an investee company or parent company of the Company other than subsidiaries.

Note 12: The remuneration received as Vice Chairman (including salary and bonuses). The Vice Chairman is provided with a car with an original cost of NT$2,145 thousand and a nominal value of NT$250 thousand as of December 31, 2019. He is also provided with a leased house with a rent of NT$213 thousand in 2019. The fuel expenses in 2019 amounted to NT$92 thousand. He is also provided with a driver and the remuneration paid to the driver totaled NT$633 thousand. The rent of the Deputy General Manager's car totaled NT$292 thousand.

Note 13: The cost of the pension appropriated in 2019 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 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)		Remuneration received from investee companies other than subsidiaries or the parent company (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	7,397	9,833	221 (Note 11)	329 (Note 11)	5,792 (Note 10)	9,470 (Note 10)	18	0	74	0	2.09	3.07	12,701
Vice Chairman	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 Managers of the Company	Names of General Manager or Deputy General Manager	
	The Company (Note 6)	The parent company and all investees (Note 7) E
Less than NT$ 1,000,000		
NT$ 1,000,000 (inclusive) to NT$ 2,000,000 (exclusive)		
NT$ 2,000,000 (inclusive) to NT$ 3,500,000 (exclusive)		
NT$ 3,500,000 (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	
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)		Wu, Yi-Gui
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$ 13,429 thousand	NT$ 32,407 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 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 9:

a. The amount of remuneration received from subsidiaries other than investee companies or the parent company by the Company's General Managers and Deputy General Managers shall be stated clearly in this column (please specify "none" if there is no remuneration).

b. If a General Manager or Deputy General Manager of the Company received remuneration from investees other than subsidiaries of the Company or the parent company, the remuneration received by the General Manager or Deputy General Manager of the Company from investees other than subsidiaries of the Company or the parent company shall be included in E column of the Remuneration Range Table and the name of the field shall be changed to "Parent Company and All Investment Companies".

c. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expenses received by the General Managers and Deputy General Managers serving as a director, supervisor or manager of an investee company or parent company of the Company other than subsidiaries.

Note 10: The remuneration received as Vice Chairman and Deputy 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$250 thousand as of December 31, 2019. He is also provided with a leased house with a rent of NT$213 thousand in 2019. The fuel expenses in 2019 amounted to NT$92 thousand. He is also provided with a driver and the remuneration paid to the driver totaled NT$633 thousand. The rent of the Deputy General Manager's car totaled NT$292 thousand.

Note 11: The cost of the pension appropriated in 2019 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. Remuneration paid to the five officers with the highest remuneration (disclosure of the names and remuneration method of individual officers): Not applicable.

5. 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 remuneration on NIAT (%)
Managerial Officers	Chief Executive Officer	Wu, Yi-Gui	0	92	92	0.01
	Vice Chairman	Lin, Han-Fu				
	Deputy General Manager	Hu, Chi-Hong				
	Senior Manager	Chen, Wan-Ta				
	Corporate Governance Officer	Chen, Yung-Chih				
	Director, Materials Manufacturing Division	Tsai, Pei-Hong				
	Director, Processing Manufacturing Division	Cheng, Yung-Bing				
	Director, Sales & Marketing Division	Chen, Wan-Yu				
	Manager, Accounting Department	Kuo, Chien-Chou				
	Manager, 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:

Category \ Year	2018		2019	
	The Company	All companies in the Financial Report	The Company	All companies in the Financial Report
Directors' remuneration as a percentage of NIAT (%) (excluding those who concurrently serve as employees and receive related remuneration)	0.43	0.45	0.23	0.27
Independent Directors' remuneration as a percentage of NIAT (%) (excluding those who concurrently serve as employees and receive related remuneration)			0.64	0.64
Directors' remuneration as a percentage of NIAT (%) (including those who concurrently serve as employees and receive related remuneration)	1.19	1.72	1.69	2.71
Independent Directors' remuneration as a percentage of NIAT (%) (including those who concurrently serve as employees and receive related remuneration)			0.64	0.64
General Manager and Deputy General Manager's remuneration as a percentage of NIAT (%)	1.09	1.60	2.09	3.07

Note 1: If the total amount of remuneration received by all the Directors 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 exceeds NT$15 million, the Company shall disclose the amount of remuneration paid to individual

Directors.

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 5, 2020, the Board of Directors resolved not to distribute remuneration for Directors for the year 2019.

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. Information on Directors' attendance:

Six (6) meetings (A) were held by the Board of Directors in the most recent fiscal year (2019). The attendance of the members of the Board was as follows:

Title	Name	1st meeting 2019.03.06	2nd meeting 2019.04.25	3rd meeting 2019.05.09	4th meeting 2019.06.26	5th meeting 2019.08.07	6th meeting 2019.11.12	Number of Attendance in Person (B)	Number of Attendance by Proxy	Rate of Attendance in Person (%) [B/A] (Note 2)	Notes
Chairman	Wu, Yi-Gui (representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	◎	◎	◎	6	0	100	Re-elected
Vice Chairperson and General Manager	Lin, Han-Fu (representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	◎	◎	◎	6	0	100	Re-elected
Director	Wang, Ke-Shun (representative of Union Polymer Int'l Investment Corp.)	—	—	—	◎	◎	◎	3	0	100	Note 2
Director	Liu, Han-Tai (representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	◎	◎	◎	6	0	100	Re-elected
Director	Liu, Zhen-Tu (representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	◎	◎	◎	6	0	100	Re-elected
Director	Wu, Hung-To (Representative of Union Polymer Int'l Investment Corp.)	—	—	—	◎	◎	◎	3	0	100	Note 2
Director	Zhang, Ji-Zhong (representative of Union Polymer Int'l Investment Corp.)	◎	☆	◎	—	—	—	2	1	66.67	Note 3
Director	Ying, Bao-Luo (representative of Union Polymer Int'l Investment Corp.)	◎	◎	◎	—	—	—	3	0	100	Note 3

Title	Name	1st meeting 2019.03.06	2nd meeting 2019.04.25	3rd meeting 2019.05.09	4th meeting 2019.06.26	5th meeting 2019.08.07	6th meeting 2019.11.12	Number of Attendance in Person (B)	Number of Attendance by Proxy	Rate of Attendance in Person (%) [B/A] (Note 2)	Notes
Independent Director	Li, Zu-De	◎	◎	◎	◎	◎	◎	6	0	100	Re-elected
Independent Director	Zheng, Ying-Bin	◎	◎	◎	☆	◎	◎	5	1	83.33	Re-elected
Independent Director	Li, Liang-Xian	◎	◎	◎	◎	◎	◎	6	0	100	Re-elected

Note 1: Attendance in person: ◎; attendance by proxy:☆; absent: ✻.
Note 2: Newly elected; required to attend 3 meetings.
Note 3: Outgoing Director; required to attend 3 meetings.
Note 4: Election of the Directors in the general shareholders' meeting on June 21, 2019 (including three Independent Directors)

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 Article 14-3 of the Securities and Exchange Act:

Board of Directors Term Date	Resolution and Follow-up Actions	Items specified in Article 14-3 of the Securities and Exchange Act	Dissenting opinion or qualified opinion by Independent Directors
2019 1st Meeting 2019.03.06	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 "Regulations Governing the Acquisition and Disposal of Assets".	Yes	None
	4. Approved remuneration of CPAs for 2018.	Yes	None
	5. Approved the appointment of CPAs for 2019.	Yes	None
	Opinions of Independent Directors: None.		
	The Company's actions in response to the opinions of Independent Directors: None.		
	Voting results: All Directors present voted in favor of the resolution without any dissenting opinion.		
2019 3rd Meeting 2019.05.09	1. Ratified the endorsements/guarantees for the subsidiary company CGPC Polymer Corporation.	Yes	None
	2. Approved the amendment of the internal control system.	Yes	None
	Opinions of Independent Directors: None.		
	The Company's actions in response to the opinions of Independent Directors: None.		
	Voting results: All Directors present voted in favor of the resolution without any dissenting opinion.		
2019 4th Meeting 2019.06.26	Approved 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.		
	Voting results: All Directors present voted in favor of the resolution without any dissenting opinion.		
2019 5th Meeting 2019.08.07	1. Ratified the endorsements/guarantees for the subsidiary company CGPC Polymer Corporation.	Yes	None
	2. Approved the amendment of certain articles in the Audit Committee Charter.	Yes	None
	Opinions of Independent Directors: None.		
	The Company's actions in response to the opinions of Independent Directors: None.		
	Voting results: All Directors present voted in favor of the resolution without any dissenting opinion.		
2019 6th Meeting 2019.11.12	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.		
	Voting results: All Directors present voted in favor of the resolution without any dissenting opinion.		

2.2 Other than the matters mentioned above, other resolutions with objections or reservations from 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	Notes
Wu, Yi-Gui Li, Zu-De Lin, Han-Fu	Donations to the USI Education Foundation	They recused themselves due to conflict of interest as they serve as Directors of the foundation.	Did not participate in voting	1st Meeting in 2019
Zheng, Ying-Bin Li, Zu-De Li, Liang-Xian	Appointment of the three Independent Directors Zheng, Ying-Bin / Li, Zu-De, / and Li, Liang-Xian as members of the Company's Remuneration Committee.	The Director has an interest in the matter	Did not participate in voting	4th Meeting in 2019

4. The company listed on TWSE/TPEx shall disclose the evaluation cycle and duration, scope of evaluation, methodology, and evaluation contents of the evaluation of the Board of Directors.

Board of Directors Evaluation Status

Evaluation Cycle (Note 1)	Evaluation Period (Note 2)	Evaluation Scope (Note 3)	Evaluation Method (Note 4)	Evaluation Contents (Note 5)
Once every year	January 1, 2019 ~ December 31, 2019	Performance evaluation of the Board of Directors	Self-evaluation of the Board of Directors	I. Performance evaluation of the Board of Directors 1. Level of participation in corporate operations. 2. Improvement of the quality of the Board of Directors' decision making. 3. Composition and structure of the Board of Directors. 4. The election of the Directors and their continuing professional education. 5. Internal control.
		Performance evaluation of functional committees	Self-evaluation of the members of functional committees	II. Performance evaluation of the Audit Committee 1. Level of participation in corporate operations. 2. Understanding of duties of the Audit Committee. 3. Improvement of the quality of the Audit Committee' decision making. 4. Composition of the Audit Committee and selection of committee members. 5. Internal control. III. Performance evaluation of the Remuneration Committee 1. Level of participation in corporate operations. 2. Understanding of duties of the Remuneration Committee. 3. Improvement of the quality of the Remuneration Committee' decision making. 4. Composition of the Remuneration Committee and selection of committee members.

Note 1: Fill out the evaluation cycle for the evaluation of the Board of Directors such as once every year.

Note 2: Fill out the period for the evaluation of the Board of Directors such as the period for the evaluation of the performance of the Board of Directors is from January 1, 2019 to December 31, 2019.

Note 3: The scope of evaluation covers the evaluation of the performance of the Board of Directors, individual Directors, and functional committees.

Note 4: Methods of evaluations include the self-evaluation of the board, self-evaluation by individual board members, peer evaluation, and evaluation by appointed external professional institutions, experts, or other appropriate methods.

Note 5: The contents of the evaluation shall include at least the following items:

(1) Performance evaluation of the Board of Directors: The evaluation shall include at least the "participation in the operations of the Company", "improvement of the quality of the Board of Directors' decision making", "composition and structure of the Board of Directors", "election and continuing education of the Directors", "and "internal control".

(2) Performance evaluation of individual Directors: The evaluation shall include at least the "familiarity with the goals and missions of the Company", "knowledge of the duties of Directors", "degree of participation in the Company's operations", "management of internal relations and communication", "professional and continuous education of Directors", and "internal control".

(3) Performance evaluation of functional committees: Degree of participation in the Company's operations, knowledge of the duties of the functional committee, improvement in the quality of functional committee decisions, functional committee composition and election of members, and internal control.

5. The targets for strengthening the functions of the Board of Directors in the current year and recent years (such as the establishment of the Audit Committee and enhancement of information transparency) and the assessment of implementation:

5.1 The operations of the Board of Directors of the Company are exercised in accordance with the provisions of the laws and regulations, the Articles of Incorporation, and the resolutions of the shareholders' meetings. All Directors, in addition to the professional knowledge and skills necessary to perform their duties, should strive for the best shareholder interests based on the principles of loyalty and integrity.

5.2 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.

5.3 To implement corporate governance, safeguard the interests of the shareholders, and strengthen the functions of the Board, the Board appointed a Corporate Governance Officer on May 9, 2019 to assist the Board of Directors in its operations.

5.4 The Audit Committee was established after the appointment of Independent Directors during the general shareholders' meeting in 2016. The results of performance evaluation performed on the Board of Directors (Audit Committee) in 2019 has been disclosed on the Company's website in January 2020 and has been reported in the first Board of Directors' Meeting in 2020 (March 5, 2020).

5.5. The Company’s website and the Market Observation Post System disclose relevant information on the Company’s compliance with related regulations and major resolutions of the Board of Directors to help shareholders understand the Company’s development and enhance the transparency of the Company’s information.

5.6. The Company organizes training courses for Directors and encourages Directors and Supervisors to attend corporate governance-related courses The status of continuing education for the Directors of the Company is as follows:

Title	Name	Date of Course	Organizer	Course Title	Duration of the Course
Chairman	Wu, Yi-Gui	July 15, 2019	Securities & Futures Institute	Impact of the Trade Disputes between the United and China on Taiwanese Businesses and Response Measures	3
		October 8, 2019	Securities & Futures Institute	Response Strategies of Corporation and Individuals for the Implementation of the Economic Substance Law and Global Initiatives Against Tax Avoidance	3
Vice Chairperson and General Manager	Lin, Han-Fu	July 15, 2019	Securities & Futures Institute	Impact of the Trade Disputes between the United and China on Taiwanese Businesses and Response Measures	3
		October 8, 2019	Securities & Futures Institute	Response Strategies of Corporation and Individuals for the Implementation of the Economic Substance Law and Global Initiatives Against Tax Avoidance	3
Director	Wang, Ke-Shun	July 15, 2019	Securities & Futures Institute	Impact of the Trade Disputes between the United and China on Taiwanese Businesses and Response Measures	3
		October 8, 2019	Securities & Futures Institute	Response Strategies of Corporation and Individuals for the Implementation of the Economic Substance Law and Global Initiatives Against Tax Avoidance	3
Director	Liu, Han-Tai	July 15, 2019	Securities & Futures Institute	Impact of the Trade Disputes between the United and China on Taiwanese Businesses and Response Measures	3
		November 6, 2019	Taiwan Stock Exchange	Effective Implementation of the Functions of Directors Seminar	3

Title	Name	Date of Course	Organizer	Course Title	Duration of the Course
Director	Liu, Zhen-Tu	February 19, 2019	Taiwan Corporate Governance Association	2019 Global Trends Analysis — Risks and Opportunities	1
		May 8, 2019	Taiwan Corporate Governance Association	Importance of the Integration of Economic Social, and Governance (ESG) Elements in Investment — Management Viewpoints of Aberdeen Standard Investments	1
		July 15, 2019	Securities & Futures Institute	Impact of the Trade Disputes between the United and China on Taiwanese Businesses and Response Measures	3
		August 27, 2019	Taiwan Corporate Governance Association	Artificial Intelligence in Taiwan: Opportunities and Challenges in the Transformation of the Industry	1
		October 8, 2019	Securities & Futures Institute	Response Strategies of Corporation and Individuals for the Implementation of the Economic Substance Law and Global Initiatives Against Tax Avoidance	3
		November 26, 2019	Taiwan Corporate Governance Association	Compliance and Supervision	1
		November 27, 2019	Taiwan Corporate Governance Association	15th International Forum on Corporate Governance — Strengthening the Corporate Governance Environment and Implement the Independent Director System (all-day event)	6
Director	Wu, Hung-To	July 24, 2019	Securities & Futures Institute	2019 Seminar on Legal Compliance for Stock Transactions by Internal Personnel of Listed Companies and Non-Listed Companies	3
		October 8, 2019	Securities & Futures Institute	Response Strategies of Corporation and Individuals for the Implementation of the Economic Substance Law and Global Initiatives Against Tax Avoidance	3
		October 15, 2019	Securities & Futures Institute	Actual Operations of the Remuneration Committee and the Growth Strategy Committee	3
		October 29, 2019	Taiwan Corporate Governance Association	Legal Risks of Corporate Directors and Supervisors and Response Measures — From the Perspectives of Corporate Fraud and Money Laundering Prevention	3
Independent Director	Li, Zu-De	July 15, 2019	Securities & Futures Institute	Impact of the Trade Disputes between the United and China on Taiwanese Businesses and Response Measures	3
		November 6, 2019	Taiwan Stock Exchange	Effective Implementation of the Functions of Directors Seminar	3

Title	Name	Date of Course	Organizer	Course Title	Duration of the Course
Independent Director	Zheng, Ying-Bin	January 23, 2019	Taiwan Institute of Directors	2019 Foreign Investor Forum: Attract High-Quality Capital X Investments in Good Businesses in Taiwan	3
		June 26, 2019	Taiwan Institute of Directors	2019 Taiwan Institute of Directors Annual Forum — A + Enterprise X Shareholder Value	4
		November 28, 2019	Taiwan Institute of Directors	"Director Seminar" Master Course 1: Corporate Sustainability	3
		December 11, 2019	Taiwan Institute of Directors	"Director Seminar" Master Course 3: Game Theory and Industry Competition Strategy	3
Independent Director	Li, Liang-Xian	July 15, 2019	Securities & Futures Institute	Impact of the Trade Disputes between the United and China on Taiwanese Businesses and Response Measures	3
		October 8, 2019	Securities & Futures Institute	Response Strategies of Corporation and Individuals for the Implementation of the Economic Substance Law and Global Initiatives Against Tax Avoidance	3
Corporate Governance Officer	Chen, Yung-Chih	July 24, 2019	Securities & Futures Institute	2019 Seminar on Legal Compliance for Stock Transactions by Internal Personnel of Listed Companies and Non-Listed Companies	3
		October 8, 2019	Securities & Futures Institute	Response Strategies of Corporation and Individuals for the Implementation of the Economic Substance Law and Global Initiatives Against Tax Avoidance	3
		October 25, 2019	Securities & Futures Institute	2019 Insider Trading Prevention Seminar	3
		November 21, 2019	Taiwan Stock Exchange	Effective Implementation of the Functions of Directors Seminar	3
		November 27, 2019	Taiwan Corporate Governance Association	15th International Forum on Corporate Governance - Strengthening the Corporate Governance Environment and Implement the Independent Director System	6
Manager, Accounting Department	Kuo, Chien-Chou	November 14, 2019 ~ November 15, 2019	Accounting Research and Development Foundation	Continuing Training Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12
Manager, Finance Department	Chan, Chin-Ho	July 15, 2019	Securities & Futures Institute	Impact of the Trade Disputes between the United and China on Taiwanese Businesses and Response Measures	3
		October 8, 2019	Securities & Futures Institute	Response Strategies of Corporation and Individuals for the Implementation of the Economic Substance Law and Global Initiatives Against Tax Avoidance	3

Title	Name	Date of Course	Organizer	Course Title	Duration of the Course
Chief Auditor	Chiang, Kang-Nien	May 15, 2019	Computer Audit Association	Information Department Audit and Information System Control Audit	6
		October 31, 2019	Internal Audit Association	Computer-Assisted Audit Technologies and Data Analysis	6
	Chen, Li-Nian	July 19, 2019	Accounting Research and Development Foundation	Internal Audit and Internal Control Operations in the Corporate Employee Remuneration System	6
		October 23, 2019	Accounting Research and Development Foundation	Corporate Crisis Management Methodology — A Study of Risk Management and Communication in Crisis	6

The number of training hours, scope of training, 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) Operations of the Audit Committee:

1. Attendance information of the Audit Committee:

Four (4) meetings (A) of the Audit Committee were held in the most recent fiscal year (2019). The attendance of Independent Directors was as follows:

Title	Name	Attendance in Person (B)	Number of Attendance by Proxy	Attendance in Person Rate (%) (B/A) (Note)	Notes
Independent Director	Li, Zu-De	4	0	100.00	
Independent Director	Chiang, Kang-Nien	4	0	100.00	
Independent Director	Li, Liang-Xian	4	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 their compensation;
   - 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 Materials 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 2019:
   - 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 The Company established the independence evaluation report based on Article 47 of the Certified Public Accountant Act and No. 10 Statement of the Professional Ethics Standards for Certified Public Accountants to evaluate the independence, professionalism, and qualifications of CPAs, whether they are related parties of the Company, and whether there are relations involving business or financial interests. The Company reviewed the independence evaluation of the CPAs Huang, Hsiu-Chun and Chiu, Cheng-Chun in 14th meeting of the 1st Audit Committee and the first meeting of the Board of Directors in 2019 on March 6, 2019 and found them to meet the standards and qualified to serve as the Company's certifying CPAs for finance and taxation.

3.4 Audit of 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.

3.5 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. The Audit Committee has assessed the effectiveness of the Company's internal control system policies and procedures (including control measures such as finance, operation, risk management, information security, outsourcing, regulatory compliance, etc.) and audited The Company's audit department and CPAs, as well as management's periodic reports, including risk management and regulatory compliance. The Audit Committee believes that the Company's risk management and internal control systems are effective and that the Company has adopted the necessary control mechanisms to supervise and correct violations.

4. With regard to the implementation of the Audit Committee, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, all Audit Committee resolutions, and the Company’s handling of such resolutions shall be specified.

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

Board of Directors Term Date	Resolution and Follow-up Actions	Items specified in Article 14-5 of the Securities and Exchange Act	Dissenting opinion or qualified opinion by Independent Directors
2019 1st Meeting 2019.03.06	1. Ratified the endorsements/guarantees for the subsidiary company CGPC Polymer Corporation.	Yes	None
	2. Formulation of the 2018 Account Book.	Yes	None
	3. 2019 Earnings Distribution Proposal.	Yes	None
	4. Earnings allocation to shareholders stocks and dividends are converted to capital increase to increase the capital by NT$202,703,810 and issue 20,270,381 new shares.	Yes	None
	5. Compensation paid to the certifying CPAs for 2018.	Yes	None
	6. Approved the 2019 evaluation of the independence of appointed CPAs.	Yes	None
	7. 4. Appoint CPAs for the year 2019.	Yes	None
	8. 2018 Statement on Internal Control System.	Yes	None
	9. Amendment of the "Procedures for Handling Acquisitions or Disposal of Assets".	Yes	None
	Opinions of the Audit Committee: None.		
	The Company's Actions in Response to the Opinions of the Audit Committee: None.		
	Resolution: The motions were passed unanimously by the members in attendance and filed for resolution in the board meeting.		
2019 3rd Meeting 2019.05.09	1. Ratified the endorsements/guarantees for the subsidiary company CGPC Polymer Corporation.	Yes	None
	2. Amendment of the internal control system.	Yes	None
	Opinions of the Audit Committee: None.		
	The Company's Actions in Response to the Opinions of the Audit Committee: None.		
	Resolution: The motions were passed unanimously by the members in attendance and filed for resolution in the board meeting.		
2019 5th Meeting 2019.08.07	1. Ratified the endorsements/guarantees for the subsidiary company CGPC Polymer Corporation.	Yes	None
	2. Formulation of the 2019 Quarter 2 Consolidated Financial Statements.	Yes	None
	3. Amendment of the Audit Committee Charter.	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.		
2019 6th Meeting 2019.11.12	Ratified the endorsements/guarantees for the subsidiary company CGPC Polymer Corporation.	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 key communication points in meetings are as follows:

Date	Meeting/Key Communication Points	Recommendations and Results
2019.03.06	14th Meeting of the 1st Audit Committee 1. Status and results of the auditing operations and the Audit Committee mailbox performed by internal auditors from December 2018 to February 2019. 2. 2018 Statement on Internal Control System.	No objections
2019.05.09	15th 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 2019 to April 2019. 2. Discussed and communicated on the amendment of the internal control system.	No objections
2019.08.07	1st Meeting of the 2nd Audit Committee 1. Status and results of the auditing operations and the Audit Committee mailbox performed by internal auditors from May 2019 to July 2019.	No objections
2019.11.12	2nd Meeting of the 2nd Audit Committee 1. Status and results of the auditing operations and the Audit Committee mailbox performed by internal auditors from August 2019 to October 2019. 2. Approved the 2020 audit plan.	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
2019.02.06	14th Meeting of the 1st Audit Committee 1. The CPAs' audit status and report on the 2018 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. The CPA has discussed and communicated with attendees on the questions they raised with regard to major legal amendments and their impact.	No objections
2019.08.07	1st Meeting of the 2nd Audit Committee 1. CPAs' audit report for the consolidated financial statements for 2019 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
2019.11.12	2nd Meeting of the 2nd Audit Committee 1. CPAs' audit report for the consolidated financial statements for 2019 Q3. 2. CPAs communicated on the 2019 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			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	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			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	
information in the market?				
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 taken into consideration in terms of the composition of the Company's Board of Directors. Moreover, 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. Ability to make sound business judgment; 2. Ability to conduct accounting and financial analysis; 3. Business management ability; 4. Crisis management ability; 5. Knowledge of the industry; 6. An understanding of international markets; 7. Leadership; 8. Ability to make decisions. 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. 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. The Company proposed the inclusion of a Director with professional legal experience for its board diversity goals. The role should be filled by an individual with an attorney's license who specializes in technology laws and practices to strengthen the protection of the Company's future patent rights. The Company also plans to include a Director who specializes in risk management to increase the Company's sustainability. The Company sets goals for increasing the diversity of board members in terms of legal, risk management, and other professional skills so that the functions of the Board of Director can be more complete.	No material discrepancy

Evaluation item	Status of Implementation			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		For details on the diversity of Board members, refer to the table below:	No material discrepancy

Name of Director	Gender	Diversified Core Competences									
		Business judgment	Accounting and finance	Business management	Crisis management	Knowledge of the industry	International markets	Leadership	Decision-making ability	Law	Environmental protection
Wu, Yi-Gui	Male	V	V	V	V	V	V	V	V		
Lin, Han-Fu	Male	V	V	V	V	V	V	V	V		V
Wang, Ke-Shun	Male	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	
Wu, Hung-To	Male	V		V	V			V	V		
Li, Zu-De	Male	V	V	V	V			V	V		
Zheng, Ying-Bin	Male	V	V	V	V			V	V		V
Li, Liang-Xian	Male	V		V	V	V	V	V	V		V

Evaluation item	Yes	No	Summary	Discrepancies
			The Company's Directors consist of 22% who are employees and 33% who are Independent Directors. The three Independent Directors have provided three years of services. Two Directors are between 70 and 79 years of age; four Directors are between 60 and 69 years of age; two Directors are between 50 and 60 years of age; one Director is below 50 years of age.	
(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 and implemented methods for assessing the performance of the Board of Directors and conducted performance evaluation annually? Does the Company submit results of assessments to the Board of	V		(III) The Company has established the Regulations Governing the Evaluation of the Performance of the Board of Directors and conducts regular performance evaluations every year. I. Performance evaluation of the Board of Directors 1. The Company's Board of Directors passed the "Regulations Governing the Evaluation of the Performance of the Board of Directors" on November 12, 2019 and executes regular performance evaluations of the Board of	No material discrepancy

Evaluation item	Status of Implementation			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	
directors and use results as the basis for the salary, remuneration, nomination and reappointment of individual Directors?			Directors, Audit Committee, and Remuneration Committee each year. The internal evaluation shall be conducted at the end of each year in accordance with the evaluation procedures to evaluate the performance of the year. 2. The performance evaluation items of the Board of Directors of the Company include the following five categories: (1) Level of participation in corporate operations. (2) Improvement of the quality of the Board of Directors' decision making. (3) Composition and structure of the Board of Directors. (4) The election of the Directors and their continuing professional education. (5) Internal control. 3. The Secretariat of the Board is responsible for the execution of the performance evaluation of the Board of Directors which shall be conducted based on an internal self-evaluation. The performance evaluation results are used as references for the Company's review and improvements. 4. The Company completed the performance evaluation of the Board of Directors in January 2020 for the evaluation period from January 1 to December 31, 2019. The evaluation results this year were good in all major categories. Recommendations and improvements for the Board of Directors are as follows: When necessary, relevant units are recommended to provide the Directors with information on the Company’s latest major operation conditions, changes in the operation team and the opportunities and challenges faced by the industry, so that they can understand the Company’s existing risks, and thus make more specific suggestions on the Company’s operational strategies. The Company has set up a Corporate Governance Officer in May 2019. In the future, the Officer will assist in compiling the latest laws and regulations related to the business areas of the Company, arrange discussions at the Board meetings and provide educational information to the Board members from time to time. When necessary, Directors are provided with the necessary information of the Company. They are also provided with assistance for communicating and exchanging ideas with	No material discrepancy

Evaluation item	Status of Implementation			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	
			business managers. 5. The results of the performance evaluation of the Board of Directors were reported to the board meeting in the first quarter of 2020. II. Performance evaluation of the Audit Committee The performance evaluation items of the Audit Committee include the following items: 1. Level of participation in corporate operations. 2. Understanding of duties of the Audit Committee. 3. Improvement of the quality of the Audit Committee' decision making. 4. Composition of the Audit Committee and selection of committee members. 5. Internal control. The performance evaluation of the Audit Committee is conducted through an internal questionnaire which is filled out by the members to assess the operations of the Audit Committee. The performance evaluation results are used as references for the Company's review and improvements. After the questionnaires are recovered in January each year, the Company shall report the results to the Board of Directors in accordance with the Regulations Governing the Evaluation of the Performance of the Board of Directors. The Company completed the performance evaluation of the Audit Committee (the evaluation period was from January 1 to December 31, 2019) in January 2020. The performance evaluation results were submitted to the Board of Directors for review and corrections in March 2020 to ensure that members understand the importance of their duties. The evaluation results for each category are as follows:	No material discrepancy

Evaluation Item	Results
Degree of participation in the Company's operations	Excellent
Understanding of the duties of the Audit Committee.	Excellent
Improvement of the quality of the Audit Committee' decision making.	Excellent
Composition of the Audit Committee and selection of committee members.	Excellent
Internal control	Excellent

Evaluation item	Status of Implementation			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. Performance evaluation of the Remuneration Committee 1. The performance evaluation items of Remuneration Committee include the following four categories: (1) Level of participation in corporate operations. (2) Understanding of duties of the Remuneration Committee. (3) Improvement of the quality of the Remuneration Committee' decision making. (4) Composition of the Remuneration Committee and selection of committee members. 2. The performance evaluation of the Remuneration Committee is conducted by the Human Resource Division through an internal questionnaire which is filled out by the members of the Committee. The performance evaluation results are used as references for the Company's review and improvements. 3. The Company completed the performance evaluation of the Remuneration Committee in January 2020 for the evaluation period from January 1 to December 31, 2019. The evaluation results for 2019 were good in all major categories and results are submitted for review by the Board of Directors in 2020 Q1 as reference for continuous improvements.	No material discrepancy
(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 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	No material discrepancy

Evaluation item	Status of Implementation			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	
			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 5, 2020 in the 3rd meeting of the 2nd Audit Committee and the 1st meeting of the Board of Directors in 2020.	No material discrepancy
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		IV. To protect the interests of the shareholders and strengthen the functions of the Board of Directors, the Company, following the resolution passed by the Board of Directors meeting on May 9, 2019, appointed the legal affairs manager Chen, Yung-Chih as the Company's Corporate Governance Officer, the highest-ranking manager responsible for related corporate governance affairs. Mr. Chen, Yung-Chih has more than three years of experience in services as a manager of a public company's legal affairs unit. His main duties include related affairs of board meetings and shareholders' meetings, production of meeting minutes for board meetings and shareholders' meetings, assisting Directors in taking office and continuing education, providing data required by Directors to perform their duties, and assisting Directors in legal compliance. The key points of business operations in 2019 were as follows: (I) Assisted Directors in performing their duties, provide the necessary information, arrange continuing education for Directors, and process liability insurance policies. 1. The Corporate Governance Officer compiled the latest laws and regulations related to the business areas of the Company and corporate governance, arranged discussions at the Board meetings and provided educational information to the Board members from time to time. 2. Assisted Directors, upon request, to understand the regulations for which compliance is required for the execution of their business. 3. Provided Directors with the necessary information of the Company. They are also provided with assistance for communicating and exchanging ideas with business managers. 4. Assisted Independent Directors in arranging meetings with the head of internal audit or CPAs when there is a need for Independent Directors to	No material discrepancy

Evaluation item	Status of Implementation			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	
			meet them in order to understand the Company's financial operations 5. Assisted the Company in arranging at least 6 hours of continuing education courses for members of the Board of Directors. 6. Verified that the Company has purchased the liability insurance for Directors and key persons" for members of the Board of Directors and reported to the Board of Directors. (II) Organized matters related to the proceedings of Board of Directors' meetings and shareholders' meetings and confirmed compliance matters of resolutions. 1. Produced meeting notices and agenda for the Board of Directors; reminded Directors to recuse themselves in advance for discussions on issues that require their recusal due to conflicts of interests; produced meeting minutes within the statutory time limit. 2. Registered the date of the shareholders' meeting in advance according to the law and prepared the meeting notice, handbook, and meeting minutes within the statutory time limit. 3. Confirm that the organization, resolution procedures, and meeting minutes of the Board of Directors and shareholders' meeting meet related regulations and the Corporate Governance Best Practice Principles. 4. Changed registration items. (III) Maintain relations with investors: The Company updates website information from time to time to keep investors abreast of the Company’s financial, business, and corporate governance information and protect the interests of shareholders. Continuing education in 2019: According to Article 24 of the "Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers", TWSE-listed companies are required to arrange continuing professional education (CPE) for its chief corporate governance officer. A newly appointed chief corporate governance officer shall complete a minimum of 18 CPE hours within the year from the person's appointment and a minimum of 12 CPE hours per year in each following year.	No material discrepancy

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Status of Implementation</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>
<table>
<tr><th>Date of Course</th><th>Organizer</th><th>Course Title</th><th>Duration of the Course</th><th>Total Number of Hours of Continuing Education in the Year</th></tr>
<tr><td>July 24, 2019</td><td>Securities & Futures Institute</td><td>2019 Seminar on Legal Compliance for Stock Transactions by Internal Personnel of Listed Companies and Non-Listed Companies</td><td>3</td><td rowspan="5">18</td></tr>
<tr><td>October 8, 2019</td><td>Securities & Futures Institute</td><td>Response Strategies of Corporation and Individuals for the Implementation of the Economic Substance Law and Global Initiatives Against Tax Avoidance</td><td>3</td></tr>
<tr><td>October 25, 2019</td><td>Securities & Futures Institute</td><td>2019 Insider Trading Prevention Seminar</td><td>3</td></tr>
<tr><td>November 21, 2019</td><td>Taiwan Stock Exchange</td><td>Effective Implementation of the Functions of Directors Seminar</td><td>3</td></tr>
<tr><td>November 27, 2019</td><td>Taiwan Corporate Governance Association</td><td>15th International Forum on Corporate Governance — Strengthening the Corporate Governance Environment and Implement the Independent Director System</td><td>6</td></tr>
</table>
</td><td>No material discrepancy</td></tr>
<tr><td>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?</td><td>V</td><td></td><td>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.</td><td>No material discrepancy</td></tr>
<tr><td>VI. Has the company commissioned a professional shareholder services agency to handle Shareholders' Meetings and other relevant affairs?</td><td></td><td>V</td><td>The Company takes charge of its own shareholder services and handles matters related to shareholders' meetings in accordance with the law.</td><td>No material discrepancy</td></tr>
<tr><td>VII. Information disclosure
(I) Has the Company established a</td><td>
V</td><td></td><td>
(I) The Company has set up a website and regularly discloses company information.</td><td>No material discrepancy</td></tr>
</table>

Evaluation item	Status of Implementation			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	
website to disclose information on financial operations and corporate governance?			https://www.cgpc.com.tw	
(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 to take charge of the collection and disclosure of company information and has implemented a spokesperson system.	No material discrepancy
(III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month ahead of schedule before the specified deadline?	V		(III) The Company has not yet published and reported the annual financial report within two months after the end of a fiscal year but we have published and reported the quarterly financial reports monthly revenue, and information on endorsements and guarantees.	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, implementation of customer policies, and the company's purchase of liability insurance for its directors and supervisors)?	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 Company's website (https://www.cgpc.com.tw/CSR/zh-tw/CSR25.aspx) and the Market Observation Post System (https://mops.twse.com.tw/mops/web/t100sb11).	No material discrepancy

Evaluation item	Status of Implementation			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	
IX. Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved. (Leave blank if the Company was not evaluated): Completed improvements: (I) The Chairman shall attend the general shareholders' meeting in person. (II) Appointed the Corporate Governance Officer responsible for related corporate governance affairs. (III) The results of performance evaluation of the Board of Directors and functional committees in 2019 have been disclosed on the Company's website in January 2020 and reported in the first Board of Directors' Meeting in 2020 (March 5, 2020). Prioritized items for improvement: (I) The Company plans to convene the general shareholders meeting before the end of May. (II) More than half of the Directors (including the convener of the Audit Committee) attended the general shareholders' meeting. (III) The financial report shall be passed by the Board of Directors or submitted to the Board of Directors 7 days before the statutory time limit for publication and published within one day after the date of passage or submission.				

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

(IV) If the Company has set up a Remuneration Committee, information regarding the composition, responsibilities and operations of the Committee shall be disclosed:

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

1. Information regarding the members of the Remuneration Committee

Title (Note 1)	Criteria / Name	Has more than 5 years of work experience and the following professional qualifications			Status of Independence (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Notes End of document
		Serve as an instructor or higher positions in a private or public college or university in the field of business, law, finance, accounting, or other departments relevant to the business of the Company	Serve as a judge, prosecutor, lawyer, certified public accountant or other professional or technical specialists who have passed the relevant national examinations and successfully obtained certificates in professions necessary for the business of the Company	Work experience in business, law, finance, accounting or other areas relevant to the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Zheng, Ying-Bin			V	V	V	V	V	V	V	V	V	V	V	0	
Independent Director	Li, Zu-De			V	V	V	V	V	V	V	V	V	V	V	1	
Independent Director	Li, Liang-Xian			V	V	V	V	V	V	V	V	V	V	V	0	

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

Note 2: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.✓

(1) Not an employee of the Company or any of its affiliates.

(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 whose shareholding, together with those of his/her spouse, minor children, and shares held under others' names, exceed 1% of the total number of outstanding shares of the Company, or ranks the person in the top ten shareholders of the Company.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managers listed in subparagraph (1) or persons listed in subparagraphs (2) and (3);

(5) Not a Director, Supervisor or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company or is ranked top five in terms of the number of shares held or is designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(6) Not a Director, Supervisor, or employee of a company with a majority of the company's director seats or voting shares and those of any other company are controlled by the same person (this restriction does not apply to independent directors in the Company,

its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(7) Not a Director, Supervisor, or employee of a company or institution with the same chairperson of the board, president, or equivalent position, or a spouse thereof (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(8) Not a Director, Supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company (this restriction does not apply to specific companies or institutions if they hold more than 20% but less than 50% of the outstanding shares of the Company or independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(9) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.

2. Responsibilities:

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

(1) Regularly review the Committee 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 managerial officers, and formulate the package and amount of their remuneration individually.

3. Operations of the Remuneration Committee

(1) The Company's Remuneration Committee consists of three (3) members.
(2) The term of office: June 26, 2019 to June 20, 2022. The Remuneration Committee convened three (3) meetings (A) in the most recent year. The qualification and attendance of members are as follows:

Title	Name	Attendance in Person (B)	Number of Attendance by Proxy	Attendance in Person Rate (%) (B/A) (Note)	Notes
Convener	Zheng, Ying-Bin	3	0	100%	
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 declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.

II. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

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 percentage of attendance in person (%) shall be calculated based on the number of meetings held by the Remuneration Committee and the actual number of meetings attended during his/her term of office.

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

Remuneration Committee	Resolution and Follow-up Actions	Dissenting Opinions or Qualified Opinions of Members of the Remuneration Committee
3rd Term 8th Meeting 2019.03.06	1. The Company's 2018 remuneration distribution proposal for Directors and employees.	None
	2. Discussed the 2018 special bonus for managerial officers.	None
	3. Reviewed the remuneration of the Directors and managers and the performance evaluation system.	None
	Opinions of the Remuneration Committee: None.	
	Resolution of the Remuneration Committee: 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.	
4th Term 1st Meeting 2019.08.07	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.	

<table>
<tr><th>Remuneration Committee</th><th>Resolution and Follow-up Actions</th><th>Dissenting Opinions or Qualified Opinions of Members of the Remuneration Committee</th></tr>
<tr><td rowspan="7">4th Term
2nd Meeting
2019.11.12</td><td>1. Amended certain articles of the Company's "Director and Managerial Officer Remuneration Policy and Regulations".</td><td>None</td></tr>
<tr><td>2. Amended certain articles of the Company's "Regulations Governing the Evaluation of the Performance of the Board of Directors".</td><td>None</td></tr>
<tr><td>3. Amended the Company's "Remuneration Committee Charter".</td><td>None</td></tr>
<tr><td>4. Established the work plan of the Committee for 2020.</td><td>None</td></tr>
<tr><td colspan="2">Opinions of the Remuneration Committee: None.</td></tr>
<tr><td colspan="2">Resolution of the Remuneration Committee: All members in attendance unanimously passed the proposals and filed for discussion in the board meeting.</td></tr>
<tr><td colspan="2">The Company's actions in response to the opinions of the Remuneration Committee: All the Directors in attendance voted in favor of the resolution.</td></tr>
</table>

(V) Corporate Social Responsibility (CSR), Discrepancies with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons

Evaluation item	Implementation Status (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. Has the company assessed the environmental, social, and corporate governance risks related to its operations based on the principle of materiality and established related risk management policies or strategies? (Note 3)	V		The Company identifies relevant risks that may affect the sustainable development of the Company in its daily operations, and formulates relevant management strategies and countermeasures to reduce potential risks of interruptions of operations. The Company currently assigns units responsible for execution of specific items or management of important risks to identify, assess, and screen risks and formulate related plans for response measures. The Audit Office takes charge of supervision and follows up on execution to achieve continuous improvement, implement the PDCA management cycle, and enhance risk management. Refer to page 339 of the Annual Report: (XV) Responding to environmental, social, and corporate governance risks.	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies
II. Does the Company establish an exclusively (or part-time) dedicated unit for promoting Corporate Social Responsibility? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level? Does the unit report the progress of such activities to the Board of Directors?	V		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 Work Group", "Environmental Protection Work Group", and "Social Relationship Work Group". It convenes two meetings each year and reports related CSR plans and achievements to the Board of Directors.	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies
III. Environmental issues (I) Has the company established an appropriate environmental management system based on the characteristics of the	V		(I) The Company has established comprehensive environmental management systems and formulated guidelines for the Labor Safety Office to supervise their implementation.	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies

Evaluation item	Implementation Status (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)	
industry to which it belongs?				Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies
(II) Is the company committed to improving the efficiency of the various resources and using recycled materials which have a low impact on the environment?	V		(II) 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.	
(III) Does the Company assess the potential risks and opportunities of climate change for its current and future operations and undertake response measures with respect to climate change?	V		(III) To fulfill CGPC's commitment to corporate social responsibility, the Company continues to manage related risks and response strategies and measures for climate change. In addition to compliance with the energy conservation and carbon emissions reduction targets established by the USI Group, the Company also references the procedures for the identification of climate risks and opportunities set forth in the Task Force on Climate-Related Financial Disclosures (TCFD) published by the Financial Stability Board (FSB) in 2017. The Company uses the information for the identification and establishment of related response measures and solutions.	
(IV) Does the Company calculate the amount of greenhouse gas emission, water consumption, and waste production in the past two years and implement policies to cut down energy and water consumptions, carbon and greenhouse gas emissions, and waste production?	V		(IV) Greenhouse gas management: The Company complies with the energy conservation and carbon emissions reduction policies and targets voluntarily established by the Group in 2016 and set goals for "1% electricity saving, 2% energy saving, and 1.5% carbon emissions reduction" for each year and adopted universal standards and guidelines for the implementation of corporate greenhouse gas inventory and disclosure (the results of the inventory in 2018 totaled 402,920 metric tons and the self-inventory estimate in 2019 totaled 381,240 metric tons). Water usage management: The Company reduced and lowered water wastage, improved and replaced water usage equipment, improved water recycling and reuse rate, and set a goal of increasing water recycling volume by 3% per annum	

Evaluation item	Implementation Status (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)	
			(total water withdrawal in 2018 and 2019 totaled 2.78 million cubic meters and 2.86 million cubic meters, respectively; the volume of recycled water totaled 430,000 cubic meters and 490,000 cubic meters, respectively). Waste management: The Company recycles waste materials, and uses circular production process and distribution models to reduce the impact of waste on the environment. We have reduced the total amount of waste each year (the total waste quantity in 2018 and 2019 were 3,196 tons and 3,789 tons, respectively.	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies
IV. Social issues (I) Has the Company formulated relevant management policies and procedures in accordance with relevant laws and regulations and the International Bill of Human Rights?	V		(I) The Company has made reference to internationally recognized human rights standards including the International Bill of Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work to fully exercise CSR and implement human rights protection. Besides, the Company has established human rights policy to eliminate human rights violations so that our existing colleagues can enjoy reasonable and dignified treatment. Methods of implementation: 1. Comply with relevant laws and regulations to provide a safe and healthy workplace. 2. Committed to maintaining a workplace which is free of violence, harassment and intimidation, as well as respecting the privacy and dignity of employees. 3. Prohibit child labor. 4. Prohibit forced labor. 5. Eliminate unlawful discrimination and ensure equal employment opportunities and promotion. 6. 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

Evaluation item	Implementation Status (Note 1)			Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Summary (Note 2)	
(II) Has the Company established and implemented reasonable employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation 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.	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies
(III) Does the Company provide a safe and healthy work environment to its employees, and regularly offer safety and health education to its employees?	V		(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 regulations 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. 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. (3.3.) Mandatory work days: Actual number of days worked in 2019. (3) CGPC's absence rates in 2019 are provided in the table below.	

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary (Note 2)</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th>The absence rates were within control.Company/Gender</th><th>Male</th><th>Female</th></tr>
<tr><td>CGPC (Toufen Plant)</td><td>0.42%</td><td>0.16%</td></tr>
<tr><td>TVCM (Linyuan Plant)</td><td>0.28%</td><td>0.03%</td></tr>
<tr><td>CGPCPOL (Linyuan Plant)</td><td>0.43%</td><td>0%</td></tr>
</table>
3. Plan:
<table>
<tr><th>Implementation Plan</th><th>Unit</th><th>Target for 2019</th><th>Actual Performance in 2019</th></tr>
<tr><td>Enhance onsite inspections and improvements of potential hazardous factors</td><td>Disabling frequency rate (F.R.)</td><td><1.57</td><td>0.66</td></tr>
<tr><td>Enhance contractor education to prevent operational disasters</td><td>Number of injuries</td><td>≧2</td><td>0</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,
</td><td>Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies</td></tr>
</table>

Evaluation item	Implementation Status (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)	
			prevent accidents, and ensure regulatory compliance. In addition, CGPC plants participated in the "Toufen, Zhunan, and Linyuan Industrial Park Safety and Health Promotion Committees", "Regional Allied Defense 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 effective career development and training plans for its employees?	V		(IV) The Company has established an all-round education and training system in coordination with the external environment, its business principles, department performance goals and employees' career development needs, in order to provide training courses required by all-round talents. In regards to the employees' continuing education and learning, the Company conducts the employee training needs survey in the fourth quarter of every year to formulate education and training implementation plans and budgets. At the same time, the Company has also set up a digital learning platform as a means for self-learning, and regularly holds employee functional training, management training, seminars, health talks and various conferences to enhance employees' professional and management skills, thereby balancing employees' physical and mental development. In order to improve employee quality 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 the employees to effectively	

Evaluation item	Implementation Status (Note 1) Yes	No	Summary (Note 2)	Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies
			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
(V) Has the Company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and established related consumer protection policies and grievance procedures?	V		(V) The Company strives to provide satisfying services for customers and aims to create long-term partnerships with customers. The Company also complies with relevant regulations and international standards and established related policies and complaint procedures for processing consumer rights to protect the health and safety of consumers. In terms of customer data protection, the Group’s Information Technology Division has established various regulations to protect and control all types of information. It has also adopted measures such as strengthening firewall management, access authority control, and separation of the test environment and the physical working environment to implement rigorous access control strategies and procedures for customer data and avoid the risks of leakage of customers' confidential information.	
(VI) Has the Company established the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health or labor rights and supervised their compliance?	V		(VI) 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.	
V. Does the Company prepare corporate social responsibility reports and other reports that disclose non-financial information by following international	V		The Company prepares CSR reports based on the "GRI Sustainability Reporting Standards" (GRI Standards) published by the Global Reporting Initiative's (GRI) in accordance with its "Core Options". The disclosure of information in the Report is also consistent with the "Corporate Social Responsibility Best-Practice Principles for TWSE	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies

Evaluation item	Implementation Status (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)	
reporting standards or guidelines? Does the Company obtain third-party assurance or qualified opinion for the reports above?			or TPEx Listed Companies" and the United Nations Sustainable Development Goals (SDGs). The Company's CSR Report was certified by the independent third-party 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.	Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies

VI. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", please describe any difference between the principles and their implementation:
The Company has established its Corporate Social Responsibility Best Practice Principles in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and there are no major discrepancies in operations.

VII. 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	Related Professional Qualifications
Committee Chairman	Independent Director Zheng, Ying-Bin	Chairman of Long Chen Paper Co., Ltd. who adopted new technologies in resource recycling for the development of environmentally-friendly paper products for domestic use. Mr. Cheng has decades of experience and achievements in the circular economy.
Deputy Committee Chairman	Director and General Manager Lin, Han-Fu	More than 30 years of experience in the petrochemicals industry.
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;

Evaluation item	Implementation Status (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)	

(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:

1st Meeting

(1) Meeting date: March 6, 2019

(2) Committee members in attendance: Zheng, Ying-Bin, Li, Liang-Xian, Wu, Yi-Gui, Lin, Han-Fu

(3) Reported the CSR Policy and identified material issues and the plans for the 2018 CSR Report.

(4) Reported the targets for energy conservation, electricity savings, and carbon emissions reduction, and plans for social and charitable activities for 2019.

2nd Meeting

(1) Meeting date: August 7, 2019

(2) Committee members in attendance: Li, Liang-Xian, Wu, Yi-Gui, Lin, Han-Fu

(3) Reported the 10 material issues, management approach, and related performance and results of the 2018 CSR Report.

(4) Reported the communication and response for issues of concern to stakeholders in 2018.

(5) Explanation of risk management and climate change risk management.

(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.

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

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

Evaluation item	Implementation Status (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)	

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 2018 was 402,920 tons. The results of the verified total emissions and self-inspections in 2019 totaled 381,240 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 6,891 tons and 2,770 tons in 2018 and 2019, respectively.
   (2) The Company executed 56 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 adheres to the Group's policy and set an energy management target for reducing energy consumption by at least 1.2% each year from 2020 to 2025. We shall also implement dynamic reviews in accordance with national policies and regulations.
   The key tasks are as follows:
   (1) Installation of centrifuge process water recycling and processing equipment.
   (2) Installation of HBF high-efficiency biological wastewater treatment system.
   (3) Installation of independent cold and hot pure water intake pipelines.
   (4) Improvement of the cooling water pipeline system.
   (5) Improvement of the freezer chiller system.

(IV) Implementation of social services and public welfare:
   (1) With a history going back 47 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 third beach-clearing activity after the adoption on September 21, 2019.
   (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.

Evaluation item	Implementation Status (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)	
(7) The Company purchased 755 kilograms of locally-produced onions during the Linyuan Onion Festival and distributed them to employees to help the community.				
VIII. If the Company's CSR Report has passed related accreditation standards by related accreditation agencies, describe the accreditations: The Company's 2018 "CSR Report" was certified by the British Standards Institution (BSI) in accordance with the Core Options Indicators of the Global Reporting Initiative (GRI) G4 and the type-1, mid-level accountability of AA1000 standards. We received a certification statement in June 2019 and the 2019 "CSR Report" is still in the certification process.				

Note 1: If "Yes" is selected in the operating status, please explain the important policies, strategies, and measures adopted, and the implementation status; if "No" is selected in the operating status, please specify the reason and explain related future policies and plans for strategies and measures.

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.

Note 3: The principle of materiality refers to environmental, social and corporate governance issues that have significant impacts on the company's investors and other stakeholders.

(VI) Implementation of ethical corporate management, deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", and reasons for deviation:

Evaluation item	Implementation Status (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 the "Ethical Corporate Management Best Practice Principles" "Procedures for Ethical Management and Guidelines for Conduct", "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 the General Manager have signed statements of ethical management to fulfill their commitments in management policies.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies.
(II) Does the Company have mechanisms in place to assess the risk of unethical conduct and perform regular analysis and assessment of business activities with a higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the	V		(II) 1. Preventive measures are as follows: 1.1 No employees may 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. 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,	

Evaluation item	Implementation Status (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	
Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?			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.
(III) Has the company established policies to prevent unethical conduct with relevant procedures, guidelines of conduct, punishment for violation, rules of appeal clearly stated in the policies, and implemented the policies, and reviewed the aforementioned policies on a regular basis?	V		(III) 1. Preventive measures are as follows: 1.1 No employees may 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. 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. 3. The Company has amended the "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", and "Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct" in accordance with the amendments of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" announced and amended by the competent authority in May 2019 and they were passed in the Board of Directors on November 12, 2019.	
II. Implementing ethical corporate management				

Evaluation item	Implementation Status (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) 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?	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 the Procedures for Ethical Management and Guidelines for Conduct.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies.
(II) Does the Company have a unit under the Board of Directors that specializes in promoting ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?	V		(II) To enhance ethical corporate management, the Corporate Governance Work Group is responsible for the formulation and supervision of the implementation of ethical corporate management policies and prevention solutions. The Corporate Governance Officer is responsible for regular reports (at least once every year) to the Board of Directors.	
(III) Has the Company established policies to prevent conflicts of interests, implemented such policies, and provided adequate channels of communications?	V		(III) The Company has formulated the "Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers" to prevent conflict of interest and provide suitable channels for Directors, managers, and employees to explain any potential conflict of interest with the Company.	
(IV) Does the Company have effective accounting and internal control systems in	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. The internal audit unit conducted a	

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Implementation Status (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>place to implement business integrity? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or engage CPAs to perform the audits?
(V) Does the company regularly hold internal and external training related to ethical corporate management?</td><td>
V</td><td></td><td>risk assessment and formulated the 2020 audit plan. It included the audit item "management of reports of illegal and unethical or dishonest conduct".
(V) To help employees understand professional ethical regulations, CGPC has published re1lated regulations on the corporate website and continues to invite renowned academics and experts to provide training and awareness programs for Directors, managerial officers, employees, and substantial controllers so they understand the Company's resolve for implementing ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct. To promote ethical corporate management, the Company organized internal ethical seminars in 2019 totaling 575 hours for 233 participants. The details are provided as follows:
<table>
<tr><th>Course Title</th><th>Total Participants</th><th>Total Training Hours</th></tr>
<tr><td>[Integrity Seminar]
Case Studies of Common Disputes Involving Trade Secrets</td><td>107</td><td>321</td></tr>
<tr><td>[Integrity Seminar]
Fair Trade Act Regulations and Practical Operations</td><td>122</td><td>244</td></tr>
<tr><td>[Integrity Seminar]
Legal Liabilities and Case Analysis of Breach of Trust</td><td>2</td><td>6</td></tr>
<tr><td>[Integrity Seminar]
Copyright Protection and Reasonable Use</td><td>2</td><td>4</td></tr>
</table>
Note: The aforementioned hours do not contain training information for Directors and the Corporate Governance Officer.</td><td>Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies.</td></tr>
</table>

Evaluation item	Implementation Status (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. Implementing the Company's whistleblowing system (I) Has the Company established a specific whistleblowing and reward system, set up convenient whistleblowing channels and designated appropriate personnel to handle investigations against wrongdoers?	V		(I) The Company's Board of Directors passed the amendment of the "Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct" on November 12, 2019 (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: 02-26503783 (3) Submitting reports: Audit Office, 7F, No. 37, Jihu Road, Neihu District, Taipei City. 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 whistleblower with appropriate rewards. 3. Responsible personnel: (1) Audit Committee members: Accept reports from shareholders, investors, and other stakeholders. (2) Audit Office: Accept reports from customers, suppliers, and contractors. (3) Human Resources Department: 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	V		(II) The aforementioned regulations specify report processing procedures and related confidentiality mechanisms. For anonymous report or reported cases without real names, if the contents or evidence provided are specific and where an investigation is	

Evaluation item	Implementation Status (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	
issues, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms? (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		warranted, such reports may be filed to the Chairman/General Manager for processing and recordkeeping. They may also be retained as references for internal reviews. The Company shall conduct investigations on the internal evidence after receiving the reports. Once they are verified as true, the Company shall, based on the violation or severity of the violation, implement disciplinary measures and process such violations in accordance with related regulations. (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.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies.
IV. Strengthening information disclosure Has the Company disclosed the content and effectiveness of its integrity management principles on the Company's website and the Market Observation Post System?	V		(I) The Company has placed the guidelines and information on ethical corporate management in the "Ethical Management" section on its website so that our colleagues can refer to these procedures and information at all times. The Company places its "Ethical Corporate Management Best Practice Principles" on the Company's external website (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.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies.
V. If the Company has established its own Ethical Corporate Management Best Practice Principles in accordance with the 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.				
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 has amended the "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", and				

Evaluation item	Implementation Status (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	
"Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct" in accordance with the amendments of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" announced and amended by the competent authority in May 2019 and they were passed in the Board of Directors and the Audit Committee on November 12, 2019. The Corporate Governance Officer also reported matters related to ethical management to the Board of Directors on November 12, 2019.				

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
   (22) Standard Operating Procedures for Requests Filed by Directors
   (23) Human Rights Policy and Management Plan
2. For related procedures, please visit the following websites
   (1) Corporate Governance section of the Market Observation Post System ((https://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 audits of its subsidiaries, as well as analyzing and reviewing 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 the Internal Control System

1. Statement of Internal Control

China General Plastics Corporation
Internal Control System Statement

Date: March 5, 2020

The Company hereby makes the following statement about its internal control system for the year 2019 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 objective of this system is 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 aforementioned 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 aforementioned audit findings, the Company holds that within the aforementioned period, its internal control procedures (including the procedures to monitor subsidiaries), effectiveness and efficiency of operations, reliability, timeliness, transparency of reporting, and compliance with relevant legal regulations, and design and enforcement of internal controls, are effective. The aforementioned goals can be achieved with reasonable assurance.

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 5, 2020, 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

General Manager: Lin, Han-Fu

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
2019	June 21, 2019	The minutes of the Shareholders' Meeting were posted onto MOPS on July 10, 2019. The resolutions and their status of implementation are as follows: 1. Approve the 2018 Account Book. Implementation status: Resolution passed. 2. Approve the 2016 earnings distribution plan. Implementation status: Resolution passed. A total of NT$760,139,319 were distributed to the shareholders as cash dividends, and the record day was August 2, 2019. All the cash dividends were completely distributed on August 23, 2019. A total of NT$202,703,810 were distributed to the shareholders as stock dividends in which 20,270,381 new shares were distributed. All the stocks and dividends were distributed on September 12, 2019. 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, 2019 and was approved as stated in the approved letter with Reference No. Ching Shou Shang Tzu 10801115870 dated August 27, 2019. The Company issued 20,270,381 new shares, where 40 new shares were distributed for each thousand shares held. The capital increase record date approved by the Board of Directors was August 2, 2019, and all the new shares were completely distributed on September 12, 2019. 4. Discussed the amendment of the Articles of Incorporation. Implementation status: The resolution was passed and has been implemented according to the resolution passed by the Shareholders' Meeting. 5. Discussed the amendment of the "Regulations Governing the Election of Directors". Implementation status: The resolution was passed and has been implemented according to the resolution passed by the Shareholders' Meeting. 6. Discussed the amendment of the "Rules of Procedure for Shareholders Meeting". Implementation status: The resolution was passed and has been implemented according to the resolution passed by the Shareholders' Meeting. 7. Discussed the amendment of the "Procedures for Acquisition or Disposal of Assets". Implementation status: The resolution was passed and has been implemented according to the resolution passed by the Shareholders' Meeting. 8. Election of nine Directors of the Company: Directors elected: Wu, Yi-Gui, Lin, Han-Fu, Wang Ke-Shun, Liu, Han-Tai, Liu, Zhen-Tu, Wu, Hung-To. Independent Directors elected: Li, Zu-De, Zheng, Ying-Bin, Li, Liang-Xian. Implementation status: In this general shareholders' meeting, 9 directors (including 3 independent directors) were elected with a term of office for three years, from June 21, 2019 to June 20, 2022. The nine directors took office after the general shareholders' meeting. 9. Discussed the permission for newly appointed Independent Directors to engage in business competition. Implementation status: Resolution passed.

2. Board of Directors Meeting

Session (Year) of Meeting	Time of Meeting	Resolutions
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 and issuance of new shares. 6. Approved the amendment of certain articles in the Articles of Incorporation 7. Approved the amendment of certain articles in the Regulations Governing the Election of Directors. 8. Approved the amendment of certain articles in the Rules of Procedure for Shareholders' Meetings 9. Approved the amendment of certain articles in the Rules of Procedure for Board of Directors' Meetings 10. Approved the amendment of certain articles in the Regulations Governing the Acquisition and Disposal of Assets 11. Approved the re-election of Directors at the general shareholders' meeting in this fiscal year 12. Approved the recommendation to lift competition restrictions against newly elected 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 2019. 18. Approved the issuance of the 2018 Internal Control System Statement. 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.
2nd Meeting in 2019	April 25, 2019	(No issue for deliberation, and hence no key resolution)
3rd Meeting in 2019	May 9, 2019	1. Ratified the endorsements/guarantees for the subsidiary company CGPC Polymer Corporation. 2. Approved the amendment of certain articles in the Corporate Governance Best Practice Principles 3. Approved the appointment of the Corporate Governance Officer 4. Permitted managerial officers to engage in competitions 5. Established the Company's "Standard Operating Procedures for Requests Filed by Directors". 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 Shareholders' Meetings 8. Approved the amendment of certain articles in the Rules of Procedure for Board of Directors' Meetings 9. Passed the list of candidates for Directors (including Independent Directors) nominated by shareholders holding more than one (1) percent of the Company's shares 10. Approved the amendment of the internal control system

Session (Year) of Meeting	Time of Meeting	Resolutions
4th Meeting in 2019	June 26, 2019	1. Elected the Director Wu, Yi-Gui to serve as the Chairman of the Company and elected the Director Lin, Han-Fu as the Vice Chairman of the Company. 2. Approved the issuance of new shares. 3. Approved the appointment of the three Independent Directors Zheng, Ying-Bin, Li, Zu-De, and Li, Liang-Xian as members of the Company's Remuneration Committee. 4. Approved the appointment of two Independent Directors Zheng, Ying-Bin and Li, Liang-Xian as members of the Company's CSR Committee.
5th Meeting in 2019	August 7, 2019	1. Ratified the endorsements/guarantees for the subsidiary company CGPC Polymer Corporation. 2. Approved the 2019 Quarter 2 Consolidated Financial Statements 3. Approved the amendment of certain articles in the Audit Committee Charter.
6th Meeting in 2019	November 12, 2019	1. Ratified the endorsements/guarantees for the subsidiary company CGPC Polymer Corporation. 2. Approved the 2020 company budget. 3. Approved the 2020 audit plan. 4. Approved the amendment of certain articles in the Regulations Governing the Evaluation of the Performance of the Board of Directors. 5. Approved the amendment of certain articles in the Director and Managerial Officer Remuneration Policy and Regulations. 6. Approved the amendment of certain articles in the Ethical Corporate Management Best Practice Principles. 7. Approved the amendment of certain articles in the Procedures for Ethical Management and Guidelines for Conduct. 8. Approved the amendment of the certain articles in the Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct.
1st Meeting in 2020	March 5, 2020	1. Ratified the endorsements/guarantees for the subsidiary company CGPC Polymer Corporation. 2. Ratified the changes made to the personnel responsible for the safekeeping of the "company seal" and "seal of the person in charge" registered at the Ministry of Economic Affairs. 3. Approved the 2019 Account Book. 4. Approved the 2019 remuneration distribution plan for Directors and employees. 5. Approved the 2019 earnings distribution plan. 6. Approved capital increase by retained earnings and issuance of new shares. 7. Approved the amendment of certain articles in the Rules of Procedure for Shareholders' Meetings 8. Approved the amendment of certain articles in the Regulations Governing the Making of Endorsements / Guarantees. 9. Approved the amendment of certain articles in the Procedures for Loaning of Funds to Others. 10. Approved the recommendation to lift competition restrictions against Directors. 11. Approved matters related to the convening of the 2020 general shareholders' meeting. 12. Established the period for acceptance of shareholders' proposals: March 21, 2020 to March 31, 2020. 13. Approved remuneration of CPAs for 2019. 14. Approved the 2020 evaluation of the independence of appointed CPAs.

Session (Year) of Meeting	Time of Meeting	Resolutions
1st Meeting in 2020	March 5, 2020	15. Approved the appointment of CPAs for 2020. 16. Permitted accounting managers of the Company to engage in competitions 17. Approved the issuance of the 2019 Internal Control System Statement. 18. Authorized the Chairman to sign and deliver shot-term credit loan contracts and related documents to financial institutions. 19. 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: No such occurrences.

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 Huang, Hsiu-Chun	CPA Chiu, Cheng-Chun	2019	None

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

Unit: NT$ thousands

	Fee Item / Range of Fees	Audit Fee	Non-Audit Fees	Total
1	Less than NT$2,000 thousand		210	210
2	NT$2,000 thousand (inclusive) - NT$4,000 thousand			
3	NT$4,000 thousand (inclusive) - NT$6,000 thousand	5,210		5,210
4	NT$6,000 thousand (inclusive) - NT$8,000 thousand			
5	NT$8,000 thousand (inclusive) - NT$10,000 thousand			
6	More than 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

<table>
<tr><th rowspan="2">Name of CPA Firm</th><th rowspan="2">Name of CPA</th><th rowspan="2">Audit Fee</th><th colspan="5">Non-Audit Fees</th><th rowspan="2">CPA's Duration of Audit</th><th rowspan="2">Remark(s)</th></tr>
<tr><th>System Design</th><th>Business Registration</th><th>Human Resources</th><th>Other (Note 2)</th><th>Subtotal</th></tr>
<tr><td rowspan="2">Deloitte, Taiwan</td><td>Huang, Hsiu-Chun</td><td rowspan="2">5,210</td><td rowspan="2">0</td><td rowspan="2">80
(Note 3)</td><td rowspan="2">0</td><td rowspan="2">130
(Note 4)</td><td rowspan="2">210</td><td rowspan="2">2019</td><td rowspan="2"></td></tr>
<tr><td>Chiu, Cheng-Chun</td></tr>
</table>

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(s)" 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(s) column.

Note 3: NT$80 thousand for the capital audit fees for the conversion of earnings to capital.

Note 4: Provisional professional service fees of NT$100 thousand was paid in 2019; (2) Non-supervisor salary inspection audit fees totaled NT$30 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 10% (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 10%. This is therefore not applicable.

VI. Information on Replacement of Certified Public Accountants

(I) Information on the previous CPA:

<table>
<tr><td>Date of Replacement</td><td colspan="4">Not applicable</td></tr>
<tr><td>Replacement Reasons and Explanations</td><td colspan="4">Not applicable</td></tr>
<tr><td rowspan="3">State whether the appointer or the CPAs have terminated the appointment, or whether the appointer or the CPAs have rejected the appointment</td><td colspan="2">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">CPA declined to accept (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">Not applicable</td></tr>
<tr><td rowspan="6">Different opinions from the issuer</td><td rowspan="4">Yes</td><td rowspan="4"></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td colspan="2">Disclosure of financial statements</td></tr>
<tr><td colspan="2">Audit scope or procedures</td></tr>
<tr><td colspan="2">Others</td></tr>
<tr><td>None</td><td colspan="3">✓</td></tr>
<tr><td colspan="4">Explanation: Not applicable</td></tr>
<tr><td>Other items for disclosure (items in Item 1-4 to Item 1-7, Subparagraph 6, Article 10 of the Regulations shall be disclosed)</td><td colspan="4">Not applicable</td></tr>
</table>

(II) Information on the succeeding CPA:

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

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

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

VIII. 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	2019		Current year up to March 31, 2020	
		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
Director and major shareholder	Union Polymer Int'l Investment Corp.	5,061,197	(19,500,000)	0	0
Director	Wu, Yi-Gui (representative of Union Polymer Int'l Investment Corp.)	0	0	0	0
	Zhang, Ji-Zhong (representative of Union Polymer Int'l Investment Corp.) (dismissed on June 21, 2019)	0	0	(Not applicable)	
	Lin, Han-Fu (representative of Union Polymer Int'l Investment Corp.)	0	0	0	0
	Wang, Ke-Shun (representative of Union Polymer Int'l Investment Corp.) (newly-appointed on June 21, 2019)	0	0	0	0
	Ying, Bao-Luo (representative of Union Polymer Int'l Investment Corp.) (dismissed on June 21, 2019)	0	0	(Not applicable)	
	Liu, Han-Tai (representative of Union Polymer Int'l Investment Corp.)	0	0	0	0
	Liu, Zhen-Tu (representative of Union Polymer Int'l Investment Corp.)	0	0	0	0
	Wu, Hung-To (representative of Union Polymer Int'l Investment Corp.) (newly-appointed on June 21, 2019)	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
Vice Chairman	Lin, Han-Fu	0	0	0	0

Title (Note 1)	Name	2019		Current year up to March 31, 2020	
		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
Deputy General Manager	Hu, Chi-Hong	0	0	0	0
Senior Manager	Chen, Wan-Ta	0	0	0	0
Corporate Governance Officer	Chen, Yung-Chih (newly appointed on May 9, 2019)	0	0	0	0
Director, Materials Manufacturing Division	Tsai, Pei-Hong	0	0	0	0
Director, Processing Manufacturing Division	Cheng, Yung-Bing	0	0	0	0
Director, Sales & Marketing Division	Chen, Wan-Yu (newly appointed on January 1, 2019)	0	0	0	0
Manager, Accounting Department	Kuo, Chien-Chou	28	0	0	0
Manager, 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. Relationship Information, if among the Company's Top 10 Shareholders any one is a Related Party, Spouse or a Relative within the Second Degree of Kinship

March 30, 2020

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 ratio (Note 2)	Title (or name)	Relationship	
Union Polymer Int'l Investment Corp.	131,591,144	24.97%	—	—	0	0%	APC, TTC	Same Chairman	
Representative: Wu, Yi-Gui	0	0%	—	—	0	0%			
Asia Polymer Corporation	42,527,153	8.07%	—	—			UPIIC TTC	Same Chairman	
Representative: Wu, Yi-Gui	0	0%	—	—	0	0%			
Fubon Life Insurance Co., Ltd.	20,449,520	3.88%	—	—			None	None	
Representative: Tsai Ming-Hsing	The shareholder did not provide information								
Citibank (Taiwan) Limited as custodian of Norges Bank investment account	11,879,572	2.25%	—	—	—	—	None	None	
Taita Chemical Co., Ltd.	10,445,510	1.98%	—	—			UPIIC APC,	Same Chairman	
Representative: Wu, Yi-Gui	0	0%	—	—	0	0%			
New Labor Pension Fund	9,605,248	1.82%	—	—			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	6,805,531	1.29%	—	—	—	—	None	None	
JP Morgan Chase Bank Taipei Branch as custodian of Vanguard Group's Vanguard Emerging Markets Stock Index Fund Investment Account	6,111,499	1.16%	—	—	—	—	None	None	
Standard Chartered Bank (Taiwan) Dunbei Branch as custodian of iShares MSCI Emerging Markets Index ETF Fund Investment Account	4,304,040	0.82%	—	—	—	—	None	None	
Old Labor Pension Fund	4,254,925	0.81%	—	—			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. Total Number of Shares and Total Equity Stake Held in any Single Enterprise by the Company, Its Directors and Supervisors, Managerial Officers, and Any Companies Controlled Either Directly or Indirectly by the Company

Consolidated shareholding percentage

December 31, 2019; Unit: shares

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	222,609,751	87.22	0	0	222,609,751	87.22
CGPC Polymer Corporation	80,000,000	100.00	0	0	80,000,000	100.00
CGPC (BVI) Holding Co., Ltd.	16,308,258	100.00	0	0	16,308,258	100.00
China General Terminal & Distribution Co.	18,667,465	33.33	0	0	18,667,465	33.33
CGPC America Corporation	100	100.00	0	0	100	100.00
Acme Electronics Corporation	3,176,019	1.74	1,258,756	0.69	4,434,775	2.43
Thintec Materials Corporation	600,000	10.00	0	0	600,000	10.00

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

Chapter 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:

March 31, 2020; Unit: shares; NT$

Year and Month	Issuance Price	Authorized Capital		Paid-in Capital		Remark(s)		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Others
2019.8	10	650,000,000 shares	NT$6,500,000,000	527,029,927 shares	NT$5,270,299,270	Capital increase from surplus of NT$202,703,810 (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.

March 31, 2020; Unit: share

Types of Shares	Authorized Capital			Remark(s)
	Outstanding Shares (Note)	Unissued shares	Total	
Registered common shares	527,029,927 shares	122,970,073 shares	650,000,000 shares	Listed

Note: Indicate whether the shares are issued by the Company listed on the Taiwan Stock Exchange (TWSE) or the Taipei Exchange (TPEx) (shares of which trading 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			
N/A							

(II) Shareholder Structure

March 30, 2020; Unit: share

Shareholder Structure / Quantity	Government Agencies	Financial Institutions	Other Juristic Persons	Individuals	Foreign Institutions and Individuals	Total
Number of Shareholders	3	3	140	55,622	162	55,930
Number of Shares Held	7,539,484	4,764,702	226,748,620	202,513,361	85,463,760	527,029,927
Percentage of Shares Held	1.43%	0.90%	43.03%	38.42%	16.22%	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, corporations, organizations, other institutions or companies invested in areas other than Taiwan and Mainland China as defined in Article 3 of the Regulations Governing Investment of Mainland Chinese in Taiwan.

(III) Distribution of Equity Ownership

1. Common shares

March 30, 2020

Shareholding Range	Number of Shareholders	Number of Shares Held (Unit: Shares)	Percentage of Shares Held (%)
1 to 999	31,128	4,806,401	0.91%
1,000 to 5,000	16,416	35,443,010	6.72%
5,001 to 10,000	3,896	27,245,563	5.17%
10,001 to 15,000	1,831	21,425,975	4.07%
15,001 to 20,000	683	12,036,170	2.28%
20,001 to 30,000	771	18,342,955	3.48%
30,001 to 50,000	560	21,257,706	4.03%
50,001 to 100,000	373	25,594,076	4.86%
100,001 to 200,000	136	18,810,035	3.57%
200,001 to 400,000	62	16,658,243	3.16%
400,001 to 600,000	16	7,565,437	1.44%
600,001 to 800,000	13	8,800,586	1.67%
800,001 to 1,000,000	6	5,435,608	1.03%
1,000,001 and more Create new ranges as needed	39	303,608,162	57.61%
Total	55,930	527,029,927	100.00%

2. Preferred shares: None.

(IV) List of Major Shareholders

March 30, 2020

Shares / Name of Major Shareholder	Number of Shares Held (Unit: Shares)	Percentage of Shares Held (%)
Union Polymer Int'l Investment Corp.	131,591,144	24.97%
Asia Polymer Corporation	42,527,153	8.07%
Fubon Life Insurance Co., Ltd.	20,449,520	3.88%
Citibank (Taiwan) Limited as custodian of Norges Bank Investment Account	11,879,572	2.25%
Taita Chemical Company, Ltd.	10,445,510	1.98%
New labor pension fund	9,605,248	1.82%
JP Morgan Chase Bank Taipei Branch as custodian of Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds Investment Account	6,805,531	1.29%
JP Morgan Chase Bank Taipei Branch as custodian of Vanguard Group's Vanguard Emerging Markets Stock Index Fund Investment Account	6,111,499	1.16%
Standard Chartered Bank (Taiwan) Business Department as custodian of iShares MSCI Emerging Markets Index ETF Fund Investment Account	4,304,040	0.82%
Old labor pension fund	4,254,925	0.81%

(V) Market price, net value, earnings, and dividends per share in the past two years

Unit: NT$

Item \ Year			2018	2019	Current year up to March 31, 2020 (Note 8)
Market price per share (Note 1)	Highest		35.55	24.40	22.75
	Lowest		17.45	17.85	11.65
	Average		28.23	22.14	16.95
Net asset value per share (Note 2)	Before distribution		16.53	15.66	-
	After distribution		15.03	- (Note 9)	-
Earnings per share (Note 3)	Weighted average number of shares		506,759,546	527,029,927	-
	Earnings per share before adjustment		2.52	1.22	-
	Earnings per share after adjustment		2.42	- (Note 9)	-
Dividends per share	Cash dividends		1.50	0.50 (Note 10)	-
	Stock dividends	Dividends from surplus earnings	0.40	0.50 (Note 10)	-
		Dividends from capital reserve	0.00	0.00 (Note 10)	-
	Accumulated unpaid dividends (Note 4)		-	-	-
Return on investment	Price/earnings ratio (Note 5)		11.20	17.95	-
	Price/dividend ratio (Note 6)		18.82	43.80	-
	Cash dividend yield (Note 7)		5.31%	2.28%	-

* 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: Distribution of earnings has not been approved by the general shareholders' meeting and is therefore not shown.

Note 10: 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 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, when the Company has accumulated losses, it shall first use its profit to offset accumulated losses.

   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$0.5 per share in cash dividends and stock dividends of NT$0.5 per share for the 2019 earnings distribution. Dividends will be distributed after the proposal is approved in general shareholders' meeting to be held on May 28, 2020.
   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) Effect of stock dividend distribution proposed at this shareholders' meeting on the Company's business performance and earnings per share:

No financial forecast was prepared for year 2020. Therefore, there is no need to disclose forecast information.

<table>
<tr><td colspan="3">Year / Item</td><td>2020 (Estimated)</td></tr>
<tr><td colspan="3">Paid-up capital at the beginning of the period (Unit: NT$)</td><td>NT$5,270,299,270</td></tr>
<tr><td rowspan="3">Distribution of dividends in the current fiscal year (Note 1)</td><td colspan="2">Cash dividend per share (Unit: NT$)</td><td>NT$0.5</td></tr>
<tr><td colspan="2">Number of shares distributed per share held due to capital increase from surplus earnings</td><td>0.05 shares</td></tr>
<tr><td colspan="2">Number of shares distributed per share held due to capital increase from capital reserve</td><td>0 share</td></tr>
<tr><td rowspan="7">Changes in operating performance</td><td colspan="2">Operating income</td><td rowspan="13">Not applicable (Note 2)</td></tr>
<tr><td colspan="2">Percentage of increase (decrease) in operating income YoY</td></tr>
<tr><td colspan="2">Net income after tax</td></tr>
<tr><td colspan="2">Percentage of increase (decrease) in net income after tax YoY</td></tr>
<tr><td colspan="2">Earnings per share</td></tr>
<tr><td colspan="2">Percentage of increase (decrease) in earnings per share YoY</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 from surplus earnings is entirely replaced by distribution of cash dividends</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 from surplus earnings is replaced by distribution of cash dividends</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 2019 is based on the earnings distribution plan approved by the Board of Directors on March 5, 2020.

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

(VIII) Compensation for Directors and employees:

1. The ratio and scope of employee rewards and Director remuneration prescribed by the Articles of Incorporation:

   (1) Director's compensations:

   Directors' compensation shall not exceed one (1) percent of the Company's distributable earnings in the current fiscal year.

   (2) Employees' rewards:

   Employees' rewards shall not be lower one (1) percent of the Company's distributable earnings in the current fiscal year.

2. Accounting for basis for estimating the amount of compensation of Directors and employees, basis for estimating the amount of share distribution, and auditing procedures for discrepancies between the estimated and the actual distributed amount in current year:

   (1) Basis for estimating the amount of compensation of Directors and employees in current year:

   (1)-1 Employee 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 2019 was estimated to be NT$6,967 thousand.

   (1)-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 2019.

   (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 5, 2020:
   (1) Distribution of compensation for Directors and employees.
   Directors' rewards: None.
   Employee rewards: NT$6,967 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	2018 Proposal for Earnings Distributions		Discrepancy	Reasons for discrepancy and processing method
	2018 Recognized amount in the financial report	2018 Actual distributed amount		
Employee rewards	13,975	13,975	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 2019 is about 3%), and give special salary adjustment to talents with excellent performance to achieve a competitive salary level in the market.

Average salary:

Item	Content	2019	Discrepancies from the previous year
1	The number of full-time employees who are not supervisors	722	5
2	Average salary of full-time employees who are not supervisors (NT$ thousand)	957	-76
3	Median salary of full-time employees who are not supervisors (NT$ thousand)	925	-86

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 by the Company of its own shares during the most recent fiscal year up to the publication date of this report:

None.

II. Issuance of Corporate Bonds

(I) Issuance of Corporate Bonds: None.

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

(III) Information on Corporate Bond Swap: None.

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

(V) Information on 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. The State of Implementation of the Company's Capital Allocation Plans

(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 processed plastic products and the chemicals 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, store, transport, sell, trade and resell vinyl chloride monomer (VCM)
   (5) Produce and manufacture, trade, store and sell ethylene dichloride (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	Percentage
Vinyl chloride monomer	6%
PVC resin, compounds and alkali-chlorine	72%
PVC construction products: Pipes, pipe fittings, door panels and anti-corrosion protection panels	5%
PVC film/sheet: flexible film/sheets, rigid film/sheet, semi-rigid film/sheet aminated film/sheet, printed film/sheet	11%
PVC leather/sponge leather	6%

3. Plans for new product development

- PVC third-generation stain-resistant leather
- PU casting stain-resistant PVC leather
- Multi-plate printing transfer film soft leather
- Vacuum embossed antifouling soft leather
- PVC imitation cloth feels breathable furniture soft leather
- PVC automotive water-based scratch-resistant sponge leather
- TPE leather series for sporting goods
- TPE leather series for furniture
- TPE medical grade leather series
- Low-membrane rapidly gelatinized PVC resin
- Export of drain pipe pellets
- Multi-dimensional PVC leather

(II) Industry Overview

1. Current state and development of the industry

The operations in 2019 was affected by the trade war between the United States and China and economic uncertainties and the global PVC demand fluctuated. As a result, vinyl chloride monomer (VCM) prices mostly followed PVC prices throughout the year and profits were squeezed due to shortages of materials and rising EDC prices in the first half of the year. The supply shortage caused by the annual overhauls of multiple VCM plants in Asia and unplanned suspension of operations helped increase prices. Although VCM prices fell after the supply and demand balance was restored in the fourth quarter, the drop in the prices of materials helped the Company maintain profits.

Raw materials: The supply of ethylene has increased as new production capacity ramps up in Asia. Coupled with the decline in prices of derivative products, acceptable prices of ethylene also dropped. Although the market was affected by the unexpected suspension of production by the manufacturers, the price of ethylene fluctuated downward in 2019.

At the beginning of the year, due to the decrease in sources from the United States to Asia, we began to source materials from Brazil, India and Egypt. A series of production issues in sodium hydroxide plants has led to tightened supplies in the second half of 2018. The continuous fall in sodium hydroxide prices also affected the producers' willingness to increase production. Although supplies gradually recovered in the second half of 2019, the Braskem plant in Brazil announced the permanent closure of salt mining operations which increased EDC import demands. In addition, the impact of the US-China trade war and global economic decline have caused sodium hydroxide prices to fall. As sodium hydroxide plants remain unwilling to ramp up production, the EDC supply will continue face limitations.

In general, 2019 was a tough year with PVC prices pressured by the larger economy. However, the prices of raw materials reached a four-year high. CGPC and its subsidiaries adhered to the spirit of integration of the vinyl chain and worked together toward the goal of maximizing the production and sales of VCM, PVC/processed products and other products. We seek to minimize losses while making full use of our production capacity and stabilize ourselves amid a series of challenges as we wait for opportunities to create profitability.

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 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 plastic leather, plastic sheets, plastic pipes and pellets.

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 485 thousand tons and 1.64 million tons respectively. The annual production volume of PVC at the Company, Formosa Plastics Corporation and Ocean Plastics Co., Ltd. is 450 thousand tons, 1.35 million tons and 120 thousand tons respectively. Downstream PVC processed products consist mainly of PVC film/sheet, PVC leather and construction products.

   Sales and new projects in the domestic housing market in 2019 have grown from 2018 and major domestic public construction projects have been advanced. Due to the impact of the US-China trade war, Taiwanese businesses have returned and improved the outlook of the construction industry which also enhanced downstream procurement of building materials and plastic. In terms of the export market, the market continues to be affected by negative factors such as trade war and the sanctions on Iran. However, the production issues in Brazil since mid-2019 and the cancellation of India's anti-dumping tariffs have led to positive changes and improved sales performance which grew by 6% in 2019.

In 2020, 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) Technology, Research and Development Overview

1. Research and development investment for 2019: NT$59,967 thousand
2. R&D expenses for 2020 as of the publication date of the Annual Report: NT$17,136 thousand
3. Research and Development Achievements

(1) Successfully developed technologies

(1-1) Second-generation PVC stain-resistant furniture leather process technology

(1-2) PVC rigid foamed pipe production technology

(1-3) TPE foamed soft leather production technology

(1-4) TPE rubber surface anti-abrasion treatment production technology

(1-5) PVC rigid foam door panel production technology and formula

(1-6) Arsenic-free mould inhibitor application technology

(1-7) PVC reaction tank spray valves and water separation panel application technology

(2) Successfully developed products

(2-1) PVC adhesive anti-slip pad

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

(2-3) PVC European stain-resistant printed soft leather

(2-4) Second-generation stain-resistant PVC rubber

(2-5) 60" PVC leather for agricultural machinery

(2-6) Double-color rolled hole automotive PVC leather

(2-7) Second-generation PVC cat scratch-prevention furniture soft leather

(2-8) Soft PVC leather for agricultural machinery seats

(2-9) Rigid PVC foam pipe

(2-10) PVC construction products (foaming door panels)

(2-11) PVC breathable soft imitation leather for furniture

(2-12) PU casting stain-resistant PVC leather

(2-13) Patterned stain-resistant vacuum-pressured soft leather

(2-14) Transparent sliding door plastic pellets

(2-15) Medical-grade plastic pellets

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

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
Low-membrane rapidly gelatinized PVC resin	20%	1,000	Before the end of 2020	Equipment, formulas and process conditions
Water-based scratch-resistant soft PVC leather for automobiles	80%	500	Before the end of 2020	Raw materials formulas and process conditions
Multi-plate printing transfer film soft leather	50%	500	Before the end of 2020	Equipment, formulas and process conditions
Continuous development of PVC breathable soft imitation leather for furniture	80%	300	Before the end of 2020	Raw materials formulas and process conditions
TPE foamed leather series for sporting goods	60%	300	Before the end of 2021	Equipment, formulas and process conditions
TPE American furniture series rubber	70%	300	Before the end of 2021	Raw materials formulas and process conditions
Development of third generation stain-resistant PVC leather	90%	200	Before the end of 2020	Raw materials formulas and process conditions
Continuous development of PU casting stain-resistant PVC leather	90%	200	Before the end of 2020	Raw materials formulas and process conditions
Development of TPE leather products for baby strollers	80%	200	Before the end of 2021	Raw materials formulas and process conditions
Patterned stain-resistant vacuum-pressured soft leather	70%	200	Before the end of 2020	Raw materials formulas and process conditions
TPE rubber for household exhaust pipes	50%	150	Before the end of 2021	Raw materials formulas and process conditions
Development of TPE medical grade rubber	50%	100	Before the end of 2021	Raw materials formulas and process conditions
Export of drainage pipes	50%	50	Before mid-2020	Raw materials formulas and process conditions

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

1. Short-Term Development:

<u>VCM:</u>

The Company will strengthen the industry chain integration in order to <u>stabilize</u> 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 establish cooperative

relationships with main customers and high-value industries and continuously acquire new customers. The Company's domestic sales market share are still expected to hold steady in 2020.

(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.

Alkali-chlorine:

(1) In the first half of 2020, 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.

PVC compounds:

(1) The Company will also continue to develop niche new products and plastic pellets for medical equipment and rigid pipe fittings, as well as low-odor and transparent plastic pellets.

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

(3) 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.

(4) The Company will use the trade service network to grasp

opportunities for participating in exhibitions in main markets and promote and sell PVC compound to emerging markets in Africa and Southeast Asia.

PVC processed products:

(1) The Company will adjust the piping materials product portfolio and improve the market share in building materials. Actively participate in the supply of public construction projects to increase sales volume and improve profitability.

(2) Promote eco-friendly materials, enhance the added value of products and brand image, and it is expected that material innovation will increase sales in the market.

(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. We shall also upgrade the anti-UV formula for leather used for boats to enter the OEM marine leather market in the United States.

(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/new products for the furniture, marine, automobile, 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 2020.

(11) The Company will develop the market for automobile rubber cloths in Europe and Southeast Asia and we expect to increase shipping performance substantially in 2020.

(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 2019.

(13) The Company plans to participate in domestic trade shows in 2020 in order to promote and introduce the uses and development of its products to domestic and foreign customers.

2. Long-term development:

VCM:

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.

PVC resin:

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

Alkali-chlorine:

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

PVC compounds:

The Company will continue to enhance the quality of its products and engage in development of new functional formulas. The Company will also engage in the research and development of high-end products in response to increase product competitiveness.

PVC processed products:

(1) The Company will enhance research on processing technologies and improve equipment and its environment in order to produce differentiated products, thereby segmenting the competitive traditional products.

(2) The Company will improve the capacity to build machinery and raw materials to produce products with high-added value and expand 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, cooling leather, automotive leather and stationery / universal / 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 the research and promotion of environmentally friendly materials for industries including shoes, automotive, furniture, marine, flooring, and other product markets.

(7) The Company will continue to monitor the impact of the US-China trade war, the COVID-19 epidemic in 2020 Q1, and trends in the relocation of downstream production bases.

II. Market, Production and Sales Overview

(I) Market Analysis:

1. Sales regions and market share for major products

<u>VCM:</u>

For VCM, the ratio of domestic sales to exports to the Company's own use is 9 : 0 : 91.

<u>PVC resin:</u>

For PVC resin, the ratio of domestic sales to exports to the Company's own use was 12 : 78 : 10. The main export regions are India, Bangladesh, China, Southeast Asia, Middle East, South America and Australia.

<u>Alkali-chlorine:</u>

Chemical products are sold mainly to Hsinchu Science Park, Central Taiwan Science Park and northern regions, accounting for approximately 60% 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.

<u>PVC compounds:</u>

The Company currently focuses more domestic sales. Shoe manufacturers in the export markets in India and Nepal have begun seeking low-cost sources and CGPC currently focuses on the pipeline market in Bangladesh.

<u>PVC processed products:</u>

(1) PVC construction products: Sales are mainly concentrated in domestic sales. 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 55:45 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:

Due to the increase in new PVC production capacity in 2020 which will take over certain use of VCM and the continuous annual overhauls of manufacturers in the first half of the year, the VCM supply will tighten which will help increase VCM prices. However, it is still necessary to observe the level of impact of COVID-19 on the overall economy. In the second half of the year, we expect VCM to continue the trend in the first half of the year. As the tight supply of raw material gradually eases compared to that of 2019, we expect to maintain a certain amount of profitability.

PVC resin:

(1) The US-China trade war remains unsettled in 2020 and the epidemic in China has disrupted the market. However, demand in emerging countries in Southeast Asia, Central and South America, India and Bangladesh remains strong and favorable for export promotion activities. The production and sales team will strive to achieve new heights in revenue performance.

(2) The demand in the domestic market in 2020 is expected to be the same as levels in 2019. The government's policies for restricting plastic use and the expansion of production capacity in downstream floor tiles, building materials, and other domestic and export industries can maintain the demand for PVC resin.

Alkali-chlorine:

Domestic large-scale chemicals users are expected to maintain steady rates of demand in 2020 mainly due to the growth in upstream production capacity in the semiconductor, display panel, and petrochemical industries.

PVC compounds:

The domestic market for plastic pellets is expected to achieve a small-scale growth in 2020 from 2019. We shall continue to develop the pipeline material market in Bangladesh and business opportunities with pellet users in Southeast Asia and Africa for our export sales.

PVC processed products:

(1) PVC construction products: Due to the growth of the housing market in 2019, public and private construction projects have increased and the supply and energy of the entire market have rebounded. The government continues to implement a non-interference housing market policy in 2020. New public construction projects are being launched. We expect to see stability in the sales of building materials.

(2) PVC film/sheet: Looking forward to 2020, 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 2020, domestic sales will continue to expand to indirect export channels for products with promotional functions and environmentally friendly materials. Exports will continue to focus on markets including the United States. Despite low-price competition from Vietnam, India, Mexico, and China, the new product research and development, increase in product portfolio,

and new market development by the Company's production and sales team are expected to increase sales volume in 2020.

3. Competitive niches

VCM:

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

PVC resin:

Stable and 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 ISO 9001 quality management system provides outstanding quality assurance.

(8) The Company is able to comply with increasingly rigorous environmental protection regulations such as Prop#65, REACH, and RoHS to provide a favorable basis for export markets.

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

VCM:

● Favorable Factors:

(1) Vertical integration for VCM and PVC resin.

(2) Fully seizing sources of the main raw material EDC and ethylene

(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 poor sodium hydroxide has affected the producers' willingness to continue production. The EDC exports from the United States have been taken by companies in Brazil, Egypt, and India. The IMO issues also increased transportation expenses and supported EDC prices. These developments make it difficult to control the cost of VCM materials with stability.

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

(4) The ongoing trade war between the United States and China has placed pressure on the global economy and purchasing power may decline.
(5) The severe outbreak of COVID-19 may cause the global economic growth momentum to decline.

● 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) The VCM is mostly used by the Group. We shall carefully adjust inventory and strengthen vertical integration advantages to improve to improve overall profitability.

<u>PVC resin:</u>

● Favorable Factors:

(1) The downward adjustments of upstream products such as ethylene and EDC help improve profitability in the PVC industry.
(2) The production of PVC at the Company's Toufen plant and Linyuan plant complement each other, thereby diversifying product features and ensuring faster delivery of goods with a higher degree of flexibility.
(3) Vertical integration for VCM, PVC resin and secondary processed products.
(4) Strengthen customer relations and services.
(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 the Asian markets.
(2) China's PVC resin manufacturers by calcium carbide method have idle capacity. They take the chance to take orders and disrupt the market by waging a price war.
(3) 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, India, Bangladesh, 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.

Alkali-chlorine:

● 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.

PVC processed products:

● 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 2020, the Company will plan consecutive new product launches focusing on the furniture market in the Americas and marine internal decoration markets. 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.
(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. The Company adjusted product formula and reorganized sales regions in North America in response to the restrictions on the use of flame-retardant agents.
(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.

Important Uses and Production Processes of Main 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. <u>Flexible film/sheet:</u>

   They are used for the production of plastic cloths, half-rigid cloths, transparent cloths, waterproof membranes, swimming pool cloths, net cloths, blowing cloths, adhesive cloths, furniture cloths, advertisement cloths, screen cloths, raincoat cloths, table cloths, shower curtain cloths, 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. <u>Rigid film/sheet:</u>

   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. <u>PVC leather:</u>

   We produce foaming sponge leather, non-foaming PVC leather, and environmentally-friendly 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 with plastic cloth machines, adhesive backing, pattern printing, and foaming with foaming furnaces or patterning with patterning machines. They can also undergo printing on 1-2 sides, stain-resistance, anti-slip, and anti-scratching or other special treatment to increase added value.

8. PVC compounds:

   PVC compounds 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.

(II) 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 VCM, which is produced by the Company for its 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 plastic clothes 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 Nan Ya Plastics Corporation, while special plasticizers are imported from abroad.
5. The main raw material of PVC construction products is PVC resin, which is mainly self-produced and supplied, and thus the source of this raw material is stable.

(III) 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

	2018				2019			
Item	Name (Note 1)	Amount	Percentage of Net Purchases of Goods (%)	Relationship with the Issuer	Name (Note 1)	Amount	Percentage of Net Purchases of Goods (%)	Relationship with the Issuer
1	Company A	1,753,536	20.26%	None	Company A	1,300,165	14.17%	None
2	Company B	1,206,648	13.94%	None	Company B	1,133,777	12.36%	None
3	Company C	1,166,797	13.48%	None	Company C	1,560,055	17.01%	None
4	Company D	1,095,286	12.65%	None	Company D	1,021,110	11.13%	None
5	Company E	1,074,996	12.42%	None	Company E	1,170,300	12.76%	None
6	Others	2,359,022	27.25%	(Note 3)	Others	2,987,050	32.58%	(Note 3)
	Net purchases of goods	8,656,285	100%		Net purchases of goods	9,172,457	100%	

Note 1: List the name of suppliers who account for more than 10% of the total purchases of goods and their amount and proportion of purchase of goods in the most recent two years. However, if the name of suppliers or counterparties who are individuals or non-related parties cannot be revealed due to contractual agreements, their code 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: 2018: 0.10%; 2019: 0.07%.

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

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

Unit: NT$ thousands

	2018				2019			
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
1	Others	15,192,621	100.00%	Note 3	Others	15,117,855	100.00%	Note 3
	Net sales	15,192,621	100.00%		Net sales	15,117,855	100.00%	

Note 1: List the name of customers who account for more than 10% of the total sales of goods and their amount and proportion of sales of goods in the most recent two years. However, if the name of customers or counterparties who are individuals or non-related parties cannot be revealed due to contractual agreements, their code shall be indicated.

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

Note 3: No customers account for more than ten (10) percent of the total sales of goods. Proportion of sales to related parties: 2018: 0.02%; 2019: 0.03%.

(IV) Production Volume and Value in the Most Recent Two 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 Value / Main Product		2018			2019		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
PVC resin, compounds, alkali-chlorine		491,375	475,185	10,517,579	511,375	479,423	10,859,540
Vinyl chloride monomer		450,000	445,266	8,700,437	485,000	447,911	9,039,972
PVC film/sheet		72,660	38,115	1,919,513	72,660	32,838	1,678,202
PVC Construction products		26,640	18,375	614,925	26,640	20,904	708,157
PVC leather		8,600	6,476	565,368	8,600	6,558	561,978
Others		0	900	101,407	0	28,737	92,254
Subtotal	Tons	1,040,675	977,841	22,419,229	1,095,675	1,009,813	22,940,103
	Thousand meters	8,600	6,476		8,600	6,558	

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.

(V) Sales Volume and Value in the Most Recent Two Years

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

Year / Sales volume and value / Main Product		2018 Domestic Sales Volume	2018 Domestic Sales Value	2018 Exports Volume	2018 Exports Value	2019 Domestic Sales Volume	2019 Domestic Sales Value	2019 Exports Volume	2019 Exports Value
PVC resin, compounds, alkali-chlorine		118,460	2,370,143	305,748	8,222,522	112,139	2,116,016	333,689	8,738,891
Vinyl chloride monomer		43,000	969,781	6,001	131,488	38,769	884,055	0	0
PVC film/sheet		18,809	1,003,949	16,946	951,188	17,288	940,404	14,336	802,507
PVC Construction products		17,834	647,373	0	0	20,316	737,147	0	0
PVC leather		2,798	274,000	4,478	622,176	2,819	267,316	4,319	631,519
Subtotal	Tons	198,103	5,265,246	328,695	9,927,374	188,512	4,944,938	348,025	10,172,917
	Thousand meters	2,798		4,478		2,819		4,319	

III. Information on Employees

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

Year		2018	2019	March 31, 2020
Number of employees	Staff	369	376	373
	Workmen	611	612	599
	Total	980	988	972
Average age		47	46	46
Average year of services		19	18	18
Distribution of academic qualifications	PhD/Master's degree	9%	10%	10%
	Bachelor's degree	31%	38%	34%
	Junior college	28%	25%	24%
	Senior High School	30%	25%	30%
	Below high school	2%	2%	2%

IV. Information Regarding Environmental Protection Expenditure

(I) Total amount of losses (including compensation and violations of environmental protection regulations in the results of environmental protection audits; the date of the penalty, penalty document number, articles in regulations violated, contents of violation, and contents of penalties) and penalties incurred due to environmental pollution in the most recent fiscal year up to the publication date of this annual report:

(NT$ thousands)

Penalty Date /Document No.	Regulation Violated	Penalty Amount	Facts of Violation	Improvement Action
January 4, 2018 / 20-107-010001	Article 20, Paragraph 1 of the Air Pollution Control Act	100	The Environmental Protection Bureau of Miaoli County assigned personnel to the Company's Toufen Plant on September 25, 2017 to inspect stationary pollution sources in the PVC leather, panel, and pipeline production process (M08) and took samples of pollutants with odors in the discharge channel (P811). The test result was 1,738 which exceeded the "Stationary Pollution Source Air Pollutant Emissions Standards (for a discharge channel with a height ≦18 meters, the standard value is 1000)".	The height of the P811 discharge channel was changed to 18.5 meters. After inspections, the odor met discharge standards and the Company followed up with the installation of preventive equipment to process the waste gas.
March 13, 2019 / 34-108-030002	Article 7, Paragraph 5 of the Toxic and Concerned Chemical Substances Control Act	20	Import of Type 4 toxic chemical substance "methyl isobutyl ketone" without obtaining approval documents.	The Company has obtained "methyl isobutyl ketone" approval documents and commenced operations in accordance with regulations
June 10, 2019 / 20-108-060008	Article 20, Paragraph 1 of the Air Pollution Control Act	300	The Environmental Protection Bureau of the Kaohsiung City Government assigned personnel to the Company's Linyuan Plant on April 12, 2019 and collected samples of pollutants with odors from the discharge port (No. P007). According to the Foul Odor Perception Inspection Methodology - Triangular Odor Bag Method (NIEA A201.14A), the air pollutant foul odor pollutant concentration was 41200 which exceeded the "Stationary Pollution Source Air Pollutant Emissions Standards" based on the "discharge channel" (height: 26.71 meters; for a discharge channel with a height of 18＜h≦50 meters, the standard value is 2000).	1. Increase the recycling volume of C-6703 cleaning liquid 2.Control the pH value to avoid the dissipation of acidic odors 3. Reduce entry gas temperature 4. Increase the height of filling material of the scrub column
June 17, 2019 / 20-108-060016	Article 23, Paragraph 1 of the Air Pollution Control Act	100	The Environmental Protection Bureau of the Kaohsiung City Government assigned personnel to the Company's Linyuan Plant on April 12, 2019 to conduct inspections and discovered that the wastewater collection pool in the wastewater collection system was not covered and the surface of the wastewater came into contact with the air.	The Company has built a cover for the wastewater collection pool.

Penalty Date /Document No.	Regulation Violated	Penalty Amount	Facts of Violation	Improvement Action
December 26, 2019 / 20-108-120055	Article 23, Paragraph 1 of the Air Pollution Control Act	100	The Environmental Protection Bureau of the Kaohsiung City Government discovered that the discharge port P008 in the stationary VCM production process M1 at the Company's Toufen Plant discharged conspicuous amounts of particle pollutants into the air when inspections were conducted on November 18, 2019. The Bureau entered the plant for inspections on November 19 and discovered that the pollution was caused by an anomaly in the adjusted combustion air fuel ratio of the exhaust decomposition furnace (E009) which resulted in incomplete incineration and produced particulate contaminants. The contaminants were released into the air through the discharge channel (P008).	An error committed by personnel of the Electrical Section caused irregularity in the combustion air fuel ratio which produced black smoke. The Company has enhanced employee training.

(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 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.
   (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	2020	Amount
Item	1. Operating and maintenance charges for exhaust gas treatment equipment	43,000
	2. Operating and maintenance charges for wastewater treatment equipment	15,000
	3. Air pollution prevention charges	12,000
	4. Industrial waste cleanup and disposal charges	3,000
	5. Regular applications for inspection of stationary sources of pollution	1,000
	6. Pressure container inspection fees	500
	7. Noise improvement	400
Expected Expenditures		74,900

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

The Company is RoHS-compliant, and RoHS has no effect of the Company's financial operations.

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 2019 was about 3%. Employees' compensation shall not be lower than 1% of the distributable earnings for the current year. The proposal to distribute NT$6,967 thousand for 2018 was adopted by the Board of Directors on March 5, 2020.

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 5,292 participants took part in training programs in 2019, and training fees totaled at NT$1,823 thousand.

Course title	Recipients	Course title	Recipients
[Cross-Border Salon] Italy at the Tip of the Tongue: Exploring the Culture and Art of the Peninsula Through the Lens of Food	Managers / General employees	Safety and Health on-the-Job Training for Fixed Crane Operators	Fixed crane operators
[Seminar] Artificial Intelligence in Taiwan: Opportunities and Challenges in the Transformation of the Industry	Managers / General employees	Safety and health on-the-job training for lead operations supervisors	Contractors and work safety officers
[Seminar] Sustainability — Driving Force of Business Development	Managers	Training for the Use of Packaging Machine and Printer	Raw Materials Storage and Transportation Section personnel
Continuing Education for Directors and Supervisors: Response Strategies of Corporation and Individuals for the Implementation of the Economic Substance Law and Global Initiatives Against Tax Avoidance	Managers	Training for Operators of Fixed Cranes with Hoisting Capacity of 3 Tons or More	Operators of fixed cranes with hoisting capacity of 3 tons or more
[Seminar] Reflection of Learned Ideas — Creativity in Paradigm Shifts	Managers / General employees	Raw Material/Material Inspection, Test Development and Automotive Leather Inspection Retraining	Inspection personnel
[Seminar] Doubled Efficiency Work Sheet Presentation Skills	General employees	Emergency Response Drill for the Prevention of Typhoon for the PVC Fabric Section 1	PVC Fabric Section 1 personnel
[Seminar] Hottest Technology Trends — Related Applications in the Digital Era	Managers	Safety and Health On-the-Job Training for High-Pressure Gas Operations Supervisors	High-pressure gas operations supervisors
[Seminar] Honing Leadership Skills: A Brief Discussion of Management Philosophy	Managers / General employees	Safety and Health On-the-Job Training for Personnel Responsible for Disposal or Use of Hazardous Chemical Substances	Personnel responsible for disposal or use of hazardous chemical substances
[Seminar] Digital Life Guide: A Brief Introduction to Search Engines and Electronic Invoice Applications	Managers	Methods and Steps for Enhancing A+ Supervisors' "Strategic Conceptualization"	Managers
[Seminar] Management Philosophy in a Changing Era	Managers / General employees	Practical Course on International Market Development and Winning Purchase Orders	Sales personnel
[Ethics Seminar] Legal Liability and Case Study of Breach of Trust	Managers	Pre-Machine Cleaning Power Off Operation Drill for the PVC Fabric Section 1	PVC Fabric Section 1 personnel
CSR Kick-off Meeting for 2019	Managers / General employees	Emergency Response Drill for PVC Fabric Section 1	PVC Fabric Section 1 personnel
Emergency response education and training for the second half of 2019	Managers / General employees	Class A Air Pollution Prevention Specialists Training	Class A Air Pollution Prevention Specialists
2019 International Conference on Underground Pipeline Excavation Technology	Equipment Inspection Section	Emergency Response Drill for the Prevention of Typhoon for the PVC Fabric Section 2	PVC Fabric Section 2 personnel
2018 Employee Education and Training	Managers / General employees	Pre-Machine Cleaning Power Off Operation Drill for the PVC Fabric Section 2	PVC Fabric Section 2 personnel
2019 Taxation Regulations Seminar	Cost Section	Emergency Response Drill for PVC Fabric Section 2	PVC Fabric Section 2 personnel
2019 Kaohsiung Pipeline Construction Management Personnel Certification Retraining Course	Managers / General employees	Class A Professional Waste Disposal Technician Training	Class A professional waste disposal technicians

Course title	Recipients		Course title	Recipients
2019 Seminar on Labor Insurance and Employment Insurance Regulations	Administration Section		Type A Occupational Safety and Health Manager	Type A Occupational Safety and Health Manager
2019 Professional Pipeline Construction Supervision Engineer Skills Evaluation and Certification Training	Engineering Department		Corporate Sustainability Management Officer License Training Course	CSR-related personnel
2019 Kaohsiung Plant's Technical Exchange Seminar	Managers		Emergency Response Drill for the Prevention of Typhoon for the PVC Fabric Section 3	PVC Fabric Section 3 personnel
2019 1st Annual Emergency Response Training	Managers / General employees		Pre-Machine Cleaning Power Off Operation Drill for the PVC Fabric Section 3	PVC Fabric Section 3 personnel
2019 Labor Standards Act Education Seminar	Administration Section		Emergency Response Drill for PVC Fabric Section 3	PVC Fabric Section 3 personnel
2019 Intellectual Property Classification Management Training - TIPS (Class A) Course - Self-Assessment Audit	Application Planning Section		Plastic Surface Treatment and Adhesiveness Improvement and Technology Evaluation	R&D personnel
2019 Intellectual Property Classification Management Training - TIPS (Class A) Course - System Introduction	Application Planning Section		Self-Defense and Fire Marshalling Team Training (2019 Part 1)	Self-defense and fire marshalling team personnel
DNVGL2019 Underground Pipeline Integrity Management Technology Seminar — Pipeline Risk Evaluation Technologies and Applications	Equipment Inspection Section		Self-Defense and Fire Marshalling Team Training (2019 Part 2)	Self-defense and fire marshalling team personnel
Total checkup before the 2019 annual shareholders' meeting of the Group	General employees		Anti-Pinch and Pre-Machine Cleaning Power Off Operation Drill for the Health Management Section	Health Management Section personnel
Training for Operators of Fixed Cranes with Hoisting Capacity of 3 Tons or More	Maintenance Section		Typhoon Emergency Response Drill for the Health Management Section	Health Management Section personnel
Taiwan AI Academy - Weekend Course for Managers	Managers		Emergency Response Drill for Health Management Section	Health Management Section personnel
AI Seminar	Managers / General employees		Internal Audit and Internal Control Operations in the Corporate Employee Remuneration System	Auditors
ASTM C1696 Industrial Thermal Insulation Systems and Corrosion Risks and Safety Seminar	Engineering Section		Business Successor Planning and Development	Managers
Corrosion Taiwan 2019	Equipment Inspection Section		Corporate Business Management	Managers
DVD Course: Ethics Seminar - Copyright Protection and Reasonable Use	Managers / General employees		Crane Safety Operations Training	PVC Compound Section personnel
ISO45001:2018 Occupational Safety and Health Management System Transformation Training Program	Managers / General employees		Must-Have Competencies and Strategic Conceptualization of Successful Managers	Managers
ISO Information Security Training - General Information Security Training	Information Systems Division		Emergency Response Drill for Material Section	Material Section personnel
Lumax Foundation Fieldbus Seminar	Electrical Section		Introduction to Horizontal Boiler Operations	Plastic Leather Section 2 personnel
MiTalk Young Scientist Workshop	Special Environmental Testing Section		Non-Asbestos Gaskets Introduction and Selection	Materials Engineering Department personnel
Mechanical Integrity (MI)	Engineering Department		Security Inspector Training	Security inspectors
NACE CP3 Cathodic Protection Technical Engineer Training Course	Equipment Inspection Section		Quality and Safety Training	Raw materials quality control personnel
PSM Training - HAZOP Education and Training	Managers / General employees		Quality Review	Plastic Leather Section 2 personnel
Introduction of VOCS Prevention Technologies and Case Studies and Introduction to Biochar Materials and Applications	Managers / General employees		Specific Chemical Supervisor Training	Specific chemical operations supervisors
Training for Acetylene Welding Operators	Maintenance Section		CNS regulations and market operations of construction material products	Construction material sales personnel
Human Resource Management	Managers		Supply Equipment System Instructions and Operations at Construction Materials Plant	Hard Tubing Section personnel
Training for Operators of Fixed Cranes with Hoisting Capacity of 3 Tons or More	Electrical Section		Emergency Response Drill for the Building Material Factory	Building material factory personnel

Course title	Recipients	Course title	Recipients
Soil and Groundwater Industry Development and Technology Application Trends	Environmental protection technology development personnel	Safety and Health On-the-Job Training for First Aid Personnel	First aid personnel
Soil and Groundwater Survey and Inspection Practical Course	Application Planning Section	First Aid Personnel Training	First aid personnel
Soil Pollution Evaluation and Inspector Training Weekend Course	Application Planning Section	Pump Selection and Maintenance	Maintenance Section Personnel
Introduction to Soil Pollution Investigation and Remediation Technology and Case Studies	Environmental protection technology development personnel	Occupational Safety and Health Management Personnel Training (Class B)	Occupational safety and health management personnel
Occupational Safety and Environmental Protection Training	Managers / General employees	Emergency Response Drill for Polymerization Section personnel	Polymerization Section personnel
Work Improvement	Managers	Food-Grade Product Safety and Health Training	Alkali-Chlorine Section personnel
Work Instruction, Talent Cultivation Planning and Implementation	Managers	Emergency Response Drill for Raw Materials Storage and Transportation Section	Raw Materials Storage and Transportation Section personnel
Preventive Education for Hazards Caused by Common Chemical Products at the Workplace	Quality Control Section	Introduction to Vibration Analysis (VAI)	Engineering personnel
Engineering Geologic Survey Database (Basic Course)	Environmental protection technology development personnel	Vibration Analysis Frequency (VA2)	Engineering personnel
Mass Spectrometry Seminar	Quality Control Section	Energy Management Personnel Training	Energy management personnel
Type C Occupational Safety and Health Manager	Application Planning Section	Health Seminar: Colorectal Cancer	General employees
2019 Employee Education and Training of the TVCM Linyuan Plant Union	Managers / General employees	Process Safety Assessment Personnel Training	Process safety assessment personnel
VCM Online Procurement Management Platform Training	Managers / General employees	Project Work Assignment and Issue Analysis	General employees
Class A Boiler Operators Training	Utilities Section	Case Studies of Common Disputes Involving Trade Secrets	General employees
Target Management and Performance Appraisal	Managers	Control Valve Selection and Calibration	Materials Engineering Department personnel
Challenges in the Production, Sales, Transportation, and Storage of Petrochemicals — Soil and Water Pollution Prevention	Environmental protection technology development personnel	Diameter Measurement Instrument Operations Training	Hard Tubing Section personnel
Art of Observing People among Enterprises	Managers	Operating Instructions for Measurement and Inspection Instruments	Production Technology Section
Underground Pipeline Cathodic Protection Level 3 Training Course	Equipment Inspection Section	New Chemical Fire Truck Operation Training	Fire truck drivers
Successful Performance Interview Skills	Managers	Continuing Education for Accounting Officers	Accounting personnel
Preliminary Training for Fire Prevention Personnel	Utilities Section	Ethics Seminar: Copyright Protection and Reasonable Use	General employees
Explosion-Proof Electrical Equipment Safety and Selection Techniques and Practical Introduction Seminar	Electrical Section	Information Department Audit and Information System Control Audit	Auditors
Income Tax Act Withholding Declaration and Actual Analysis	Cost Section	Cross-Departmental Communication and Team Consensus Building	General employees
Knowledge Management	Managers	Electrolysis Tank Materials Introduction and Applications	Alkali-Chlorine Section personnel
Get Management Consultants Project: Employee KPI and Competency Seminar	General employees	Laboratory Operation Standards Training	Inspection personnel
Safety and Health Training for First Aid Personnel	General employees	Steam Fire Extinguishing Drill	Plastic Leather Section 2 personnel
First Aid Personnel Onsite Response Seminar	Managers / General employees	Process Hazard Analysis (PHA) Training	Process Engineers
Toxic Substances Response and Operations Training	Safety and Environmental Protection Office	Process Hazard Analysis (PHA) Actual Operations	Process Engineers
Oxygen-Deficient Operations Supervisor Personnel Retraining	General employees	Process Quality Control Training (Quality Control Technology Section)	PVC leather quality control personnel
Safety and Health Training for Oxygen-Deficient Operations Supervisors	General employees	Process Quality Control Training (PVC Compound Section)	PVC Compound Section personnel
High-Pressure Gas Container Operator Retraining	Managers	Process Equipment Operating Instructions	PVC Leather Section 1 personnel

Course title	Recipients		Course title	Recipients
High-Pressure Gas Manufacturing Safety Operation Supervisors Training	General employees		Process and Quality Training	Polymerization Section personnel
Problem Analysis and Solving	Managers		Process Modification Management Training	Process Engineers
Six Major Skills for Entry-Level Managers	Managers		Training on Testing, Inspection and Certification Comparisons and Practices (1)	Inspection personnel
Forklift operators	General employees		Training on Testing, Inspection and Certification Comparisons and Practices (2)	Inspection personnel
Discussion on Leadership based on Romance of the Three Kingdoms	Managers		Training on Testing, Inspection and Certification Comparisons and Practices (3)	Inspection personnel
Seminar on the Promotion of Installation of Solar Photovoltaic Power Facilities in Buildings in Kaohsiung City	Electrical Section		Safety and Health On-the-Job Training for Occupational Safety and Health Committee Members	Members of the Occupational Safety and Health Committee
Industry Analysis Trilogy – Intelligence Collection, Information Presentation, and Judgment Techniques	Environmental protection technology development personnel		Health Seminar	Food process-related personnel
Presentation of Results of Industry Safety and Health Technology Guidance Programs	Equipment Inspection Section		Training on Testing, Inspection and Certification Comparisons and Practices (4)	Inspection personnel
Type I pressure vessel operations	Utilities Section		PVC Sheet Operations Technology and Process Abnormality Handling Training	Technical Quality Control Section personnel
Communication and Effective Leadership in Organizations	Managers		Instrument and Electrical Engineering Training – Air Compressor and Pump Energy Saving Technologies	Electrical control personnel
Creating a High-Performance Team	Managers		Instrument and Electrical Maintenance and Repair Training	PVC sheet maintenance personnel
Measures Taken by Companies in Response to Labor Incidents and Labor Inspections	Administration Department/Administration Section		Emergency Response Drill for PVC Sheet Maintenance Section	PVC Sheet Maintenance Section Personnel
Labor law human resources study group	Managers		PVC Sheet Quality Control Training	PVC sheet factory personnel
Complaint and Conflict Management	Managers		PVC Sheet Quality Inspection Training	PVC sheet quality control personnel
Greenhouse Gas (GHG) Internal Inventory Training	Managers / General employees		Raw Materials and Formula of PVC Sheets Training	PVC sheet quality control personnel
Continuing Education for Directors and Supervisors: Impact of the Trade Disputes between the United and China on Taiwanese Businesses and Response Measures	Managers		Introduction to PVC Leather Raw Materials	PVC Leather Section 1 personnel
Seminar on Preventive Maintenance and Laboratory Calibration Technology	Electrical Section		Safety and Health On-the-Job Training for Boiler Operators	Boiler operators
Anaerobic Operation Platform A35 Training and Operations	Special Environmental Testing Section		Emergency Drill at Plastic Leather Factory	Personnel at PVC leather factory
Managing Cycle Implementation	Managers		Emergency Drill for PVC Compound Section	PVC Compound Section personnel
Seminar on Green Environmentally-Friendly Water Tower Technologies	Managers / General employees		Mechanical Maintenance Training	PVC sheet maintenance personnel
Understanding ISO 9001	Managers		Occupational Safety Manager Safety and and Health Training (Credit Course)	Occupational Safety Manager
Negotiation Skills	Managers		Mechanical Shovel Operation Proficiency Evaluation and License Training	Mechanical shovel operators
Radiation Source Import/Export Certification System Update and Radioactive Protection Training Seminar	Managers / General employees		Methods of Using SCBA Respirators and Fireproof Vests-2	On-site operators
Office and Laboratory Fire Safety Equipment Explanation and Drills	Managers / General employees		Emergency Response Education and Training for Employees in 2019	Employees in all plants
Environmental Microbe Detection and Biotoxicity Inspection	Special Environmental Testing Section		2019 Kaohsiung Plant's Technical Exchange Seminar	Related employees
Environmental Inspection Quality Assurance Regulations	Application Planning Section		CSR Information Work Platform Training	Related employees
Presentation Skills	Managers		DVD Course: Nevada Chemical Plant Explosion	Employees in all plants
Information Security Regulations and Management Operations - Preparatory Training for External ISO Audits	General employees		DVD Course: North Sea Explosion and Texas Refinery Explosion	Employees in all plants
Occupational Safety and Health Administration Presentation of Process Safety Management Results and Operations	Equipment Inspection Section		DVD Course: The Bhopal Disaster in India and Engineering Breakthoughs	Employees in all plants
Occupational Disaster First-aid Personnel Retraining	Maintenance Section		DVD Course: London Underground Station Fire	Employees in all plants

Course title	Recipients		Course title	Recipients
5S Activity Training	Raw Materials Storage and Transportation Section personnel		MOC Training	On-site operators
ISO/IEC 17025: 2017 Laboratory Management System Internal Auditor Training	Personnel of the General Manager's Office		On-the-Job Training for Type I Pressure Vessel Operators	On-site operators
Explanation of Regulations in the ISO/IEC 17025: 2017 Laboratory Management System	ISO/IEC 17025 related personnel		DVD Course: Ethics Seminar: Copyright Protection and Reasonable Use	Employees in all plants
TAF Certification Test Standards (All) and Finished Product Inspection Retraining	Inspection personnel		Get Management Consultants Project: Employee KPI and Competency Seminar for Employees Ranked Grade 7 and Below	Employees in all plants
Safety and Health On-the-Job Training for Acetylene Welding Operators	Acetylene welding operators		On-the-Job Training for the Designated Operation Personnel of High-Pressure Gas	On-site operators
ISO 50001 Energy Management System Establishment Training (1)	ISO 50001 related personnel		Seminar: Management Philosophy in a Changing Era	Employees in all plants
ISO 50001 Energy Management System Establishment Training (2)	ISO 50001 related personnel		Common Wealth Innovation Academy Course	Senior managers
ISO 50001 Energy Management System Establishment Training (3)	ISO 50001 related personnel		Seminar: Digital Life Guide: A Brief Introduction to Search Engines and Electronic Invoice Applications	Employees in all plants
LED-UV Solidification Application Seminar	R&D personnel		Process Safety Management (PSM) - Machinery Integrity (MI) Training	Employees in all plants
Class B Boiler Operator Training	Class B Boiler operators		On-the-Job Training for Organic Solvent Operations Supervisors	On-site operators
Industrial Safety and Fire Prevention Training	Polymerization Section personnel		Organic Solvent Operations Supervisor Training	On-site operators
Work Safety Training	PVC sheet maintenance personnel		Seminar on Sludge Weight Reduction and Dust (Powder) Prevention Technologies	Related employees
Industrial Color Studies (1)	Plastic Leather Section 2 personnel		Employee Improvement Project Supervisor Training	Senior managers
Intermediate Pipeline Engineer Training	Engineering personnel		Specific Chemical Operations Supervisor Training	On-site operators
Internal Audit Practices Seminar: Keys to Corporate Crisis Management	Auditors		Oxygen-Deficient Operations Supervisor Training	On-site operators
Fair Trade Act Regulations and Practical Operations/2 hours/96 people	General employees		High-Pressure Gas-Specific Equipment Operator Training	On-site operators
Emergency Response Drill for the Processing, Storage & Transportation Section	Processing, Storage & Transportation Section personnel		Type I Pressure Vessel Operator Training	On-site operators
Presentation and Corporate Document Drafting Skills	General employees		Process Safety Management General Knowledge Training	Employees in all plants
Radiation Protection Workshop	Radioactive equipment operators		Honing Leadership Skills: A Brief Discussion of Management Philosophy	Senior managers
Introduction to the Characteristics and Production of Environmentally-Friendly Materials	PVC Leather Section 1 personnel		Waste Reduction Technology Seminar	Related employees
Emergency drill for General Affairs Section	General Affairs Section personnel		Online Procurement Management Platform Training	Related employees
Emergency Response Drill for the Alkali-Chlorine Section	Alkali-Chlorine Section personnel		Eco Lifecycle Evaluation-14001 (2015)	Related employees

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

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

Department	Name	Related 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 14, 2019 to November 15, 2019)
Audit Office	Chiang, Kang-Nien	International certified internal auditor (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 2019:

2.1 Heavy oil quality control measures
2.2 Foreign workers are prohibited from operating forklifts
2.3 On-site parking restrictions
2.4 Regulations on the electric bicycles by foreign workers in plants
2.5 Discussions on unresolved issues in environmental, safety, and health inspections
2.6 Contractor vehicle illegal parking issues
2.7 Extended occupancy of parking spaces reserved for those in need
2.8 Improvement of damaged wire fences
2.9 Explanation of rigid film equipment maintenance mechanisms
2.10 TAITA vehicle entry restrictions
2.11 Contractor violation reporting and fire management measures
2.12 Incident improvement and follow-up reporting
2.13 Common violations of regulations in forklift operations
2.14 Explanation on the flow of tap water and division of piping rights and duties
2.15 Explanation of rain/sewage discharge management in plants
2.16 Contractor management during non-office hours
2.17 Labor safety incident punishment studies
2.18 Wide safety shoe procurement issues

(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.

CGPC provides safety training for contractors and organizes contractor operation safety and health management training before each construction project to improve construction safety and overall health standards. A total of 498 training sessions were organized to improve construction safety and overall health standards.

(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 231 items were inspected by on-site supervisors in 2019.

4.2 A total of 232 items were inspected by the safety and occupational health officers in 2019.

4.3 The rate of improvement of defects found in environmental safety and health inspections in 2019: Deficiencies: 1,336 cases; improvements: 1,252 cases; improvement rate: 93.71%; target rate achieved: 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

March 31, 2020

Nature of Contract	Contracting Party	Contract Start/End Date	Main Content	Restrictive Clause
Material Purchase Contract	Formosa Plastics Corporation	March 1, 2019 ~ December 31, 2020	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 1, 2019 ~ December 31, 2020	Taiwan VCM Corporation and Mitsui & Co., Ltd. signed a contract for the purchase of dichloroethane, with the price of the material agreed by both the buyer and the seller.	None
Material Purchase Contract	CPC Corporation	January 1, 2019 ~ December 31, 2020	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 14, 2018 ~ July 31, 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 30, 2016 ~ November 30, 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, and Commercial Paper Guarantee Comprehensive Limit Contract	KGI Bank	March 20, 2019 ~ March 20, 2022	CGPC Polymer Corporation and KGI Bank signed a three-year medium-term secured lending, foreign exchange credit, and commercial paper guarantee 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%.

Nature of Contract	Contracting Party	Contract Start/End Date	Main Content	Restrictive Clause
Medium-term Lending Limit Contract	Taishin International Bank	June 30, 2019 ~ June 30, 2022	Taiwan VCM Corporation and Taishin International Bank signed a three-year medium-term secured lending limit contract worth NT$300 million as a revolving credit facility.	Based on the annual report/semi-annual report of Taiwan VCM Corporation, its current ratio in data compiled by the Company shall not be less than 100%, its debt ratio (debt/net value) shall not be greater than 100%, and the net value shall not be lower than NT$3 billion.
Medium-term Lending Limit Contract	Bank SinoPac	June 30, 2019 ~ June 30, 2022	Taiwan VCM Corporation and Bank SinoPac signed a three-year medium-term secured lending limit contract worth NT$500 million as a revolving credit facility.	Based on Taiwan VCM's latest consolidated financial report, its current ratio shall not be less than 150% and its debt ratio (debt/net value) shall not be greater than 150%.
Medium-term Lending Limit Contract	The Export-Import Bank of the Republic of China	March 25, 2020 ~ March 25, 2023	Taiwan VCM Corporation and the Export-Import Bank of the Republic of China signed a three-year medium-term secured lending limit contract worth NT$300 million.	None

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 5 years (audit and certification)				
		2015	2016	2017	2018	2019
Current assets		6,409,452	7,200,056	5,993,631	6,314,227	4,876,866
Property, plant and equipment		5,068,082	5,227,157	5,729,861	6,009,889	6,157,575
Intangible assets		29,733	19,589	10,238	2,493	183
Other assets		866,420	862,185	939,491	897,486	1,296,609
Total assets		12,373,687	13,308,987	12,673,221	13,224,095	12,331,233
Current liabilities	Before distribution	2,616,130	2,480,133	1,785,947	2,107,698	1,695,099
	After distribution	3,084,433 (Note 1)	3,292,171 (Note 1)	2,523,946 (Note 1)	2,867,837 (Note 1)	- (Note 2)
Non-current liabilities		2,972,381	3,073,034	2,686,426	2,305,293	1,923,568
Total Liabilities	Before distribution	5,588,511	5,553,167	4,472,373	4,412,991	3,618,667
	After distribution	6,056,814 (Note 1)	6,365,205 (Note 1)	5,210,372 (Note 1)	5,173,130 (Note 1)	- (Note 2)
Equity attributable to owners of the Company		6,476,010	7,375,485	7,806,341	8,374,640	8,250,812
Capital		4,683,034	4,776,695	4,919,996	5,067,596	5,270,299
Capital surplus		8,221	8,220	8,236	8,929	10,060
Retained earnings	Before distribution	1,730,158	2,549,432	2,857,342	3,256,098	2,937,187
	After distribution	1,261,855 (Note 1)	1,737,394 (Note 1)	2,119,343 (Note 1)	2,495,959 (Note 1)	- (Note 2)
Other equity		54,597	41,138	20,767	42,017	33,266
Treasury stock		-	-	-	-	-
Non-controlling interests		309,166	380,335	394,507	436,464	461,754
Total equity	Before distribution	6,785,176	7,755,820	8,200,848	8,811,104	8,712,566
	After distribution	6,316,873 (Note 1)	6,943,782 (Note 1)	7,462,849 (Note 1)	8,050,965 (Note 1)	- (Note 2)

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

Note 2: It is not adopted by resolution of regular shareholders' meeting, therefore it is not listed.

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)				
		2015	2016	2017	2018	2019
Sales revenue		13,842,155	14,157,389	14,701,741	15,192,621	15,117,855
Gross profit		1,948,472	2,940,369	2,776,931	2,702,563	1,969,480
Operating margin		916,128	1,874,470	1,650,788	1,572,923	773,899
Non-operating revenue and expenses		39,085	(73,316)	(34,645)	81,429	80,109
Net profit before tax		955,213	1,801,154	1,616,143	1,654,352	854,008
Net profit from continuing operations in the current period		844,341	1,521,307	1,341,471	1,348,653	693,815
Gain (loss) from discontinued operations		(31,923)	21,777	(2,197)	7,467	4,175
Net income		812,418	1,543,084	1,339,274	1,356,120	697,990
Other comprehensive income (income after tax)		(11,892)	(77,288)	(27,454)	12,260	(2,290)
Total comprehensive income		800,526	1,465,796	1,311,820	1,368,380	695,700
Net income attributable to shareholders of the parent		767,567	1,443,125	1,269,808	1,276,156	642,677
Net income attributable to non-controlling interests		44,851	99,959	69,466	79,964	55,313
Total comprehensive income attributable to shareholders of the parent		756,403	1,367,779	1,242,878	1,289,043	639,912
Total comprehensive income attributable to non-controlling interests		44,123	98,017	68,942	79,337	55,788
Earnings per share	Before adjustment	NT$1.64	NT$3.02	NT$2.58	NT$2.52	NT$1.22
	After Adjustment (Note)	NT$1.51	NT$2.85	NT$2.51	NT$2.42	NT$1.22

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)				
		2015	2016	2017	2018	2019
Current assets		2,810,058	3,143,127	2,770,055	2,549,373	2,243,869
Property, plant and equipment		2,407,255	2,534,996	2,914,824	3,046,423	3,082,693
Intangible assets		11,190	7,907	4,178	1,640	137
Other assets		3,766,393	4,495,866	4,899,414	5,420,078	5,514,107
Total assets		8,994,896	10,181,896	10,588,471	11,017,514	10,840,806
Current liabilities	Before distribution	850,306	1,099,388	1,431,739	1,527,754	1,515,916
	After distribution	1,318,609 (Note 1)	1,911,426 (Note 1)	2,169,738 (Note 1)	2,287,893 (Note 1)	- (Note 2)
Non-current liabilities		1,668,580	1,707,023	1,350,391	1,115,120	1,074,078
Total Liabilities	Before distribution	2,518,886	2,806,411	2,782,130	2,642,874	2,589,994
	After distribution	2,987,189 (Note 1)	3,618,449 (Note 1)	3,520,129 (Note 1)	3,403,013 (Note 1)	- (Note 2)
Capital		4,683,034	4,776,695	4,919,996	5,067,596	5,270,299
Capital surplus		8,221	8,220	8,236	8,929	10,060
Retained earnings	Before distribution	1,730,158	2,549,432	2,857,342	3,256,098	2,937,187
	After distribution	1,261,855 (Note 1)	1,737,394 (Note 1)	2,119,343 (Note 1)	2,495,959 (Note 1)	- (Note 2)
Other equity		54,597	41,138	20,767	42,017	33,266
Treasury stock		-	-	-	-	-
Total equity	Before distribution	6,476,010	7,375,485	7,806,341	8,374,640	8,250,812
	After distribution	6,007,707 (Note 1)	6,563,447 (Note 1)	7,068,342 (Note 1)	7,614,501 (Note 1)	- (Note 2)

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

Note 2: It is not adopted by resolution of regular shareholders' meeting, therefore it is not listed.

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

Unit: NT$ thousands

Item \ Year		Financial information for the most recent 5 years (audit and certification)				
		2015	2016	2017	2018	2019
Sales revenue		7,040,888	7,461,520	8,110,347	8,248,176	8,391,693
Gross profit		860,782	1,060,675	1,181,111	1,072,154	715,746
Operating margin		460,541	615,407	700,487	570,055	177,311
Non-operating revenue and expenses		355,619	948,277	715,208	813,517	512,380
Net profit before tax		816,160	1,563,684	1,415,695	1,383,572	689,691
Net income		767,567	1,443,125	1,269,808	1,276,156	642,677
Other comprehensive income (net income after-tax)		(11,164)	(75,346)	(26,930)	12,887	(2,765)
Total comprehensive income		756,403	1,367,779	1,242,878	1,289,043	639,912
Earnings per share	Before adjustment	NT$1.64	NT$3.02	NT$2.58	NT$2.52	NT$1.22
	After Adjustment (Note)	NT$1.51	NT$2.85	NT$2.51	NT$2.42	NT$1.22

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

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

Year	Name of Accounting	Name of CPAs	Audit opinion
2019	Deloitte, Taiwan	Huang, Hsiu-Chun and Chiu, Cheng-Chun	Unqualified 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

II. Financial Analysis in the Most Recent Five Years

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

Analysis Item (Note 3) \ Year (Note 1)			Financial analysis for the most recent 5 years (audit and certification)					Explanation
			2015	2016	2017	2018	2019	
Financial structure	Debt-asset Ratio (%)		45.16	41.72	35.28	33.37	29.34	
	Proportion of long-term capital in property, plant, and equipment (%)		192.52	207.16	190.00	184.96	172.73	
Solvency	Current ratio (%)		244.99	290.30	335.59	299.57	287.70	
	Quick ratio (%)		172.02	218.13	228.65	215.29	193.16	
	Interest coverage ratio		30.84	83.33	124.88	164.74	71.33	1.
Operation ability	Receivables turnover ratio (times)		10.31	10.16	9.45	8.72	9.21	
	Average collection days		35.40	35.92	38.62	41.85	39.63	
	Inventory turnover ratio (times)		6.07	6.28	6.66	6.99	8.25	
	Average days for sale		60.13	58.12	54.80	52.21	44.24	
	Payables turnover ratio (times)		16.73	12.45	12.71	12.88	13.66	
	Property, plant, and equipment turnover ratio (times)		2.72	2.75	2.68	2.59	2.48	
	Total asset turnover ratio (times)		1.17	1.10	1.13	1.17	1.18	
Profitability	Return on assets (%)		7.06	12.16	10.39	10.54	5.54	1.
	Return on Equity (%)		12.63	21.22	16.79	15.94	7.97	1.
	Ratio of net income before tax to paid-in capital (%) (Note 7)		19.72	38.16	32.80	32.79	16.28	1.
	Net profit ratio (%)		5.87	10.90	9.11	8.93	4.62	1.
	Earnings per share	Before Adjustment (NT$)	1.64	3.02	2.58	2.52	1.22	1.
		After Adjustment (NT$)	1.60	2.93	2.51	2.42	1.22	1.
Cash flow	Cash flow ratio (%)		14.92	88.10	90.23	86.71	118.96	2.
	Cash flow adequacy ratio (%)		88.71	151.49	97.46	98.42	117.10	
	Cash reinvestment ratio (%)		1.66	9.10	3.90	5.39	6.46	
Leverage	Operating leverage		3.09	2.10	2.31	2.48	4.16	1.
	Financial leverage		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. Despite the growth in sales volume of PVC resin, the decline in product prices, increase in the cost of the raw material EDC, and the fluctuation of domestic caustic soda prices due to the decline in international market prices resulted in a significant decrease in the overall profit of the Company compared to last year.
2. Net cash inflow from operating activities increased due to the decrease in financial assets, accounts receivable, and inventories. The current liabilities decreased due to the decrease in accounts payable and other payables, resulting in an increase of the cash flow ratio.

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

Analysis Item (Note 3) \ Year (Note 1)			2015	2016	2017	2018	2019	Explanation
			Financial analysis for the most recent 5 years (audit and certification)					
Financial structure	Debt-asset Ratio (%)		28.00	27.56	26.27	23.98	23.89	
	Proportion of long-term capital in property, plant, and equipment (%)		338.33	358.28	314.14	311.50	302.49	
Solvency	Current ratio (%)		330.47	285.89	193.47	166.87	148.02	
	Quick ratio (%)		235.71	219.91	144.59	112.01	99.27	
	Interest coverage ratio		4,143.94	41,150.58	23,595.92	98,827.57	876.24	1.
Operation ability	Receivables turnover ratio (times)		8.00	8.27	8.41	7.81	8.40	
	Average collection days		45.62	44.13	43.40	46.73	43.45	
	Inventory turnover ratio (times)		7.66	8.62	10.04	9.56	10.02	
	Average days for sale		47.65	42.34	36.35	38.17	36.42	
	Payables turnover ratio (times)		13.01	12.50	9.24	7.46	7.21	
	Property, plant, and equipment turnover ratio (times)		2.98	3.02	2.98	2.77	2.74	
	Total asset turnover ratio (times)		0.81	0.78	0.78	0.76	0.77	
Profitability	Return on assets (%)		8.87	15.05	12.23	11.81	5.89	1.
	Return on Equity (%)		12.49	20.84	16.73	15.77	7.73	1.
	Ratio of net income before tax to paid-in capital (%) (Note 7)		17.43	32.74	28.77	27.30	13.09	1.
	Net profit ratio (%)		10.90	19.34	15.66	15.47	7.66	1.
	Earnings per share	Before Adjustment (NT$)	1.64	3.02	2.58	2.52	1.22	1.
		After Adjustment (NT$)	1.60	2.93	2.51	2.42	1.22	1.
Cash flow	Cash flow ratio (%)		25.99	63.50	49.11	53.28	45.51	
	Cash flow adequacy ratio (%)		126.28	101.60	80.25	65.75	65.32	
	Cash reinvestment ratio (%)		1.03	1.70	(0.80)	0.54	(0.50)	2.
Leverage	Operating leverage		3.37	2.87	2.73	3.20	7.86	1.
	Financial leverage		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. Despite the increase in sales volume of PVC resin, the decrease in product price was greater than the decrease in the cost of VCM and the price of domestic caustic soda was affected by the decrease in international market, resulting in a significant decrease in the Company’s profit as compared with last year.
2. Net cash inflow from operating activities decreased due to the decrease in profit for the year, which was insufficient to cover cash dividends, resulting in a negative cash reinvestment ratio.

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 by CPAs should be noted.

Note 2: As of the publication date of the annual report, companies that have been listed or have been traded at TPEx should analyze the financial information of the most recent period audited or reviewed by CPAs.

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

1. Financial structure
   (1) Debt-to-assets ratio = Total liabilities / Total assets.
   (2) Ratio of long-term capital to property, plant and equipment = (Total equity + Non-current liabilities) / Net property, plant and equipment.
2. Solvency
   (1) Current ratio = Current assets / Current liabilities.
   (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities.
   (3) Interest coverage ratio = Income before income tax and interest expenses / Interest expenses.
3. Operating ability
   (1) Receivables (including accounts receivable and notes receivable due to business operations) turnover ratio = Net sales / Balance of average receivables (including accounts receivable and notes receivable due to business operations).
   (2) Average collection days = 365 / Receivables turnover ratio.
   (3) Inventory turnover ratio = Cost of goods sold / Average inventory.
   (4) Payables (including accounts payable and notes payable due to business operations) turnover ratio = Cost of goods sold / Balance of average payables (including accounts payable and notes payable due to business operations).
   (5) Average days for sale = 365 / Inventory turnover ratio.
   (6) Property, plant and equipment turnover rate = net sale/average balance of net property, factory and equipment.
   (7) Total asset turnover ratio = Net sales / Average total assets.
4. Profitability
   (1) Return on assets = [Net income after tax + Interest expenses x (1 - Tax rate)] / Average total assets.
   (2) Return on equity = Net income after tax / Average total equity.
   (3) Net profit margin = Net income after tax / Net sales.
   (4) Earnings per share = (Net income attributable to owners of parent company - Dividends on preferred shares) / Weighted average number of shares issued. (Note 4)
5. Cash flow
   (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (Capital expenditures + Inventory increase + Cash dividends) for the most recent five years.
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross property, plant and equipment + Long-term investments + 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 income (Note 6).
   (2) Financial leverage = Operating income / (Operating income - Interest expenses).

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

1. Use the weighted average number of common shares, not the number of shares issued at the end of the year.

2. Capital increase for cash or treasury stock transactions shall be considered when the weighted average number of shares is calculated.
3. Capital increase from surplus earnings or capital reserve shall be retrospectively adjusted by the proportion of capital increase when earnings per share for previous annual and semi-annual periods are calculated. The issue period for capital increase does not have to be considered.
4. For preferred shares that are non-convertible accumulated preferred shares, dividends (regardless of whether they are distributed) shall be deducted from net income after tax or included as net loss after tax. If preferred shares are non-cumulative in nature, where net income after tax is available, dividends on preferred shares shall be deducted from net income after tax. No adjustment is required if the Company has loss after tax.

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

1. Net cash flow from operating activities refers to net cash flow generated from operating activities in the statement of cash flows.
2. Capital expenditures refer to the annual cash flow used in capital investment.
3. The increase in inventory is included only if the balance at the end of the year is greater than the balance at the beginning of the year. If it is the other way around, the number used should be zero.
4. Cash dividends include cash dividends on common shares and preferred shares.
5. Gross property, plant and equipment refers to the total value of property, plant and equipment minus accumulated depreciation.

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

Note 7: Where 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 Review Report for the Most Recent Financial Statements

China General Plastics Corporation

Audit Committee's Audit Report

The Board of Directors has prepared the Company's 2019 Business Report, financial statements (including parent company only and consolidated financial statements) which were audited by CPAs Huang, Hsiu-Chun and Chiu, Cheng-Chun of Deloitte, Taiwan and earnings distribution proposal. The above-mentioned reports and financial statements have been reviewed and determined to be accurate by the Audit Committee. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Sincerely yours,

2020 Regular Shareholders' Meeting of China General Plastics Corporation

China General Plastics Corporation

Taita Chemical Company, Ltd.

Independent Director: Li, Zu-De

Independent Director: Zheng, Ying-Bin

Independent Director: Li, Liang-Xian

March 13, 2020

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, 2019, under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standard 10, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements of affiliates is included in the consolidated financial statements of China General Plastics Corporation and Subsidiaries. Consequently, we do not prepared a separate set of combined financial statements of affiliates.

Very truly yours,

CHINA GENERAL PLASTICS CORPORATION

By

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WU , YI-GUI
Chairman

March 5, 2020

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, 2019 and 2018, 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, 2019 and 2018, 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 audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. We conducted our audit of the consolidated financial statements for the year ended December 31, 2018 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, 2019. 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.

The key audit matters identified in the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

Validity of Specific Revenue

The amount of revenue derived from certain customers was NT$3,509,113 thousand, representing 23% of total revenue of the Group for the year ended December 31, 2019. These customers were all distributors, and their growth rate of revenue is significantly higher compared to the average growth rate of revenue. Therefore, we identified the validity of the revenue derived from these customers has been identified as a key audit matter.

For the accounting policy related to the validity of the revenue derived from these customers, refer to Notes 4 and 26 to the accompanying consolidated financial statements.

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

1. We understood the designed and tested operating effectiveness of internal control and confirmed the validity of revenue recognition 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, and verified verify that the revenue was recognized upon completion of the performance obligation.

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

Valuation of Inventory

As of December 31, 2019, the carrying amount of the Group's inventory was NT$1,469,212 thousand (i.e., the gross amount of inventory of NT$1,551,532 thousand with a deduction of the allowance for inventory valuation of NT$82,320 thousand), representing 12% 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 judgment and accounting estimates by the management, we identified the valuation of inventory has been identified as a key audit matter.

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

The main audit procedures that 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. In addition, 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, 2019 and 2018 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, 2019 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 Hsiu-Chun Huang and Cheng-Chun Chiu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2020

<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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 653,347	6	$ 934,680	7
Financial assets at fair value through profit or loss (FVTPL) - current (Notes 4 and 7)	776,077	6	1,432,707	11
Financial assets at amortized cost - current (Notes 4, 9 and 33)	269,103	2	268,954	2
Notes receivable (Notes 4 and 10)	209,990	2	195,847	2
Trade receivables (Notes 4, 10 and 32)	1,268,810	10	1,608,142	12
Other receivables (Notes 4 and 10)	73,501	1	84,601	1
Other receivables from related parties (Notes 4, 10 and 32)	14,315	-	11,165	-
Current tax assets (Notes 4 and 28)	6,223	-	-	-
Inventories (Notes 4 and 11)	1,469,212	12	1,717,275	13
Prepayments (Notes 4 and 19)	133,470	1	59,343	-
Other current assets	2,818	-	1,513	-
Total current assets	4,876,866	40	6,314,227	48
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Notes 4, 8 and 24)	119,803	1	122,640	1
Investments accounted for using the equity method (Notes 4 and 14)	280,769	2	253,998	2
Property, plant and equipment (Notes 4, 15, 32 and 33)	6,157,575	50	6,009,889	45
Right-of-use assets (Notes 3, 4, 16 and 32)	305,108	2	-	-
Investment properties (Notes 4, 17 and 32)	285,298	2	135,277	1
Intangible assets (Notes 4 and 18)	183	-	2,493	-
Deferred tax assets (Notes 4 and 28)	230,996	2	261,613	2
Long-term prepayments for leases (Note 19)	-	-	95,184	1
Other non-current assets (Note 33)	74,635	1	28,774	-
Total non-current assets	7,454,367	60	6,909,868	52
TOTAL	$ 12,331,233	100	$ 13,224,095	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at FVTPL - current (Notes 4 and 7)	$ 1,227	-	$ 1,645	-
Notes payable (Note 21)	-	-	288	-
Trade payables (Note 21)	681,973	6	915,009	7
Trade payables to related parties (Notes 21 and 32)	156,339	1	171,860	1
Other payables (Note 22)	630,440	5	754,730	6
Other payables to related parties (Note 32)	15,084	-	14,263	-
Current tax liabilities (Notes 4 and 28)	99,734	1	181,491	1
Lease liability - current (Notes 3, 4, 16 and 32)	36,082	-	-	-
Other current liabilities (Notes 23 and 26)	74,220	1	68,412	1
Total current liabilities	1,695,099	14	2,107,698	16
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 15, 20 and 33)	500,000	4	1,000,000	8
Deferred tax liabilities (Notes 4 and 28)	595,310	5	593,964	4
Lease liabilities - non-current (Notes 3, 4, 16 and 32)	181,459	1	-	-
Net defined benefit liabilities - non-current (Notes 4 and 24)	642,215	5	707,679	5
Other non-current liabilities	4,584	-	3,650	-
Total non-current liabilities	1,923,568	15	2,305,293	17
Total liabilities	3,618,667	29	4,412,991	33
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 8, 14, 24, 25 and 28)				
Ordinary shares	5,270,299	43	5,067,596	39
Capital surplus	10,060	-	8,929	-
Retained earnings				
Legal reserve	640,570	5	512,954	4
Special reserve	408,223	3	408,223	3
Unappropriated earnings	1,888,394	16	2,334,921	18
Total retained earnings	2,937,187	24	3,256,098	25
Other equity	33,266	-	42,017	-
Total equity attributable to owners of the Company	8,250,812	67	8,374,640	64
NON-CONTROLLING INTERESTS	461,754	4	436,464	3
Total equity	8,712,566	71	8,811,104	67
TOTAL	$ 12,331,233	100	$ 13,224,095	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, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
NET REVENUE (Notes 4, 26 and 32)	$ 15,117,855	100	$ 15,192,621	100
COST OF REVENUE (Notes 4, 11, 24, 27 and 32)	13,148,375	87	12,490,058	82
GROSS PROFIT	1,969,480	13	2,702,563	18
OPERATING EXPENSES (Notes 4, 24, 27 and 32)				
Selling and marketing expenses	851,284	6	798,642	5
General and administrative expenses	284,330	2	277,710	2
Research and development expenses	59,967	-	53,288	1
Total operating expenses	1,195,581	8	1,129,640	8
PROFIT FROM OPERATIONS	773,899	5	1,572,923	10
NON-OPERATING INCOME AND EXPENSES (Notes 4, 7, 14, 27 and 32)				
Other income	64,544	1	83,803	1
Other gains	3,028	-	33,090	-
Interest expense	(12,203)	-	(10,149)	-
Share of profit or loss of associates accounted for using the equity method	24,740	-	(25,315)	-
Total non-operating income and expenses	80,109	1	81,429	1
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	854,008	6	1,654,352	11
INCOME TAX EXPENSE (Notes 4 and 28)	160,193	1	305,699	2
NET PROFIT FROM CONTINUING OPERATIONS (Note 27)	693,815	5	1,348,653	9
NET PROFIT FROM DISCONTINUED OPERATIONS (Notes 4 and 12)	4,175	-	7,467	-
NET PROFIT FOR THE YEAR	697,990	5	1,356,120	9

(Continued)

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 8, 14, 24, 25 and 28)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ 7,692	-	$ (591)	-
Unrealized gain on investments in equity instruments at FVTOCI	4,054	-	20,346	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method - remeasurement of defined benefit plans	(411)	-	462	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method - unrealized loss on investments in equity instruments at FVTOCI	5,175	-	(19,493)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(862)	-	7,778	-
	15,648	-	8,502	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(20,861)	-	7,723	-
Share of the other comprehensive loss of associates accounted for using the equity method - exchange differences on translating the financial statements of foreign operations	(711)	-	(400)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	3,634	-	(3,565)	-
	(17,938)	-	3,758	-
Other comprehensive income (loss) for the year, net of income tax	(2,290)	-	12,260	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 695,700	5	$ 1,368,380	9
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 642,677	4	$ 1,276,156	8
Non-controlling interests	55,313	1	79,964	1
	$ 697,990	5	$ 1,356,120	9

(Continued)

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 639,912	4	$ 1,289,043	8
Non-controlling interests	55,788	1	79,337	1
	$ 695,700	5	$ 1,368,380	9
EARNINGS PER SHARE (Note 29)				
From continuing and discontinued operations				
Basic	$ 1.22		$ 2.42	
Diluted	$ 1.22		$ 2.42	
From continuing operations				
Basic	$ 1.21		$ 2.41	
Diluted	$ 1.21		$ 2.41	

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company (Notes 4, 8, 14, 24, 25 and 28)														
									Other Equity						
	Share Capital	Capital Surplus			Retained Earnings				Exchange Differences on Translating the Financial Statements	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Investments in Equity Instruments at FVTOCI			Non-controlling Interests (Note 25)	
	Ordinary Shares	Unpaid Dividends	Others	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Foreign Operations	sale Financial Assets	at FVTOCI	Total	Total		Total Equity
BALANCE AT JANUARY 1, 2018	$ 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
Effect of retrospective restatement	-	-	-	-	-	-	(4,731)	(4,731)	-	-	-	-	(4,731)	(306)	(5,037)
BALANCE AT JANUARY 1, 2019, AS RESTATED	5,067,596	8,622	307	8,929	512,954	408,223	2,330,190	3,251,367	(15,825)	-	57,842	42,017	8,369,909	436,158	8,806,067
Appropriation of 2018 earnings															
Legal reserve	-	-	-	-	127,616	-	(127,616)	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(760,140)	(760,140)	-	-	-	-	(760,140)	-	(760,140)
Share dividends distributed by the Company	202,703	-	-	-	-	-	(202,703)	(202,703)	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(30,192)	(30,192)
Other changes in capital surplus	-	1,124	7	1,131	-	-	-	-	-	-	-	-	1,131	-	1,131
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	642,677	642,677	-	-	-	-	642,677	55,313	697,990
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	5,986	5,986	(17,938)	-	9,187	(8,751)	(2,765)	475	(2,290)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	648,663	648,663	(17,938)	-	9,187	(8,751)	639,912	55,788	695,700
BALANCE AT DECEMBER 31, 2019	$ 5,270,299	$ 9,746	$ 314	$ 10,060	$ 640,570	$ 408,223	$ 1,888,394	$ 2,937,187	$ (33,763)	$ -	$ 67,029	$ 33,266	$ 8,250,812	$ 461,754	$ 8,712,566

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	$ 854,008	$ 1,654,352
Income before income tax from discontinued operations	4,175	7,467
Income before income tax	858,183	1,661,819
Adjustments for:		
Depreciation expenses	604,562	502,930
Amortization expenses	33,505	23,668
Expected credit loss recognized on trade receivables	-	1,469
Net gain on fair value change on financial assets carried at FVTPL	(40,527)	(7,183)
Interest expense	12,203	10,149
Interest income	(16,013)	(16,400)
Dividend income	(4,019)	(1,672)
Share of (profit) loss of associates	(24,740)	25,315
Gain on disposal of property, plant and equipment	(4)	(6,484)
Property, plant and equipment transferred to expense	4,340	-
Write-down of inventories	3,736	2,907
Impairment loss recognized on property, plant and equipment	-	168
Gain on disposal of subsidiary	(2,549)	-
Amortization of long-term prepayments for leases	-	3,456
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at FVTPL	715,948	5,205
Notes receivable	(14,143)	(15,918)
Trade receivables	336,100	(107,010)
Other receivables	11,032	(12,230)
Other receivables from related parties	(3,124)	(5,562)
Inventories	240,021	142,065
Prepayments	(77,134)	(5,858)
Other current assets	(1,305)	(1,019)
Financial liabilities held for trading	(19,209)	(34,887)
Notes payable	(288)	105
Trade payables	(232,934)	294,436
Trade payables to related parties	(15,521)	(60,151)
Other payables	(90,251)	58,512
Other payables to related parties	813	(8,394)
Other current liabilities	5,808	(40,694)
Net defined benefit liabilities	(57,772)	(332,787)
Cash generated from operations	2,226,718	2,075,955
Interest received	16,141	15,083
Interest paid	(12,487)	(10,284)
Income tax paid	(213,820)	(253,118)
Net cash generated from operating activities	2,016,552	1,827,636

(Continued)

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from capital reduction of financial assets at FVTOCI	$ 6,891	$ 7,462
Purchase of financial assets at amortized cost	(269,103)	(268,954)
Proceeds from sale of financial assets at amortized cost	268,954	268,805
Payments for property, plant and equipment	(955,870)	(755,004)
Proceeds from disposal of property, plant and equipment	5,552	17,398
Increase in refundable deposits	(22,902)	(53)
Decrease in refundable deposits	13,150	398
Payments for intangible assets	-	(366)
Dividends received	4,019	1,672
Increase in other non-current assets	(24,061)	(8,225)
Net cash used in investing activities	(973,370)	(736,867)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term borrowings	(500,000)	(50,000)
Proceeds from guarantee deposits received	3,866	2,924
Refunds of guarantee deposits received	(2,926)	(1,665)
Repayment of the principal portion of lease liabilities	(33,939)	-
Increase (decrease) in other non-current liabilities	(6)	2
Dividends paid to owners of the Company	(757,933)	(735,982)
Dividends paid to non-controlling interests	(30,192)	(37,380)
Net cash used in financing activities	(1,321,130)	(822,101)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(3,385)	2,867
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(281,333)	271,535
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	934,680	663,145
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 653,347	$ 934,680

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

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(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, PVC 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 5, 2020.

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 Financial Supervisory Commission (FSC).

   Except for the following, 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 did not have any material impact on the Group’s accounting policies:

   - IFRS 16 “Leases”

     IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

     <u>Definition of a lease</u>

     The Group elects 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 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes 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 are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents 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 are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

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

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

3) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.0392%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 275,330
Less: Recognition exemption for short-term leases	(9,539)
Less: Recognition exemption for leases of low-value assets	(1,495)
Undiscounted amounts on January 1, 2019	$ 264,296
Lease liabilities recognized on January 1, 2019	$ 251,779

The Group as lessor

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

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Prepayments	$ 3,389	$ (3,389)	$ -
Long-term prepayments for leases	95,184	(95,184)	-
Investments accounted for using the equity method	253,998	(2,029)	251,969
Right-of-use assets	-	347,344	347,344
Total effect on assets	$ 352,571	$ 246,742	$ 599,313
Lease liabilities - current	$ -	$ 36,161	$ 36,161
Lease liabilities - non-current	-	215,618	215,618
Total effect on liabilities	$ -	$ 251,779	$ 251,779
Retained earnings	$ 3,256,098	$ (4,731)	$ 3,251,367
Non-controlling interests	436,464	(306)	436,158
Total effect on equity	$ 3,692,562	$ (5,037)	$ 3,687,525

b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: 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 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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.

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 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 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

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 13 and Tables 7 and 8 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual 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 foreign operations (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 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.

For a transfer of classification from property, plant and equipment to investment properties, the deemed cost of an item of property from subsequent accounting is its carrying amount at the end of owner-occupation.

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

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

a. 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 31.

b.

c. 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 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 financial assets in subsequent reporting periods.

A financial asset is credit impaired when significant financial difficulty of the issuer or the borrower, breach of contract, it is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization or the disappearance of an active market for that financial asset because of financial difficulties have occurred.

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.

d.
e. 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.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (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 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.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

f. i. Internal or external information show that the debtor is unlikely to pay its creditors.
g.
h. ii. When a financial asset is more than specific days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset 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 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 which 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.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is 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 that is 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. Revenue recognition

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 VCM, 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.

n. 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.

o. Leasing

<u>2019</u>

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

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.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee’s incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

2018

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.

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 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.

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 on unappropriated earnings is provided for 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.

Key Sources of Estimation Uncertainty

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.

Income taxes

As of December 31, 2019 and 2018, the carrying amounts of deferred tax assets in relation to unused tax losses were $230,996 thousand and $261,613 thousand, respectively. As of December 31, 2019 and 2018, no deferred tax assets have been recognized on tax losses and deductible temporary differences of $807,600 thousand and $889,469 thousand, respectively, due to the unpredictability of future profit streams. The realizability of deferred tax assets mainly depends on whether sufficient future profit or taxable temporary differences will be available. In cases where the actual future profit generated is less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

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 judgment, 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	
	2019	2018
Cash on hand and petty cash	$ 527	$ 484
Checking accounts and demand deposits	216,911	207,907
Cash equivalents		
Time deposits	435,909	518,469
Reverse repurchase agreements collateralized by bonds	-	207,820
	$ 653,347	$ 934,680

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	
	2019	**2018**
Cash in banks	0.001%-2.20%	0.001%-3.00%
Repurchase agreements collateralized by bonds	-	0.53%-0.55%

7. FINANCIAL INSTRUMENTS AT FVTPL

	December 31	
	2019	**2018**
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	$ 7,446	$ 839
Non-derivative financial assets		
Open-end fund beneficiary certificates	528,164	1,222,661
Closed-end fund beneficiary certificates	240,467	209,207
Overseas unlisted equity investments	-	-
	$ 776,077	$ 1,432,707
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ 1,227	$ 1,645

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, 2019			
Buy	NTD/USD	2020.01.13-2020.03.04	NTD259,075/USD8,590
Sell	USD/NTD	2020.01.03-2020.03.24	USD23,740/NTD719,887
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

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

Investments in Equity Instruments at FVTOCI

	December 31	
	2019	**2018**
Non-current		
Domestic equity investments		
Listed ordinary shares		
Asia Polymer Corporation	$ 1,921	$ 1,593
Unlisted ordinary shares		
KHL IB Venture Capital Co., Ltd.	117,882	121,047
	$ 119,803	$ 122,640

In order to adjust its capital structure, KHL IB Venture Capital Co., Ltd. returned part of its capital to shareholders pursuant to the resolution made in the shareholders meeting in April 2019 and June 2018, respectively. The return was made by reducing 8.25% and 8.2% of the capital, in aggregation of 11,578 thousand and 12,536 thousand shares (proportionately reducing 82.5 shares and 82 shares per 1,000 shares) and refunding $825 and $820 per 1,000 shares to shareholders, respectively. The Company received the capital refund of $6,891 thousand and $7,462 thousand in May 2019 and August 2018, respectively.

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.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2019	**2018**
Current		
Domestic investments		
Pledged time deposits	$ 269,103	$ 268,954

As of December 31, 2019 and 2018, the annual interest rates for pledged time deposits ranged from 0.090% to 1.015%.

Refer to Note 33 for information related to financial assets at amortized cost pledged as security.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2019	2018
Notes receivable		
Notes receivable - operating	$ 209,990	$ 195,847
Trade receivables		
At amortized cost		
Gross carrying amount	$ 1,282,410	$ 1,621,877
Less: Allowance for impairment loss	(13,600)	(13,735)
	$ 1,268,810	$ 1,608,142
Other receivables		
Tax refund receivables	$ 68,620	$ 74,916
Interest receivables	811	939
Others	4,314	9,000
Less: Allowance for impairment loss	(244)	(254)
	$ 73,501	$ 84,601
Other receivables from related parties (Note 32)	$ 14,315	$ 11,165

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 measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. 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, 2019

	Credit Rating A	Credit Rating B	Credit Rating C	Others	Total
Gross carrying amount	$ 103,172	$ 479,961	$ 127,041	$ 572,236	$ 1,282,410
Loss allowance (lifetime ECLs)	-	(3,864)	(2,863)	(6,873)	(13,600)
Amortized cost	$ 103,172	$ 476,097	$ 124,178	$ 565,363	$ 1,268,810

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	
	2019	2018
Not past due	$ 1,448,401	$ 1,750,493
Less than and including 60 days	40,017	64,638
Over 60 days	3,982	2,593
	$ 1,492,400	$ 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	
	2019	2018
Balance at January 1	$ 13,735	$ 12,319
Add: Net remeasurement of loss allowance	-	1,469
Less: Amounts written off	(62)	(106)
Foreign exchange gains and losses	(73)	53
Balance at December 31	$ 13,600	$ 13,735

b. Other receivables

As of December 31, 2019 and 2018, the Group assessed the impairment loss of other receivables using expected credit losses.

11. INVENTORIES

	December 31	
	2019	2018
Finished goods	$ 722,447	$ 1,131,291
Work in progress	37,077	45,025
Raw materials	709,688	540,959
	$ 1,469,212	$ 1,717,275

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was $13,148,375 thousand and $12,490,058 thousand, respectively.

The cost of goods sold included inventory write-down of $3,736 thousand and $2,907 thousand for the years ended December 31, 2019 and 2018, respectively.

12. 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 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	
	2019	2018
Administrative expenses	$ (28,650)	$ (33,267)
Loss from operations	(28,650)	(33,267)
Non-operating income	32,825	40,734
Net profit from discontinued operations	$ 4,175	$ 7,467

For the years ended December 31, 2019 and 2018, the cash flows from the discontinued operations were as follows:

	For the Year Ended December 31	
	2019	2018
Net cash generated from operating activities	$ 9,674	$ 17,640
Net cash generated from investing activities	411	378
Effect of exchange rate changes	(3,234)	(334)
Net cash inflow	$ 6,851	$ 17,684

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Nature of Activities	Proportion of Ownership (%) December 31 2019	2018	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	Subsidiary, d
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 24, 2019 and May 23, 2018, the board of directors of CGPCPOL, on behalf of the shareholders, resolved to increase its capital by declaring a share dividend of $11,407 thousand and $223,810 thousand, representing 1,141 thousand shares and 22,381 thousand shares, respectively. The record date of the capital increase was July 5, 2019 and July 6, 2018, respectively.

b. On May 6, 2019 and April 23, 2018, the TVCM shareholders in their meeting passed a resolution to increase TVCM's capital by declaring a share dividend of $236,200 thousand and $112,476 thousand, representing 23,620 thousand shares and 11,248 thousand shares, respectively. The record date of the capital increase was July 5, 2019 and July 6, 2018, respectively.

c. In October 2011, the board of directors of the Company resolved to dissolve CGPC (ZS) and CGPC (CP). As of December 31, 2019, the dissolution procedures have not yet been completed.

d. Krystal Star was dissolved in December 2019. The Company collected repayment of shares which amounted to $78,556 thousand and recognized profit of $2,549 thousand.

The financial statements of subsidiaries included in the consolidated financial statements were audited by the auditors for the same years.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

a. Associates that are not individually material

	December 31 2019	2018
Listed company		
Acme Electronics Corporation ("ACME")	$ 21,739	$ 24,926
Unlisted company		
China General Terminal & Distribution Corporation ("CGTD")	257,584	228,250
Thintec Materials Corporation ("TMC")	1,446	1,452
	$ 280,769	$ 253,998

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2019	2018
The Group's share of:		
Gain (loss) from continuing operations	$ 24,740	$ (25,315)
Other comprehensive income (loss)	4,053	(19,431)
Total comprehensive income (loss) for the year	$ 28,793	$ (44,746)

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	**2019**	**2018**
ACME	1.74%	1.74%
CGTD	33.33%	33.33%
TMC	10.00%	10.00%

Refer to Table 7 "Information on Investees" for the nature of activities, principal places of business and countries of incorporation of the associates.

On April 12, 2019, the board of directors of TMC had approved the proposal for dissolution and liquidation of the Company starting from the dissolution date of May 25, 2019. TMC had not completed the process of liquidation as of December 31, 2019.

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	**2019**	**2018**
ACME	$ 38,906	$ 42,241

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, 2019 and 2018 were based on the associates' financial statements which have been audited for the same years.

15. 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, 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
Cost							
Balance at January 1, 2019	$ 2,105,218	$ 2,102,358	$ 9,750,059	$ 64,478	$ 341,757	$ 719,920	$ 15,083,790
Additions	-		181	-	509	920,716	921,406
Disposals	-	(33,246)	(227,850)	(9,097)	(15,263)	-	(285,456)
Reclassification	(14,511)	(51,985)	697,568	3,422	16,862	(876,843)	(225,487)
Effect of foreign currency exchange differences	-	(12,829)	(1,419)	(109)	(179)	(258)	(14,794)
Balance at December 31, 2019	$ 2,090,707	$ 2,004,298	$ 10,218,539	$ 58,694	$ 343,686	$ 763,535	$ 15,479,459
Accumulated depreciation and impairment							
Balance at January 1, 2019	$ -	$ 1,142,183	$ 7,595,905	$ 46,767	$ 280,977	$ 8,069	$ 9,073,901
Depreciation expenses	-	64,350	463,642	5,538	18,721	-	552,251
Disposals	-	(31,347)	(224,812)	(8,539)	(15,210)	-	(279,908)
Reclassification	-	(7,673)	(6,062)	-	-	-	(13,735)
Effect of foreign currency exchange differences	-	(8,796)	(1,379)	(83)	(109)	(258)	(10,625)
Balance at December 31, 2019	$ -	$ 1,158,717	$ 7,827,294	$ 43,683	$ 284,379	$ 7,811	$ 9,321,884
Carrying amounts at December 31, 2019	$ 2,090,707	$ 845,581	$ 2,391,245	$ 15,011	$ 59,307	$ 755,724	$ 6,157,575

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
Transportation equipment	
Cars	2 to 7 years
Forklifts	5 to 8 years
Other vehicles	2 to 15 years
Other equipment	2 to 10 years
Miscellaneous equipment	
General office computers	2 to 5 years
Industrial computers	3 to 15 years
Other miscellaneous equipment	3 to 21 years

The Group set out the property, plant and equipment pledged as collateral for bank borrowings in Note 33.

16. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land	$ 264,921
Buildings	12,836
Machinery	27,351
	$ 305,108

	For the Year Ended December 31, 2019
Depreciation charge for right-of-use assets	
Land	$ 24,762
Buildings	4,292
Machinery	9,117
	$ 38,171

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 36,082
Non-current	$ 181,459

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land	1.0392%
Buildings	1.0392%
Machinery	1.0392%

c. Material lease-in activities and terms

The Group leases certain land and buildings for the use of product manufacturing and office with lease terms of 2 to 15 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

The Group also leases machinery for the use of product manufacturing and Group's operations with lease terms of 5 years. The Group does not have bargain purchase options to acquire the leasehold machinery at the end of the lease terms.

The lease contract for land located in Kaohsiung specifies that lease payments will be adjusted on the basis of changes in announced land value prices.

d. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 11,769
Expenses relating to low-value asset leases	$ 588
Expenses relating to variable lease payments not included in the measurement of lease liabilities	$ 43,148
Total cash outflow for leases	$ (91,900)

The Group leases certain buildings, transportation equipment which qualify as short term leases and certain land and office equipment which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

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

	December 31, 2018
Not later than 1 year	$ 46,518
Later than 1 year and not later than 5 years	140,238
Later than 5 years	88,574
	$ 275,330

17. INVESTMENT PROPERTIES

	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

(Continued)

	Land	Building and improvements	Total
Cost			
Balance at January 1, 2019	$ 13,204	$ 129,547	$ 142,751
Reclassification from properties, plant and equipment	14,511	163,385	177,896
Balance at December 31, 2019	$ 27,715	$ 292,932	$ 320,647
Accumulated depreciation			
Balance at January 1, 2019	$ -	$ 7,474	$ 7,474
Depreciation expense	-	14,140	14,140
Reclassification from property, plant and equipment	-	13,735	13,735
Balance at December 31, 2019	$ -	$ 35,349	$ 35,349
Carrying amount at December 31, 2019	$ 27,715	$ 257,583	$ 285,298

(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 maturity analysis of lease payments receivable under operating leases of investment properties in 2019 and 2018 were as follows:

	December 31	
	2019	2018
Year 1	$ 7,567	$ 11,777
Year 2	6,622	5,889
Year 3	6,622	-
Year 4	6,622	-
Year 5	6,623	-
Year 6 onwards	29,800	-
	$ 63,856	$ 17,666

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings and improvements	5 to 26 years

18. INTANGIBLE ASSETS

	Computer Software	Technical Authorization	Total
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
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
Cost			
Balance at January 1, 2019	$ 16,522	$ 35,544	$ 52,066
Disposals	(13,226)	(35,544)	(48,770)
Balance at December 31, 2019	3,296	-	3,296
Accumulated amortization			
Balance at January 1, 2019	$ 14,452	$ 35,121	$ 49,573
Amortization expenses	1,887	423	2,310
Disposals	(13,226)	(35,544)	(48,770)
Balance at December 31, 2019	3,113	-	3,113
Carrying amounts at December 31, 2019	$ 183	$ -	$ 183

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

Computer software	3 years
Technical authorization	7 years

19. PREPAYMENTS FOR LEASES (FOR THE YEAR ENDED DECEMBER 31, 2019: NONE)

	December 31, 2018
Current (included in prepayments)	$ 3,389
Non-current	95,184
	$ 98,573

Starting from January 1, 2019, the Group applied IFRS 16 and reclassified the prepayments for leases which are the land use rights in mainland China as the right-of-use assets. Refer to Notes 3 and 16 for the related disclosures.

20. LONG-TERM BORROWINGS

	December 31	
	2019	2018
Line of credit borrowings	$ -	$ 500,000
Secured loans	500,000	500,000
	$ 500,000	$ 1,000,000
The range of interest rate	1.05%	0.99%-1.04%

In order to enrich medium-term working capital, CGPCPOL entered into a 3-year credit contract with KGI Bank with a revolving credit limit of $500,000 thousand and revolving to utilize the total credit amount within the validity period. As of December 31, 2019, the total credit amount is unused. 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 was reduced to $850,000 thousand on November 30, 2019. As of December 31, 2019, the utilized credit amounted to $500,000 thousand. The Group set out the assets as pledged collateral for bank borrowings in Note 33.

21. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2019	2018
Notes payable		
Operating	$ -	$ 288
Trade payables (including related parties)		
Operating	$ 838,312	$ 1,086,869

The average payment period of trade payables was 2 months. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

22. OTHER PAYABLES - CURRENT

	December 31	
	2019	2018
Payables for salaries or bonuses	$ 236,794	$ 305,678
Payables for freight	79,446	73,585
Payables for purchases of equipment	66,160	100,624
Payables for utilities	63,605	60,241
Payables for fuel fees	20,779	19,830
Others	163,656	194,772
	$ 630,440	$ 754,730

23. REFUND LIABILITIES

	December 31	
	2019	2018
Refund Liability (presented in other current liabilities)	$ 21,412	$ 23,750

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.

24. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and its subsidiaries, CGPCPOL and TVCM, adopted a pension plan under the Labor Pension Act (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 10% 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	
	2019	2018
Present value of defined benefit obligation	$ 1,597,592	$ 1,640,307
Fair value of plan assets	(955,377)	(932,628)
Net defined benefit liabilities	$ 642,215	$ 707,679

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, 2018	$ 1,643,363	$ (603,488)	$ 1,039,875
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
Service cost			
Current service cost	15,176	-	15,176
Net interest expense (income)	14,459	(8,557)	5,902
Recognized in profit or loss	29,635	(8,557)	21,078
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(32,254)	(32,254)
Actuarial loss - changes in demographic assumptions	47	-	47
Actuarial loss - changes in financial assumptions	31,785	-	31,785
Actuarial gain - experience adjustments	(7,270)	-	(7,270)
Recognized in other comprehensive income	24,562	(32,254)	(7,692)
Contributions from the employer	-	(78,850)	(78,850)
Benefits paid	(96,912)	96,912	-
Balance at December 31, 2019	$ 1,597,592	$ (955,377)	$ 642,215

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	
	2019	2018
Operating costs	$ 17,111	$ 21,351
Selling and marketing expenses	1,682	2,017
General and administrative expenses	1,590	1,844
Research and development expenses	695	793
	$ 21,078	$ 26,005

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	
	2019	**2018**
Discount rates	0.625%-0.750%	0.875%-1.000%
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	
	2019	**2018**
Discount rates		
0.25% increase	$ (31,785)	$ (34,070)
0.25% decrease	$ 32,813	$ 35,204
Expected rates of salary increase		
0.25% increase	$ 31,651	$ 34,039
0.25% decrease	$ (30,827)	$ (33,121)

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 $68,980 thousand to the defined benefit plans in the next year starting from December 31, 2019. The weighted average duration of defined benefit obligation is 8-9 years.

25. EQUITY

a. Ordinary shares

	December 31	
	2019	2018
Number of shares authorized (in thousands)	650,000	650,000
Shares authorized	$ 6,500,000	$ 6,500,000
Number of shares issued and fully paid (in thousands)	527,030	506,760
Shares issued	$ 5,270,299	$ 5,067,596

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 27-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 2018 and 2017 approved in the shareholders' meetings on June 21, 2019 and June 22, 2018, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2018	**2017**	**2018**	**2017**
Legal reserve	$ 127,616	$ 126,981		
Cash dividends	760,140	737,999	$ 1.5	$ 1.5
Share dividends	202,703	147,600	0.4	0.3

The appropriation of earnings for 2019 was proposed by the Company's board of directors on March 5, 2020. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 64,393	
Cash dividends	263,515	$0.5
Share dividends	263,515	0.5

The appropriation of earnings for 2019 are subject to resolution in the shareholders' meeting to be held on May 28, 2020.

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, 2019, 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	
	2019	**2018**
Balance at January 1	$ (15,825)	$ (19,583)
Effect of change in tax rate	-	(2,020)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(18,312)	7,723
Related income tax	3,634	(1,545)
Share of exchange differences of associates accounted for using the equity method	(711)	(400)
Reclassification adjustments		
Disposal of foreign operations	(2,549)	-
Balance at December 31	$ (33,763)	$ (15,825)

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 57,842	$ 56,912
Recognized during the period		
Unrealized gain on equity instruments	4,012	20,423
Share of gain (loss) of associates accounted for using the equity method	5,175	(19,493)
Balance at December 31	$ 67,029	$ 57,842

f. Non-controlling interests

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 436,464	$ 394,507
Effect of retrospective restatement of IFRS 16	(306)	-
Balance at January 1 (as restated)	436,158	394,507
Net profit attributable to non-controlling interests	55,313	79,964
Comprehensive income attributable to non-controlling interests:		
Unrealized gains (loss) on financial assets at FVTOCI	42	(77)
Remeasurement on defined benefit plans	433	(550)
Distributions of cash dividends	(30,192)	(37,380)
Balance at December 31	$ 461,754	$ 436,464

26. REVENUE

a. Revenue from contracts with customers

	For the Year Ended December 31	
	2019	2018
Revenue from the sale of goods		
PVC products	$ 14,233,801	$ 14,091,352
VCM products	884,054	1,101,269
	$ 15,117,855	$ 15,192,621

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

Refer to Note 4 and 37 for information about revenue from contracts with customers.

b. Contract balances

Refer to Note 10 for information related to notes receivable and trade receivables.

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities (presented in other current liabilities)	$ 32,763	$ 23,211	$ 39,953

The changes in the balance of contract liabilities primarily result from the timing difference between the Group's performance and the respective customers' payment.

27. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations was attributable to:

	For the Year Ended December 31	
	2019	2018
Owners of the Company	$ 638,502	$ 1,268,689
Non-controlling interests	55,313	79,964
	$ 693,815	$ 1,348,653

a. Other income

	For the Year Ended December 31	
	2019	2018
Interest income		
Bank deposits	$ 9,135	$ 8,794
Financial assets at FVTPL	5,826	5,981
Financial assets at amortized cost	497	488
Others	322	955
	15,780	16,218
Rental income	8,919	12,526
Others	39,845	55,059
	$ 64,544	$ 83,803

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Gain (loss) on disposal of property, plant and equipment	$ (417)	$ 5,557
Gross foreign exchange gains	89,146	112,172
Gross foreign exchange losses	(107,046)	(75,451)
Loss on financial liabilities held for trading (see Note 7)	(18,791)	(35,062)
Gain on financial assets mandatorily classified as at FVTPL (see Note 7)	64,226	47,876
Depreciation expenses from investment properties	(14,140)	(4,983)
Gain on disposal of associates (see Note 13)	2,549	-
Others	(12,499)	(17,019)
	$ 3,028	$ 33,090

c. Interest expense

	For the Year Ended December 31	
	2019	2018
Interest on bank loans	$ 9,794	$ 10,446
Interest on lease liabilities	2,456	-
Less: Capitalized interest (included construction in progress)	(47)	(297)
	$ 12,203	$ 10,149

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2019	2018
Capitalized interest	$ 47	$ 297
Capitalization rate	0.66%	0.82%

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	$ 540,380	$ 485,991
Right-of-use assets	34,775	-
Investment properties	14,140	4,983
Intangible assets	2,310	8,111
Others	31,195	15,557
	$ 622,800	$ 514,642
An analysis of depreciation by function		
Operating costs	$ 558,834	$ 477,584
Operating expenses	16,321	8,407
Non-operating expenses	14,140	4,983
	$ 589,295	$ 490,974
An analysis of amortization by function		
Operating costs	$ 31,618	$ 20,634
General and administrative expenses	1,887	3,034
	$ 33,505	$ 23,668

e. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Post-employment benefits		
Defined contribution plans	$ 27,563	$ 26,053
Defined benefit plans (see Note 24)	21,078	26,005
	48,641	52,058
Other employee benefits	1,156,580	1,206,233
Total employee benefits expense	$ 1,205,221	$ 1,258,291
An analysis of employee benefits expense by function		
Operating costs	$ 942,331	$ 985,756
Operating expenses	262,890	272,535
	$ 1,205,221	$ 1,258,291

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, 2019 and 2018, which have been approved by the Company’s board of directors on March 5, 2020 and March 6, 2019, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2019	2018
Employees’ compensation	1%	1%
Remuneration of directors	-	-

Amount

	For the Year Ended December 31		
	2019		2018
Employees’ compensation	$ 6,967	$	$ 13,975

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, 2018 and 2017.

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.

28. INCOME TAX RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense (benefit) are as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 110,421	$ 238,997
Income tax on unappropriated earnings	14,390	33,067
Adjustments for prior years	647	20,708
	125,458	292,772
Deferred tax		
In respect of the current year	33,222	49,185
Adjustments for prior years	(701)	1,722
Adjustments to deferred tax attributable to changes in tax rates and laws	-	(40,873)
Others	2,214	2,893
	34,735	12,927
Income tax expense recognized in profit or loss	$ 160,193	$ 305,699

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

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	$ 854,008	$ 1,654,352
Income tax expense calculated at the statutory rate	$ 255,700	$ 493,579
Domestic investment gains accounted for using the equity method	(95,582)	(153,666)
Others	(15,907)	(54,923)
Additional income tax under the Alternative Minimum Tax Act	4,491	37,973
Income tax on unappropriated earnings	14,390	33,067
Unrecognized deductible temporary differences	(6,789)	(35,452)
Adjustments to deferred tax attributable to changes in tax rates and laws	-	(40,873)
Effect of different tax rates	3,943	3,564
Adjustments for prior years' tax	(53)	22,430
Income tax expense recognized in profit or loss	$ 160,193	$ 305,699

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. However, the applicable corporate income tax rate used by the Company, TVCM and CGPCPOL is 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was 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 21%, which was adjusted from 30% to 21%, effective in 2018.

As the status of the 2020 appropriation of earnings is uncertain, the potential income tax consequences of the 2019 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
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	3,634	(1,545)
Remeasurement on defined benefit plans	(862)	(742)
	2,772	(2,287)
Income tax recognized in other comprehensive income	$ 2,772	$ 4,213

c. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax assets		
Tax refund receivable	$ 6,223	$ -
Current tax liabilities		
Income tax payable	$ 99,734	$ 181,491

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, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory valuation	$ 16,768	$ (457)	$ -	$ 16,311
Share of profit of subsidiaries and associates accounted for using the equity method	91,430	(21,640)	3,634	73,424
Unrealized losses on property, plant and equipment	31	-	-	31
Deferred revenue	13,134	(3,997)	-	9,137

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
FVTPL financial assets	$ 287	$ (46)	$ -	$ 241
Refund liabilities	4,750	(581)	-	4,169
Defined benefit plans	123,635	(7,648)	(862)	115,125
Payables for annual leave	7,173	1,046	-	8,219
Differences on depreciation period between finance and tax	1,114	-	-	1,114
Others	3,291	(66)	-	3,225
	$ 261,613	$ (33,389)	$ 2,772	$ 230,996
Deferred tax liabilities				
Temporary differences				
FVTPL financial assets	$ 125	$ 1,359	$ -	$ 1,484
Unrealized foreign exchange gains	427	313	-	740
Differences on depreciation period between finance and tax	1,328	(326)	-	1,002
Revaluation increments of land	592,084	-	-	592,084
	$ 593,964	$ 1,346	$ -	$ 595,310

(Concluded)

For the year ended December 31, 2018

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

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Deferred revenue	$ 15,578	$ (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
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)

e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2019	2018
Loss carryforwards	$ 550,980	$ 599,774
Deductible temporary differences		
Share of loss of subsidiaries and associates accounted for using the equity method	$ 206,932	$ 215,580
Defined benefit plans	13,582	33,113
Allowance for inventory valuation	3,647	2,734
Differences on depreciation period between finance and tax	16,690	22,455
Others	15,769	15,813
	$ 256,620	$ 289,695

As of December 31, 2019, the Group's unused loss carryforwards are $550,980 thousand which will expire in succession before 2028.

f. Income tax assessments

The income tax returns of the Company, CGPCPOL and TVCM through 2017 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, 2019 and 2018 due to relevant tax exemptions in compliance with the regulations of the location where the entities were established.

29. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	**2018**
Basic earnings per share		
From continuing operations and discontinued operations	$ 1.22	$ 2.42
From discontinued operations	(0.01)	(0.01)
From continuing operations	$ 1.21	$ 2.41
Diluted earnings per share		
From continuing operations and discontinued operations	$ 1.22	$ 2.42
From discontinued operations	(0.01)	(0.01)
From continuing operations	$ 1.21	$ 2.41

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 2, 2019. The basic and diluted earnings (losses) per share adjusted retrospectively for the year ended December 31, 2018 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share		
From continuing and discontinued operations	$ 2.52	$ 2.42
From discontinued operations	(0.02)	(0.01)
From continuing operations	$ 2.50	$ 2.41
Diluted earnings per share		
From continuing and discontinued operations	$ 2.51	$ 2.42
From discontinued operations	(0.01)	(0.01)
From continuing operations	$ 2.50	$ 2.41

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	
	2019	**2018**
Profit for the period attributable to owners of the Company (earnings used in computation of basic and diluted earnings per share)	$ 642,677	$ 1,276,156
Less: Profit for the period from discontinued operations	(4,175)	(7,467)
Earnings used in the computation of basic and diluted earnings per share from continuing operations	$ 638,502	$ 1,268,689

Weighted average number of ordinary shares outstanding (in thousands of shares)

	For the Year Ended December 31	
	2019	**2018**
Weighted average number of ordinary shares used in computation of basic earnings per share	527,030	527,030
Effect of potentially dilutive ordinary shares:		
Employees' compensation	449	724
Weighted average number of ordinary shares used in the computation of diluted earnings per share	527,479	527.754

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.

30. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

31. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management of the Group believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair value or their fair value cannot be reliably measured.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 7,446	$ -	$ 7,446
Fund beneficiary certificates	768,631	-	-	768,631
Investments in equity instruments				
Overseas unlisted equity investments	-	-	-	-
	$ 768,631	$ 7,446	$ -	$ 776,077
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed equity investments	$ 1,921	$ -	$ -	$ 1,921
Domestic unlisted equity investments	-	-	117,882	117,882
	$ 1,921	$ -	$ 117,882	$ 119,803
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 1,227	$ -	$ 1,227

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
Investments in equity instruments				
Overseas unlisted equity investments	-	-	-	-
	$ 1,431,868	$ 839	$ -	$ 1,432,707

(Continued)

	Level 1	Level 2	Level 3	Total
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

(Concluded)

There were no transfers between Levels 1 and 2 for the years ended December 31, 2019 and 2018.

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

For the years ended December 31, 2019

Financial Assets	Financial Assets at FVTOCI
Balance at January 1, 2019	$ 121,047
Recognized in other comprehensive income (included in unrealized gain on financial assets at FVTOCI)	3,726
Return of capital	(6,891)
Balance at December 31, 2019	$ 117,882

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, 2019 and 2018. When other inputs remain unchanged, the fair value will decrease by $1,387 thousand and $1,424 thousand, respectively if the discount for lack of marketability increases by 1%.

c. Categories of financial instruments

	December 31	
	2019	2018
Financial assets		
Financial assets at FVTPL		
Mandatorily classified at FVTPL	$ 776,077	$ 1,432,707
Financial assets at amortized cost		
Cash and cash equivalents	653,347	934,680
Pledge time deposits	269,103	268,954
Notes receivable	209,990	195,847
Trade receivables (including related parties)	1,268,810	1,608,142
Other receivables (including related parties and excluding tax refund receivable)	19,196	20,850
Refundable deposits	26,636	16,281
Financial assets at FVTOCI		
Equity instruments	119,803	122,640
Financial liabilities		
Financial liabilities at FVTPL - held for trading	1,227	1,645
Financial liabilities measured at amortized cost		
Notes payable	-	288
Trade payables (including related parties)	838,312	1,086,869
Other payables (including related parties)	645,524	768,993
Long-term borrowings	500,000	1,000,000
Guarantee deposits	4,240	3,300

d. Financial risk management objectives and policies

The Group's conduct of risk controlling and hedging strategy is influenced by the operational environment. The Group monitors and manages the financial risk by business nature and risk dispersion.

These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's operating activities exposed itself primarily to the market risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group conducted foreign currency sales and purchases, which exposed the Group to foreign currency risk. In order to avoid the impact of foreign currency exchange rate changes, which lead to deductions in foreign currency denominated assets and fluctuations in their future cash flows, the Group maintains a balance of hedged net foreign currency denominated assets and liabilities. The Group also utilizes foreign exchange forward contracts to hedge the currency exposure. The use of foreign exchange forward contracts is regulated by the policies passed by the Group's board of directors. Internal auditors focus on reviewing the observance of the policies and the quota of risk exposures. The foreign exchange forward contracts that the Group engaged in were not for speculation purposes.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 35.

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, 2019 and 2018 would have decreased/increased by $26,998 thousand and $30,688 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	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 724,184	$ 1,008,163
Financial liabilities	217,541	-
Cash flow interest rate risk		
Financial assets	187,120	184,491
Financial liabilities	500,000	1,000,000

<u>Sensitivity analysis</u>

The fixed-rate financial assets and liabilities held by the Group are not included in the analysis as they are all measured at amortized cost. For floating rate assets and liabilities, the analysis was prepared assuming that the amount of the assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 50 point fluctuation in interest rate was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by $1,564 thousand and $4,078 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in domestic listed shares, domestic unlisted shares, mutual fund beneficiary certificates and other equity securities investments. The Group manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor price risk.

<u>Sensitivity analysis</u>

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

If marketable equity securities prices had fluctuated by 5%, the pre-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by $38,432 thousand and $71,593 thousand, respectively 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, 2019 and 2018 would have increased/decreased by $5,990 thousand and $6,132 thousand, respectively as a result of the changes in fair value of financial assets at FVTOCI.

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, 2019

	Weighted Average Interest Rate	On Demand or Less than 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities				
Non-interest bearing liabilities		$ 1,250,537	$ 5,228	$ -
Lease liabilities	1.04%	36,318	102,707	88,573
Floating interest rate liabilities	1.05%	-	500,000	-
		$ 1,286,855	$ 607,935	$ 88,573

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years
Lease liabilities	$ 36,318	$ 102,707	$ 73,410	$ 15,163

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	$ -

b) Financing facilities

The Group relies on bank loans as a significant source of liquidity. As of December 31, 2019 and 2018, the unused amounts of bank loan facilities were as follows:

	December 31	
	2019	2018
Bank loan facilities		
Amount unused	$ 5,724,081	$ 6,230,457

32. TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2019 and 2018, 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
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
INOMA Corporation ("INOMA")	Fellow subsidiary

(Continued)

Related Party Name	Related Party Category
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

	For the Year Ended December 31	
Related Party Category	**2019**	**2018**
Investor with significant influence	$ 2,964	$ 2,341
Fellow subsidiary	334	222
	$ 3,298	$ 2,563

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

c. Purchases of goods

	For the Year Ended December 31	
Related Party Category/Name	**2019**	**2018**
Fellow subsidiary	$ 6,520	$ 6,309
Parent company		
USI	111	2,176
Investor with significant influence	-	273
	$ 6,631	$ 8,758

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

d. Trade receivables

	December 31	
Related Party Category/Name	**2019**	**2018**
Investor with significant influence		
TTC	$ 822	$ 325

The outstanding trade receivables from related parties were unsecured. For the years ended December 31, 2019 and 2018, no impairment loss was recognized for trade receivables from related parties.

e. Trade payables to related parties

	December 31	
Related Party Category/Name	**2019**	**2018**
Parent company		
USI	$ 155,788	$ 171,224
Fellow subsidiary	551	636

	$ 156,339	$ 171,860

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 2019	December 31 2018
Investor with significant influence		
APC	$ 13,019	$ 235
Others	537	615
Parent company		
USI	727	6,133
Fellow subsidiary	28	71
Associate	3	2
Subsidiary of investor with significant influence		
TTC (ZS)	-	4,108
Others	1	1
	$ 14,315	$ 11,165

g. Other payables to related parties

Related Party Category/Name	December 31 2019	December 31 2018
Associate		
CGTD	$ 12,550	$ 10,072
Parent company		
USI	1,993	2,559
Investor with significant influence	376	315
Fellow subsidiary	128	115
Subsidiary of investor with significant influence	37	1,202
	$ 15,084	$ 14,263

h. Acquisitions of property, plant and equipment

Related Party Category/Name	Purchase Price For the Year Ended December 31 2019	Purchase Price For the Year Ended December 31 2018
Parent company		
USI	$ 2,925	$ -
Fellow subsidiary		
INOMA	743	1,914
	$ 3,668	$ 1,914

i. Lease arrangement

Related Party Category/Name	December 31	
	2019	2018
Lease liabilities		
Investor with significant influence		
APC	$ 149,693	$ -
TTC	30,918	-
Associate		
CGTD	23,289	-
	$ 203,900	$ -

Related Party Category/Name	For the Year Ended December 31	
	2019	2018
Interest expense		
Investor with significant influence		
APC	$ 1,627	$ -
Others	374	-
Associate	285	-
	$ 2,286	$ -
Lease expense		
Parent company		
USI	$ 7,116	$ 7,537
Investor with significant influence	3,441	27,783
Associate	-	7,888
	$ 10,557	$ 43,208

The Company leases offices in Neihu from USI and APC. 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.

j. Storage tank operating expenses

Related Party Category/Name	For the Year Ended December 31	
	2019	2018
Associate		
CGTD	$ 100,832	$ 88,185

The Company's subsidiaries appointed CGTD to handle the storage tank used to transport, store and load vinyl chloride monomer, ethylene and dichloromethane. The storage tank operating expenses are due by the end of next month.

k. Management service revenue

Related Party Category/Name	For the Year Ended December 31 2019	2018
Parent company		
USI	$ 2,514	$ 2,363

l. Management service expenses

Related Party Category/Name	For the Year Ended December 31 2019	2018
Fellow subsidiary		
UM	$ 86,501	$ 70,340
Others	114	114
Parent company		
USI	4,892	4,555
	$ 91,507	$ 75,009

UM and USI provide labor support, equipment and other related services to the Company and its subsidiaries. The service expenses were based on the actual quarterly expenses which should be paid in the subsequent quarter following the related service.

m. Donations

Related Party Category/Name	For the Year Ended December 31 2019	2018
Related party in substance		
USIF	$ 2,500	$ 2,000

n. Rental income

Related Party Category/Name	For the Year Ended December 31 2019	2018
Fellow subsidiary		
USIO	$ 5,909	$ 12,011
Others	-	39
Investor with significant influence	216	89
Parent company		
USI	-	7
	$ 6,125	$ 12,146

USIO signed a factory lease contract with the Company with lease term until April 15, 2020. The Company collects fixed rental amount on a monthly basis. USIO does not have bargain purchase option to acquire the leased factory at the expiry of the lease period.

o. Compensation of key management personnel

The compensation of directors and key executives for the years ended December 31, 2019 and 2018 were as follows:

	For the Year Ended December 31	
	2019	2018
Salaries and others	$ 25,139	$ 25,607
Post-employment benefits	329	327
	$ 25,468	$ 25,934

The compensation of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and the tariffs of imported raw materials and performance security of using fuel:

	December 31	
	2019	2018
Pledge deposits (classified as debt investments with no active market or other non-current assets)	$ 288,275	$ 281,874
Property, plant and equipment		
Land	1,650,957	1,650,957
Buildings and improvements	486,815	517,612
Machinery and equipment	511,933	610,005
	$ 2,937,980	$ 3,060,448

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, 2019 and 2018, the Company has not yet used its revolving credit.

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

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of the end of the reporting period were as follows:

a. As of December 31, 2019 and 2018, the Group’s unused letters of credit amounted to $574,076 thousand and $1,372,433 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 propylene pipeline resulting in a gas explosion on July 31, 2014, the first instance of the criminal procedures reached a first instance judgment 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 to appeal against the judgment. The secured instance and judgment is expected to be announced on April 24, 2020.

CGTD arrived at an agreement with the Kaohsiung City Government on February 12, 2015, pledging certificates of bank deposits of $227,351 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. As of February 27, 2020, the provisionally attached property was worth $138,273 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 27, 2020, 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 $26,890 thousand, and the amount of the settlement was $4,019 thousand. Along with the case still under litigation and the above-mentioned compensation, the accumulated amount of compensation is $3,876,234 thousand. The first-instance judgments of some of the above-mentioned civil cases (with a total amount of compensation of approximately $1,196,808 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 $388,503 thousand. In particular, CGTD was exempted to pay $6,194 thousand according to the court’s judgment. $191,155 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.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The group entities' significant financial assets and liabilities denominated in foreign currencies and aggregated by foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

Unit: Foreign and Functional Currencies in Thousands

December 31, 2019

	Foreign Currencies	Exchange Rate (In Single Dollars)		Functional Currencies	NT$
Financial assets					
Monetary items					
USD	$ 41,131	29.98	(USD:NTD)	$ 1,233,097	$ 1,233,097
AUD	611	21.005	(AUD:NTD)	12,835	12,835
EUR	343	33.590	(EUR:NTD)	11,505	11,505
USD	292	6.9762	(USD:CNY)	2,040	8,769
GBP	60	39.36	(GBP:NTD)	2,371	2,371
Financial liabilities					
Monetary items					
USD	11,406	29.98	(USD:NTD)	341,947	341,947

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

For the years ended December 31, 2019 and 2018, net foreign exchange gains (losses) were $(17,900) thousand and $36,721 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

36. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others: None;

2) Endorsements/guarantees provided: See Table 1 attached;

3) Marketable securities held: See Table 2 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 3 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 4 attached;

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 5 attached;

9) Trading in derivative instruments: See Note 7;

10) Intercompany relationships and significant intercompany transactions: See Table 6 attached; and

11) 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 following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None.

   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

   b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

   c) The amount of property transactions and the amount of the resultant gains or losses.

   d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance during the period, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

37. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments, including departments of VCM products and PVC products, under IFRS 8 "Operating Segments" were as follows:

a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments.

For the year ended December 31, 2019

	VCM Products	PVC Products	Total
Revenue from external customers	$ 884,054	$ 14,233,801	$ 15,117,855
Inter-segment revenue	8,947,977	439,166	9,387,143
Segment revenue	$ 9,832,031	$ 14,672,967	24,504,998
Eliminations			(9,387,143)
Consolidated revenue			$ 15,117,855
Segment income	$ 45,711	$ 728,188	$ 773,899
Share of gain of associates accounted for using the equity method			24,740
Interest income			15,780
Rental income			8,919
Loss on disposal of property, plant and equipment			(417)
Foreign exchange losses			(17,900)
Loss on financial instruments held for trading			(18,791)
Gain on financial assets mandatorily classified as at FVTPL			64,226
Depreciation expenses of investment properties			(14,140)
Gain on disposal of subsidiary accounted for using the equity method			2,549
Interest expense			(12,203)
Others			27,346
Profit before tax from continuing operations			$ 854,008

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

Segment profit represented the profit before tax earned by each segment without the share of profit (loss) of associates, interest income, rental income, loss on disposal of property, plant and equipment, foreign exchange losses, loss arising on financial instruments held for trading, and interest expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. However, the measure of segment assets and liabilities was not provided to the chief operating decision maker.

b. Product information

The Company and its subsidiaries are mainly engaged in the manufacturing and marketing of petrochemical products, which is a single product category. As a result, there is no need to disclosure product information.

c. Geographical information

The amounts of the Group's revenue from continuing operations from external customers and non-current assets by location are detailed below.

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2019	2018	2019	2018
Asia	$ 12,496,081	$ 12,687,936	$ 6,779,050	$ 6,249,901
America	1,926,492	1,477,713	17,113	4,825
Oceania	333,361	277,585	-	-
Europe	143,983	155,831	-	-
Middle East	116,140	483,531	-	-
Africa	101,798	110,025	-	-
	$ 15,117,855	$ 15,192,621	$ 6,796,163	$ 6,254,726

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 $884,054 thousand and $1,101,269 thousand in the years ended December 31, 2019 and 2018, respectively, is revenue of approximately $880,312 thousand and $966,719 thousand arising from sales to the Group’s largest customer.

TABLE 1

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(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	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) (Note 1)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	China General Plastics Corporation	CGPC Polymer Corporation	Subsidiary	$ 8,250,812	$ 2,899,800	$ 2,200,000	$ 14,990	None	26.66	$ 8,250,812	Yes	No	No

Note 1: The ratio is calculated using the ending balance of equity of the Company as of December 31, 2019.

Note 2: 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.

TABLE 2

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(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, 2019				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	$ 75,54	-	$ 75,543	4,268,000	1
	Fubon No. 2 Real Estate Investment Trust	-	Financial assets at FVTPL - current	4,980,000	68,77	-	68,774	5,000,000	1
	Shin Kong No. 1 Real Estate Investment Trust	-	Financial assets at FVTPL - current	3,000,000	53,40	-	53,400	3,000,000	1
	Cathay No. 2 Real Estate Investment Trust	-	Financial assets at FVTPL - current	2,500,000	42,75	-	42,750	2,500,000	1
	Open-end fund beneficiary certificates								
	Jih Sun Money Market Fund	-	Financial assets at FVTPL - current	6,722,102	100,00	-	100,009	10,107,113	1
	Taishin Ta-Chong Money Market Fund	-	Financial assets at FVTPL - current	2,244,236	32,00	-	32,005	3,086,920	1
	UPAMC James Bond Money Market Fund	-	Financial assets at FVTPL - current	596,011	10,00	-	10,000	3,526,295	1
	FSITC Taiwan Money Market Fund	-	Financial assets at FVTPL - current	325,457	5,00	-	5,000	3,404,451	1
	Ordinary shares								
	KHL IB Venture Capital Co., Ltd.	-	Financial assets at FVTOCI - non-current	7,664,611	117,88	5.95	117,882	8,353,800	1
Taiwan VCM Corporation	Open-end fund beneficiary certificates								
	Jih Sun Money Market Fund	-	Financial assets at FVTPL - current	2,016,929	30,00	-	30,007	12,193,440	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	1,92	0.02	1,921	121,611	1

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Maximum Shares/Units Held During the Year	Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value		
CGPC Polymer Corporation	Open-end fund beneficiary certificates								
	Jih Sun Money Market Fund	-	Financial assets at FVTPL - current	12,751,358	$ 189,710	-	$ 189,710	16,113,394	1
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	8,813,848	119,729	-	119,729	14,969,764	1
	Capital Money Market Fund	-	Financial assets at FVTPL - current	2,574,758	41,704	-	41,704	3,059,140	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, 2019, 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, 2019
(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	-	-	3,702,173	$ 50,000	68,792,370	$ 932,000	72,494,543	$ 982,269	$ 982,000	$ 269	-	$ -
	Jih Sun Money Market Fund	Financial assets at FVTPL - current	-	-	3,143,272	46,500	58,683,532	871,000	55,104,702	817,674	817,500	174	6,722,102	100,000
	FSITC Taiwan Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	1,803,106	322,000	1,803,106	322,062	322,000	62	-	-
	Capital Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	22,969,194	371,000	22,969,194	371,053	371,000	53	-	-
	UPAMC James Bond Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	24,995,972	418,500	24,399,961	408,618	408,500	118	596,011	10,000
Taiwan VCM Corporation	Beneficiary certificates													
	Jih Sun Money Market Fund	Financial assets at FVTPL - current	-	-	12,193,440	180,000	28,986,408	430,000	39,162,919	580,560	580,000	560	2,016,929	30,000
CGPC Polymer Corporation	Beneficiary certificates													
	Jih Sun Money Market Fund	Financial assets at FVTPL - current	-	-	3,355,891	49,500	77,153,336	1,145,000	67,757,869	1,005,531	1,004,899	632	12,751,358	189,601
	Taishin 1699 Money Market Fund	Financial assets at FVTPL - current	-	-	5,670,905	76,500	90,014,633	1,220,200	86,871,690	1,177,616	1,177,000	616	8,813,848	119,700

Note: The amount as of December 31, 2019 was accounted for as the original cost.

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, 2019
(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	$ 4,551,682	74	45 days	No major difference	No major difference	Trade payables to related parties $ (866,364)	(77)
	CGPC America Corporation	Subsidiary	Sale	(407,159)	(5)	90 days	No major difference	No major difference	Trade receivables from related parties 108,648	12
Taiwan VCM Corporation	China General Plastics Corporation	Parent company	Sale	(4,551,682)	(46)	45 days	No major difference	No major difference	Trade receivables from related parties 866,364	49
	CGPC Polymer Corporation	Fellow subsidiary	Sale	(4,396,295)	(45)	45 days	No major difference	No major difference	Trade receivables from related parties 744,328	42
CGPC Polymer Corporation	Taiwan VCM Corporation	Fellow subsidiary	Purchase	4,396,295	96	45 days	No major difference	No major difference	Trade payables to related parties (744,328)	(96)
CGPC America Corporation	China General Plastics Corporation	Parent company	Purchase	407,159	85	90 days	No major difference	No major difference	Trade payables to related parties (108,648)	(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, 2019
(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	$ 108,648	3.88	$ -	-	$ 48,615	Note 1
Taiwan VCM Corporation	China General Plastics Corporation	Parent company	Trade receivables from related parties	$ 866,364	5.55	-	-	866,364	Note 1
	CGPC Polymer Corporation	Fellow subsidiary	Trade receivables from related parties	$ 744,328	5.78	-	-	744,328	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 20, 2020.

Note 3: All the transactions were written off when preparing the consolidated financial statements.

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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	$ 866,364	No major difference	7
			1	Purchases	4,551,682	No major difference	30
		CGPC America Corporation	1	Trade receivables from related parties	108,648	No major difference	1
			1	Sales revenue	407,159	No major difference	3
		CGPC Polymer Corporation	1	Other receivables from related parties	1,588	No major difference	-
			1	Purchases	32,007	No major difference	-
			1	Trade payables to related parties	8,215	No major difference	-
1	CGPC Polymer Corporation	Taiwan VCM Corporation	3	Trade payables to related parties	744,328	No major difference	6
			3	Other payables to related parties	24,171	No major difference	-
			3	Purchases	4,396,295	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, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Business Content	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	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	$ 2,930,995	222,609,751	87.22	$ 3,126,135	$ 432,735	$ 411,811	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	80,000,000	100.00	931,227	41,361	41,361	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	346,472	5,872	5,872	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	257,584	79,638	26,546	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	195,272	(2,418)	(2,418)	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	-	-	-	1,280	1,280	Subsidiary (Note 1)
	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	21,739	(103,610)	(1,800)	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	1,446	(54)	(6)	Associate accounted for using the equity method (Note 2)

Note 1: Krystal Star International Corporation was dissolved in December 2019. The Company collected repayment for shares $78,556 thousand and recognized profit $2,549 thousand in July 2019.

Note 2: On April 12, 2019, the board of director of TMC resolved to dissolve the company from May 25, 2019. As of December 31, 2019, the dissolution procedures have not yet been completed.

Note 3: All the transactions were written off when preparing the consolidated financial statements.

CHINA GENERAL PLASTICS CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2019

(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, 2019 (Note 1)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (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, 2019 (Notes 1 and 6)	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outflow	Inflow						
Continental General Plastics (Zhong Shan) Co., Ltd. (“CGPC (ZS)”) (Note 4)	Manufacturing & marketing of PVC film and consumer products	$ 599,600 (US$ 20,000 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. (“CGPC (BVI)”)	$ 599,600 (US$ 20,000 thousand)	$ -	$	$ 599,600 (US$ 20,000 thousand)	$ 4,246 (US$ 137 thousand)	100.00	$ 4,246 (US$ 137 thousand)	$ 257,984 (US$ 8,605 thousand)	$ -
CGPC Consumer Products Corporation (“CGPC (CP)”) (Note 4)	Manufacturing & marketing of PVC consumer products	44,970 (US$ 1,500 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. (“CGPC (BVI)”)	44,970 (US$ 1,500 thousand)	-		44,970 (US$ 1,500 thousand)	(71) (US$ 2 thousand)	100.00	(71) (US$ 2 thousand)	13,308 (US$ 444 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019 (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
$811,918 (US$27,082 thousand)	$941,372 (US$31,400 thousand)	(Note 2)

Note 1: The calculation was based on the spot exchange rate as on December 31, 2019.

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 $20,506 thousand (US$684 thousand), the investment amount of Union (ZS) of $26,922 thousand (US$898 thousand) and the investment amount of CGPC (SH) of $119,920 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, 2019, the dissolution procedures have not yet been completed.

Note 5: The investment income (loss) recognition in 2019 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, 2019 and 2018, 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, 2019 and 2018, 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 audit of the financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. We conducted our audit of the financial statements for the year ended December 31, 2018 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, 2019. 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.

The key audit matters identified in the Company's financial statements for the year ended December 31, 2019 are stated as follows:

Validity of Specific Revenue

The amount of revenue derived from certain customers was NT$2,455,764 thousand, representing 29% of total revenue of the Company for the year ended December 31, 2019. These customers were all distributor, and their growth rate of revenue is significantly higher compared to the average growth rate of revenue. Therefore, we identified the validity of revenue derived from these customers as a key audit matter.

For the accounting policy related to the validity of the revenue derived from these customers, refer to Notes 4 and 20 to the accompanying consolidated financial statements.

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

1. We understood the design and tested the operating effectiveness of internal control and confirmed the validity of revenue recognition 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, and verified that the revenue was recognized upon completion of the performance obligation.

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

Valuation of Inventory

As of December 31, 2019, the carrying amount of the Company's inventory was NT$711,140 thousand (i.e., the gross amount of inventory of NT$749,430 thousand with a deduction of the allowance for inventory valuation of NT$38,290 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 judgment and accounting estimates by the management, we identified the valuation of inventory as a key audit matter.

Refer to Notes 4, 5 and 10 to the Company's financial statements for the related accounting policies and disclosures on inventory valuation.

The main audit procedures that 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. In addition, 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, 2019 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 Hsiu-Chun Huang and Cheng-Chun Chiu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2020

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 196,834	2	$ 150,729	1
Financial assets at fair value through profit or loss (FVTPL) - current (Notes 4 and 7)	391,585	4	405,396	4
Notes receivable (Notes 4 and 9)	133,133	1	190,380	2
Trade receivables (Notes 4 and 9)	629,762	6	832,697	8
Trade receivables from related parties (Notes 4, 9 and 26)	109,470	1	101,570	1
Other receivables (Notes 4 and 9)	34,716	-	26,985	-
Other receivables from related parties (Notes 4, 9 and 26)	2,298	-	2,407	-
Current tax assets (Notes 4 and 22)	5,905	-	-	-
Inventories (Notes 4 and 10)	711,140	7	820,821	7
Prepayments	27,833	-	17,348	-
Other current assets	1,193	-	1,040	-
Total current assets	2,243,869	21	2,549,373	23
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Notes 4, 8 and 19)	117,882	1	121,047	1
Investments accounted for using the equity method (Notes 4 and 11)	4,879,875	45	4,910,191	45
Property, plant and equipment (Notes 4, 12 and 27)	3,082,693	28	3,046,423	28
Investment properties (Notes 4 and 13)	285,298	3	135,277	1
Intangible assets (Notes 4 and 14)	137	-	1,640	-
Deferred tax assets (Notes 4 and 22)	218,937	2	251,089	2
Refundable deposits (Note 27)	12,115	-	2,474	-
Total non-current assets	8,596,937	79	8,468,141	77
TOTAL	$ 10,840,806	100	$ 11,017,514	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Notes payable (Note 15)	$ -	-	$ 288	-
Trade payables (Note 15)	249,970	2	226,463	2
Trade payables to related parties (Notes 15 and 26)	874,579	8	777,387	7
Other payables (Note 16)	323,197	3	394,539	4
Other payables to related parties (Note 26)	2,166	-	4,162	-
Current tax liabilities (Notes 4 and 22)	-	-	63,552	1
Other current liabilities (Notes 17 and 20)	66,004	1	61,363	-
Total current liabilities	1,515,916	14	1,527,754	14
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 22)	485,035	5	484,666	4
Net defined benefit liabilities - non-current (Notes 4 and 18)	584,884	5	627,435	6
Other non-current liabilities	4,159	-	3,019	-
Total non-current liabilities	1,074,078	10	1,115,120	10
Total liabilities	2,589,994	24	2,642,874	24
EQUITY (Notes 4, 8, 11, 18, 19 and 22)				
Ordinary shares	5,270,299	49	5,067,596	46
Capital surplus	10,060	-	8,929	-
Retained earnings				
Legal reserve	640,570	6	512,954	5
Special reserve	408,223	4	408,223	4
Unappropriated earnings	1,888,394	17	2,334,921	21
Total retained earnings	2,937,187	27	3,256,098	30
Other equity	33,266	-	42,017	-
Total equity	8,250,812	76	8,374,640	76
TOTAL	$ 10,840,806	100	$ 11,017,514	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, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
NET REVENUE (Notes 4, 20 and 26)	$ 8,391,693	100	$ 8,248,176	100
COST OF REVENUE (Notes 4, 10, 21 and 26)	7,676,217	92	7,184,172	87
GROSS PROFIT	715,476	8	1,064,004	13
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	270	-	8,150	-
REALIZED GROSS PROFIT	715,746	8	1,072,154	13
OPERATING EXPENSES (Notes 21 and 26)				
Selling and marketing expenses	352,696	4	318,651	4
General and administrative expenses	154,476	2	151,862	2
Research and development expenses	31,263	-	31,586	-
Total operating expenses	538,435	6	502,099	6
PROFIT FROM OPERATIONS	177,311	2	570,055	7
NON-OPERATING INCOME AND EXPENSES (Notes 4, 7, 11, 13, 21 and 26)				
Other income	25,877	-	27,818	1
Other gains	4,645	-	18,012	-
Interest expense	(788)	-	(14)	-
Share of profit of subsidiaries and associates	482,646	6	767,701	9
Total non-operating income and expenses	512,380	6	813,517	10
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	689,691	8	1,383,572	17
INCOME TAX EXPENSE (Notes 4 and 22)	47,014	-	107,416	1
NET PROFIT FOR THE YEAR	642,677	8	1,276,156	16

(Continued)

CHINA GENERAL PLASTICS CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 8, 11, 18, 19 and 22)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ 4,309	-	$ 3,712	-
Unrealized gain on investments in equity instruments at FVTOCI	3,726	-	20,947	-
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method-unrealized loss on investments in equity instruments at FVTOCI	5,461	-	(20,017)	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method - remeasurement of defined benefit plans	2,539	-	(3,291)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(862)	-	7,778	-
	15,173	-	9,129	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(20,861)	-	7,723	-
Share of other comprehensive loss of associates accounted for using the equity method - exchange differences on translating the financial statements of foreign operations	(711)	-	(400)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	3,634	-	(3,565)	-
	(17,938)	-	3,758	-
Other comprehensive income (loss) for the year, net of income tax	(2,765)	-	12,887	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 639,912	8	$ 1,289,043	16
EARNINGS PER SHARE (Note 23)				
Basic	$ 1.22		$ 2.42	
Diluted	$ 1.22		$ 2.42	

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Share Capital (Note 19)	Capital Surplus (Notes 4 and 19)			Retained Earnings (Notes 4, 18, 19 and 22)				Other Equity (Notes 4, 8, 11, 19 and 22)				
	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, 2018	$ 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 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
Effect of retrospective restatement	-	-	-	-	-	-	(4,731)	(4,731)	-	-	-	-	(4,731)
BALANCE AT JANUARY 1, 2019, AS RESTATED	5,067,596	8,622	307	8,929	512,954	408,223	2,330,190	3,251,367	(15,825)	-	57,842	42,017	8,369,909
Appropriation of 2018 earnings													
Legal reserve	-	-	-	-	127,616	-	(127,616)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(760,140)	(760,140)	-	-	-	-	(760,140)
Share dividends distributed by the Company	202,703	-	-	-	-	-	(202,703)	(202,703)	-	-	-	-	-
Other changes in capital surplus	-	1,124	7	1,131	-	-	-	-	-	-	-	-	1,131
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	642,677	642,677	-	-	-	-	642,677
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	5,986	5,986	(17,938)	-	9,187	(8,751)	(2,765)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	648,663	648,663	(17,938)	-	9,187	(8,751)	639,912
BALANCE AT DECEMBER 31, 2019	$ 5,270,299	$ 9,746	$ 314	$ 10,060	$ 640,570	$ 408,223	$ 1,888,394	$ 2,937,187	$ (33,763)	$ -	$ 67,029	$ 33,266	$ 8,250,812

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 689,691	$ 1,383,572
Adjustments for:		
Depreciation expenses	184,536	176,198
Amortization expenses	1,503	2,813
Net gain on fair value change on financial assets carried at FVTPL	(38,482)	(7,829)
Interest expense	788	14
Interest income	(6,843)	(6,670)
Dividend income	(3,983)	(1,649)
Share of profit of subsidiaries and associates	(482,646)	(767,701)
Net (gain) loss on disposal of property, plant and equipment	73	(1,384)
Write-down (reversal) of inventories	(4,770)	866
Realized gain on the transactions with subsidiaries	(270)	(8,150)
Gain on disposal of subsidiary	(2,549)	-
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at FVTPL	62,323	588,701
Notes receivable	57,247	(14,771)
Trade receivables	202,935	(140,129)
Trade receivables from related parties	(7,900)	17,043
Other receivables	(7,750)	(1,863)
Other receivables from related parties	109	(428)
Inventories	114,451	(139,902)
Prepayments	(10,485)	840
Other current assets	(153)	(652)
Financial liabilities held for trading	(10,030)	(17,777)
Notes payable	(288)	105
Trade payables	23,507	16,336
Trade payables to related parties	97,192	64,698
Other payables	(57,663)	29,946
Other payables to related parties	(1,996)	2,366
Other current liabilities	4,641	(16,560)
Net defined benefit liabilities	(38,242)	(231,983)
Cash generated from operations	764,946	926,050
Interest received	6,862	6,618
Interest paid	(788)	(14)
Income tax paid	(81,178)	(118,675)
Net cash generated from operating activities	689,842	813,979

(Continued)

CHINA GENERAL PLASTICS CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from capital reduction of financial assets at FVTOCI	$ 6,891	$ 7,462
Net cash inflow on disposal of subsidiaries	78,556	-
Payments for property, plant and equipment	(389,412)	(278,787)
Proceeds from disposal of property, plant and equipment	3,750	2,140
Increase in refundable deposits	(9,641)	-
Payments for intangible assets	-	(275)
Dividends received	422,912	256,708
Net cash generated from (used in) investing activities	113,056	(12,752)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from guarantee deposits received	2,988	925
Refunds of guarantee deposits received	(1,844)	(278)
Increase (decrease) in other non-current liabilities	(4)	1
Dividends paid	(757,933)	(738,002)
Net cash used in financing activities	(756,793)	(737,354)
NET INCREASE IN CASH AND CASH EQUIVALENTS	46,105	63,873
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	150,729	86,856
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 196,834	$ 150,729

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, 2019 AND 2018
(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, PVC 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 5, 2020.

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 Financial Supervisory Commission (FSC).

Except for the following, 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 did not have any material impact on the Company's accounting policies:

- IFRS 16 "Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

<u>Definition of a lease</u>

The Company elects 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 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company presents 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 statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the statements of cash flows.

The Company elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. The Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

1) The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Company excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 7,250
Less: Recognition exemption for short-term leases	(6,326)
Less: Recognition exemption for leases of low-value assets	(924)
Undiscounted amounts on January 1, 2019	$ -
Lease liabilities recognized on January 1, 2019	$ -

The Company as lessor

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

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	**Adjustments Arising from Initial Application**	**Restated on January 1, 2019**
Investments accounted for using the equity method	$ 4,910,191	$ (4,731)	$ 4,905,460
Total effect on assets	$ 4,910,191	$ (4,731)	$ 4,905,460
Retained earnings	$ 3,256,098	$ (4,731)	$ 3,251,367
Total effect on equity	$ 3,256,098	$ (4,731)	$ 3,251,367

b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	**Effective Date Announced by IASB**
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: 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 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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 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 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 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”).

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments 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 financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the 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.

For the purpose of presenting Company's financial statements, the functional currencies of foreign operations (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.

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 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

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 25.

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 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 financial assets in subsequent reporting periods.

A financial asset is credit impaired when significant financial difficulty of the issuer or the borrower, breach of contract, it is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization or the disappearance of an active market for that financial asset because of financial difficulties have occurred.

Cash equivalents include time deposits, 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.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit losses (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 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.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

i) Internal or external information show that the debtor is unlikely to pay its creditors.

ii) When a financial asset is more than specific days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset 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 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 which 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 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.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is 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 that is 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. Revenue recognition

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.

n. Leasing

<u>2019</u>

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

   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.

   Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Company as lessee

   The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

   Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

   Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

   Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

2018

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.

o. 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.

p. 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.

Key Sources of Estimation Uncertainty

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.

Income taxes

As of December 31, 2019 and 2018, the carrying amounts of deferred tax assets in relation to unused tax losses were $218,937 thousand and $251,089 thousand, respectively. As of December 31, 2019 and 2018, no deferred tax assets have been recognized on tax losses and deductible temporary differences of $206,969 thousand and $215,617 thousand, respectively, due to the unpredictability of future profit streams. The realizability of deferred tax assets mainly depends on whether sufficient future profit or taxable temporary differences will be available. In cases where the actual future profit generated is less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

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 judgment, 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	
	2019	2018
Cash on hand and petty cash	$ 219	$ 192
Checking accounts and demand deposits	93,184	81,428
Cash equivalents		
Time deposits	103,431	69,109
	$ 196,834	$ 150,729

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

	December 31	
	2019	2018
Cash in banks	0.001%-1.50%	0.001%-2.50%

7. FINANCIAL INSTRUMENTS AT FVTPL - CURRENT

	December 31	
	2019	2018
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	$ 4,104	$ 627
Non-derivative financial assets		
Open-end fund beneficiary certificates	147,014	195,562
Closed-end fund beneficiary certificates	240,467	209,207
	$ 391,585	$ 405,396

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, 2019			
Sell	USD/NTD	2020.01.03-20202.03.24	USD14,100/NTD427,298
December 31, 2018			
Sell	USD/NTD	2019.01.03-2019.03.15	USD12,360/NTD379,620

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

Investments in Equity Instruments at FVTOCI

	December 31	
	2019	2018
Non-current		
Domestic equity investments		
Unlisted ordinary shares		
KHL IB Venture Capital Co., Ltd.	$ 117,882	$ 121,047

In order to adjust its capital structure, KHL IB Venture Capital Co., Ltd. returned part of its capital to shareholders pursuant to the resolution made in the shareholders meeting in April 2019 and June 2018, respectively. The return was made by reducing 8.25% and 8.2% of the capital, in aggregation of 11,578 thousand and 12,536 thousand shares (proportionately reducing 82.5 shares and 82 shares per 1,000 shares) and refunding $825 and $820 per 1,000 shares to shareholders, respectively. The Company received the capital refund of $6,891 thousand and $7,462 thousand in May 2019 and August 2018, respectively.

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.

9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2019	2018
Notes receivable		
Notes receivable-operating	$ 133,133	$ 190,380
Trade receivables		
At amortized cost		
Gross carrying amount	$ 640,414	$ 843,349
Less: Allowance for impairment loss	(10,652)	(10,652)
	$ 629,762	$ 832,697
Trade receivables from related parties (Note 26)	$ 109,470	$ 101,570
Other receivables		
Tax refund receivables	$ 34,623	$ 26,615
Others	93	370
	$ 34,716	$ 26,985
Other receivables from related parties (Note 26)	$ 2,298	$ 2,407

a. Trade receivables

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 measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. 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, 2019

	Credit Rating A	Credit Rating B	Credit Rating C	Others	Total
Gross carrying amount	$ 5,507	$ 254,049	$ 108,176	$ 272,682	$ 640,414
Loss allowance (lifetime ECLs)	-	(3,211)	(2,373)	(5,068)	(10,652)
Amortized cost	$ 5,507	$ 250,838	$ 105,803	$ 267,614	$ 629,762

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	
	2019	2018
Not past due	$ 880,057	$ 1,118,061
Less than and including 60 days	2,960	17,238
Over 60 days	-	-
	$ 883,017	$ 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	
	2019	2018
Balance at January 1 and December 31	$ 10,652	$ 10,652

b. Other receivables

As of December 31, 2019 and 2018, the Company assessed the impairment loss of other receivables using expected credit losses.

10. INVENTORIES

	December 31 2019	December 31 2018
Finished goods	$ 412,590	$ 491,471
Work in progress	36,751	45,025
Raw materials	261,799	284,325
	$ 711,140	$ 820,821

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018, was $7,676,217 thousand and $7,184,172 thousand, respectively.

The cost of goods sold included inventory write-down (reversal) of $(4,770) thousand and $866 thousand for the years ended December 31, 2019 and 2018, respectively.

The reversals of previous write-down for the year ended December 31, 2019 resulted from inventory closeout.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31 2019	December 31 2018
Investments in subsidiaries	$ 4,599,106	$ 4,656,193
Investments in associates	280,769	253,998
	$ 4,879,875	$ 4,910,191

a. Investments in subsidiaries

	December 31 2019	December 31 2018
Unlisted company		
Taiwan VCM Corporation (“TVCM”)	$ 3,126,135	$ 2,919,181
CGPC Polymer Corporation (“CGPCPOL”)	931,227	1,103,222
CGPC (BVI) Holding Co., Ltd. (“CGPC (BVI)”)	346,472	353,757
CGPC America Corporation (“CGPC America”)	195,272	203,543
Krystal Star International Corporation (“Krystal Star”)	-	76,490
	$ 4,599,106	$ 4,656,193

At the end of the reporting periods, the percentage of ownership and voting rights held by the Company in the subsidiaries were as follows:

Name of Subsidiaries	December 31 2019	December 31 2018
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%

On May 6, 2019 and April 23, 2018, the TVCM shareholders in their meeting passed a resolution to increase TVCM's capital by declaring a share dividend of $236,200 thousand and $112,476 thousand, representing 23,620 thousand shares and 11,248 thousand shares, respectively. The record date of the capital increase was July 5, 2019 and July 6, 2018, respectively.

On May 24, 2019 and May 23, 2018, the board of directors of CGPCPOL, on behalf of the shareholders, resolved to increase its capital by declaring a share dividend of $11,407 thousand and $223,810 thousand, representing 1,141 thousand shares and 22,381 thousand shares, respectively. The record date of the capital increase was July 5, 2019 and July 6, 2018, respectively.

CGPC (BVI) invests 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, 2019, the dissolution procedures have not yet been completed.

Krystal Star was dissolved in December 2019. The Company collected repayment of shares which amounted to $78,556 thousand and recognized profit of $2,549 thousand.

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, 2019 and 2018 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	
	2019	**2018**
Listed company		
Acme Electronics Corporation ("ACME")	$ 21,739	$ 24,296
Unlisted company		
China General Terminal & Distribution Corporation ("CGTD")	257,584	228,250
Thintec Materials Corporation ("TMC")	1,446	1,452
	$ 280,769	$ 253,998

2) Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2019	**2018**
The Company's share of:		
Gain (loss) from continuing operations	$ 24,740	$ (25,315)
Other comprehensive income (loss)	4,053	(19,431)
Total comprehensive income (loss) for the year	$ 28,793	$ (44,746)

At the end of the reporting periods, the percentage of ownership and voting rights held by the Company in the associates were as follows:

Name of Associates	December 31 2019	December 31 2018
ACME	1.74%	1.74%
CGTD	33.33%	33.33%
TMC	10.00%	10.00%

Refer to Table 6 "Information on Investees" for the nature of activities, principal places of business and countries of incorporation of the associates.

On April 12, 2019, the board of directors of TMC had approved the proposal for dissolution and liquidation of the company starting from the dissolution date of May 25, 2019. TMC had not completed the process of liquidation as of December 31, 2019.

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:

Name of Associate	December 31 2019	December 31 2018
ACME	$ 38,906	$ 42,241

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, 2019 and 2018 were based on the associates' financial statements which have been audited for the same years.

12. 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, 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

(Continued)

	Freehold Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Miscellaneous Equipment	Construction in Progress and Machinery in Transit	Total
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
Cost							
Balance at January 1, 2019	$ 1,644,182	$ 961,325	$ 4,941,642	$ 55,950	$ 170,373	$ 297,398	$ 8,070,870
Additions	-	-	-	-	-	374,650	374,650
Disposals	-	(33,246)	(102,582)	(8,821)	(11,730)	-	(156,379)
Reclassification	(14,511)	(68,029)	128,874	3,422	5,460	(233,112)	(177,896)
Balance at December 31, 2019	$ 1,629,671	$ 860,050	$ 4,967,934	$ 50,551	$ 164,103	$ 438,936	$ 8,111,245
Accumulated depreciation and impairment							
Balance at January 1, 2019	$ -	$ 639,859	$ 4,182,509	$ 40,561	$ 161,518	$ -	$ 5,024,447
Depreciation expenses	-	23,929	137,582	4,797	4,088	-	170,396
Disposals	-	(31,347)	(101,247)	(8,263)	(11,699)	-	(152,556)
Reclassification	-	(7,673)	(6,062)	-	-	-	(13,735)
Balance at December 31, 2019	$ -	$ 624,768	$ 4,212,782	$ 37,095	$ 153,907	$ -	$ 5,028,552
Carrying amounts at December 31, 2019	$ 1,629,671	$ 235,282	$ 755,152	$ 13,456	$ 10,196	$ 438,936	$ 3,082,693

(Concluded)

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
Transportation equipment	
Cars	2 to 7 years
Forklifts	5 to 7 years
Other vehicles	2 to 15 years
Other equipment	2 to 10 years
Miscellaneous equipment	
General office computers	2 to 5 years
Industrial computers	3 to 15 years
Other miscellaneous equipment	3 to 21 years

The Company set out the property, plant and equipment pledged as collateral for bank borrowings in Note 27.

13. INVESTMENT PROPERTIES

	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
Cost			
Balance at January 1, 2019	$ 13,204	$ 129,547	$ 142,751
Reclassification from properties, plant and equipment	14,511	163,385	177,896
Balance at December 31, 2019	$ 27,715	$ 292,932	$ 320,647
Accumulated depreciation			
Balance at January 1, 2019	$ -	$ 7,474	$ 7,474
Depreciation expense	-	14,140	14,140
Reclassification from property, plant and equipment	-	13,735	13,735
Balance at December 31, 2019	$ -	$ 35,349	$ 35,349
Carrying amount at December 31, 2019	$ 27,715	$ 257,583	$ 285,298

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 maturity analysis of lease payments receivable under operating leases of investment properties in 2019 and 2018 were as follows:

	December 31	
	2019	2018
Year 1	$ 7,567	$ 11,777
Year 2	6,622	5,889
Year 3	6,622	-
Year 4	6,622	-
Year 5	6,623	-
Year 6 onwards	29,800	-

	$ 63,856	$ 17,666

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings and improvements	5 to 26 years

14. INTANGIBLE ASSETS

	Computer Software For the Year Ended December 31	
	2019	2018
Cost		
Balance at January 1	$ 9,910	$ 15,123
Additions	-	275
Disposals	(9,635)	(5,488)
Balance at December 31	275	9,910
Accumulated amortization		
Balance at January 1	8,270	10,945
Amortization expenses	1,503	2,813
Disposals	(9,635)	(5,488)
Balance at December 31	138	8,270
Carrying amounts at December 31	$ 137	$ 1,640

Intangible assets are amortized on a straight-line basis over their estimated useful lives of 3 years.

15. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2019	2018
Notes payable		
Operating	$ -	$ 288
Trade payables (including related parties)		
Operating	$ 1,124,549	$ 1,003,850

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.

16. OTHER PAYABLES

	December 31	
	2019	2018
Payables for salaries or bonuses	$ 162,743	$ 219,020
Payables for freight	38,450	33,136
Payables for utilities	37,055	34,567
Payables for purchases of equipment	30,106	44,868
Others	54,843	62,948
	$ 323,197	$ 394,539

17. REFUND LIABILITIES

	December 31	
	2019	2018
Refund Liability (presented in other current liabilities)	$ 20,389	$ 23,329

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.

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (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 contributes amounts equal to 10% 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	
	2019	2018
Present value of defined benefit obligation	$ 1,295,857	$ 1,337,890
Fair value of plan assets	(710,973)	(710,455)

Net defined benefit liabilities	$ 584,884	$ 627,435

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, 2018	$ 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
Service cost			
Current service cost	11,479	-	11,479
Net interest expense (income)	11,460	(6,234)	5,226
Recognized in profit or loss	22,939	(6,234)	16,705
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(25,294)	(25,294)
Actuarial loss - changes in financial assumptions	25,213	-	25,213
Actuarial gain - experience adjustments	(4,228)	-	(4,228)
Recognized in other comprehensive income	20,985	(25,294)	(4,309)
Contributions from the employer	-	(54,947)	(54,947)
Benefits paid	(85,957)	85,957	-
Balance at December 31, 2019	$ 1,295,857	$ (710,973)	$ 584,884

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	
	2019	2018
Operating costs	$ 12,995	$ 16,481
Selling and marketing expenses	1,682	2,017
General and administrative expenses	1,333	1,551
Research and development expenses	695	793
	$ 16,705	$ 20,842

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	
	2019	**2018**
Discount rate	0.625%	0.875%
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	
	2019	**2018**
Discount rates		
0.25% increase	$ (25,212)	$ (27,133)
0.25% decrease	$ 26,012	$ 28,017
Expected rates of salary increase		
0.25% increase	$ 25,086	$ 27,084
0.25% decrease	$ (24,448)	$ (26,370)

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 $56,576 thousand to the defined benefit plans in the next year starting from December 31, 2019. The weighted average duration of defined benefit obligation is 8 years.

19. EQUITY

a. Ordinary shares

	December 31	
	2019	2018
Number of shares authorized (in thousands)	650,000	650,000
Shares authorized	$ 6,500,000	$ 6,500,000
Number of shares issued and fully paid (in thousands)	527,030	506,760
Shares issued	$ 5,270,299	$ 5,067,596

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 21-e.

The appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2018 and 2017 approved in the shareholders' meetings on June 21, 2019 and June 22, 2018, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2018	2017	2018	2017
Legal reserve	$ 127,616	$ 126,981		
Cash dividends	760,140	737,999	$1.5	$1.5
Share dividends	202,703	147,600	0.4	0.3

The appropriation of earnings for 2019 was proposed by the Company's board of directors on March 5, 2020. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 64,393	
Cash dividends	263,515	$0.5
Share dividends	263,515	0.5

The appropriation of earnings for 2019 are subject to resolution in the shareholders' meeting to be held on May 28, 2020.

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, 2019, 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	
	2019	2018
Balance at January 1	$ (15,825)	$ (19,583)
Effect of change in tax rate	-	(2,020)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(18,312)	7,723
Related income tax	3,634	(1,545)
Share of exchange differences of associates accounted for using the equity method	(711)	(400)
Reclassification adjustments		
Disposal of foreign operations	(2,549)	-
Balance at December 31	$ (33,763)	$ (15,825)

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 57,842	$ 56,912
Recognized during the period		
Unrealized gain on equity instruments	3,726	20,947
Share of gain (loss) of subsidiaries and associates accounted for using the equity method	5,461	(20,017)
Balance at December 31	$ 67,029	$ 57,842

20. REVENUE

a. Revenue from the sale of goods

	For the Year Ended December 31	
	2019	2018
Revenue from sale of goods		
PVC products	$ 8,391,693	$ 8,248,176

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

b. Contract balances

Refer to Note 9 for information related to notes receivable and trade receivables.

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities (presented in other current liabilities)	$ 28,507	$ 21,118	$ 33,748

The changes in the balance of contract liabilities primarily result from the timing difference between the Company's performance and the respective customers' payment.

21. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2019	2018
Interest income		
Bank deposits	$ 941	$ 481
Financial assets at FTVPL	5,826	5,981
Others	76	208
	6,843	6,670
Rental income	8,919	12,480
Others	10,115	8,668
	$ 25,877	$ 27,818

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Gain (loss) on disposal of property, plant and equipment	$ (73)	$ 1,384
Gross foreign exchange gains	21,757	38,698
Gross foreign exchange losses	(40,449)	(20,347)
Loss on financial liabilities held for trading (see Note 7)	(10,030)	(17,269)
Gain on financial assets mandatorily classified as at FVTPL (see Note 7)	49,497	28,388
Depreciation expense of investment properties	(14,140)	(4,983)
Gain on disposal of associates (see Note 11)	2,549	-
Others	(4,466)	(7,859)
	$ 4,645	$ 18,012

c. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	$ 170,396	$ 171,215
Investment properties	14,140	4,983
Intangible assets	1,503	2,813
	$ 186,039	$ 179,011
An analysis of depreciation by function		
Operating costs	$ 168,028	$ 168,717
Operating expenses	2,368	2,498
Non-operating expenses	14,140	4,983
	$ 184,536	$ 176,198
An analysis of amortization by function		
General and administrative expenses	$ 1,503	$ 2,813

d. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Post-employment benefits		
Defined contribution plans	$ 15,938	$ 14,897
Defined benefit plans (see Note 18)	16,705	20,842
	32,643	35,739
Other employee benefits	812,572	856,546
Total employee benefits expense	$ 845,215	$ 892,285
An analysis of employee benefits expense by function		
Operating costs	$ 678,856	$ 716,530
Operating expenses	166,359	175,755
	$ 845,215	$ 892,285

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, 2019 and 2018, which have been approved by the Company's board of directors on March 5, 2020 and March 6, 2019, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2019	**2018**
Employees' compensation	1%	1%
Remuneration of directors	-	-

Amount

	For the Year Ended December 31	
	2019	**2018**
Employees' compensation	$ 6,967	$ 13,975

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, 2018 and 2017.

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.

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

	For the Year Ended December 31	
	2019	**2018**
Current tax		
In respect of the current year	$ 1,325	$ 69,726
Income tax on unappropriated earnings	9,695	25,067
Adjustments for prior years	701	(573)
	11,721	94,220

(Continued)

	For the Year Ended December 31	
	2019	2018
Deferred tax		
In respect of the current year	$ 33,780	$ 48,769
Effect of different tax rates	3,943	3,564
Unrecognized deductible temporary differences	(1,729)	(670)
Adjustments for prior years	(701)	671
Adjustments to deferred tax attributable to changes in tax rates and laws	-	(39,138)
	35,293	13,196
Income tax expense recognized in profit or loss	$ 47,014	$ 107,416

(Concluded)

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

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	$ 689,691	$ 1,383,572
Income tax expense calculated at the statutory rate	$ 137,937	$ 276,714
Domestic investment gains accounted for using the equity method	(95,582)	(153,666)
Others	(7,260)	(4,553)
Additional income tax under the Alternative Minimum Tax Act	10	-
Income tax on unappropriated earnings	9,695	25,067
Unrecognized deductible temporary differences	(1,729)	(670)
Effect of different tax rates	3,943	3,564
Adjustments to deferred tax attributable to changes in tax rates and laws	-	(39,138)
Adjustments for prior years' tax	-	98
Income tax expense recognized in profit or loss	$ 47,014	$ 107,416

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

As the status of the 2020 appropriation of earnings is uncertain, the potential income tax consequences of the 2019 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	**2018**
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	3,634	(1,545)
Remeasurement on defined benefit plans	(862)	(742)
	2,772	(2,287)
Income tax recognized in other comprehensive income	$ 2,772	$ 4,213

c. Current tax assets and liabilities

	December 31	
	2019	**2018**
Current tax assets		
Tax refund receivables	$ 5,905	$ -
Current tax liabilities		
Income tax payable	$ -	$ 63,552

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, 2019

	Opening Balance	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Closing Balance**
Deferred tax assets				
Temporary differences				
Allowance for inventory valuation	$ 8,612	$ (954)	$ -	$ 7,658
Share of profit of subsidiaries and associates accounted for using the equity method	91,430	(21,640)	3,634	73,424
Unrealized losses on property, plant and equipment	31	-	-	31
Deferred revenue	13,134	(3,997)	-	9,137
Refund liabilities	4,666	(701)	-	3,965
Defined benefit plans	123,635	(7,648)	(862)	115,125

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Payables for annual leave	$ 6,587	$ 935	$ -	$ 7,522
Unrealized foreign exchange losses	336	1,404	-	1,740
Others	2,658	(2,323)	-	335
	$ 251,089	$ (34,924)	$ 2,772	$ 218,937
Deferred tax liabilities				
Temporary differences				
Differences on depreciation period between finance and tax	$ 1,328	$ (326)	$ -	$ 1,002
FVTPL financial assets	125	695	-	820
Revaluation increments of land	483,213	-	-	483,213
	$ 484,666	$ 369	$ -	$ 485,035

(Concluded)

For the year ended December 31, 2018

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

(Continued)

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

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

As of December 31, 2019 and 2018, the deductible temporary differences for which no deferred tax assets have been recognized in the Company's balance sheets were respectively $206,969 thousand and $215,617 thousand.

f. Income tax assessments

The income tax returns of the Company through 2017 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31 2019	2018
Basic earnings per share	$ 1.22	$ 2.42
Diluted earnings per share	$ 1.22	$ 2.42

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 2, 2019. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2018 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic and diluted earnings per share	$ 2.52	$ 2.42
Diluted earnings per share	$ 2.51	$ 2.42

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	
	2019	2018
Earnings used in the computation of basic and diluted earnings per share	$ 642,677	$ 1,276,156

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

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares used in computation of basic earnings per share	527,030	527,030
Effect of potentially dilutive ordinary shares:		
Employees' compensation	449	724
Weighted average number of ordinary shares used in the computation of diluted earnings per share	527,479	527,754

If the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation would be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

24. 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.

25. 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, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 4,104	$ -	$ 4,104
Fund beneficiary certificates	387,481	-	-	387,481
	$ 387,481	$ 4,104	$ -	$ 391,585
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted equity investments	$ -	$ -	$ 117,882	$ 117,882

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

There were no transfers between Levels 1 and 2 for the years ended December 31, 2019 and 2018.

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

For the year ended December 31, 2019

Financial Assets	Financial Assets at FVTOCI
Balance at January 1, 2019	$ 121,047
Recognized in other comprehensive income (included in unrealized gain on financial assets at FVTOCI)	3,726
Return of capital	(6,891)
Balance at December 31, 2019	$ 117,882

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, 2019 and 2018. When other inputs remain unchanged, the fair value will decrease by $1,387 thousand and $1,424 thousand, respectively, if the discount for lack of marketability increases by 1%.

c. Categories of financial instruments

	December 31 2019	December 31 2018
Financial assets		
Financial assets at FVTPL		
Mandatorily classified at FVTPL	$ 391,585	$ 405,396
Financial assets at amortized cost		
Cash and cash equivalents	196,834	150,729
Notes receivable	133,133	190,380
Trade receivables (including related parties)	739,232	934,267
Other receivables (including related parties and excluding tax refund receivable)	2,391	2,777
Refundable deposits	12,115	2,454
Financial assets at FVTOCI		
Equity instruments	117,882	121,047
Financial liabilities		
Financial liabilities measured at amortized cost		
Notes payable	-	288
Trade payables (including related parties)	1,124,549	1,003,850
Other payables (including related parties)	325,363	398,701
Guarantee deposits	3,832	2,688

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 29.

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, 2019 and 2018 would have decreased/increased by $16,606 thousand and $21,236 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. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetites ensuring the most cost-effective hedging strategies are applied.

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	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 111,727	$ 71,263
Cash flow interest rate risk		
Financial assets	71,477	65,649

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 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, 2019 and 2018 would have increased/decreased by $357 thousand and $328 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, 2019 and 2018 would have increased/decreased by $19,374 thousand and $20,238 thousand, respectively 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, 2019 and 2018 would have increased/decreased by $5,894 thousand and $6,052 thousand, respectively as a result of the changes in fair value of financial assets at FVTOCI.

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. At the end of the year, 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 its obligation and due to the financial guarantees provided by the Company, could be equal to the total of the following:

a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and

b) The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

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, 2019

	On Demand or Less than 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities			
Non-interest bearing liabilities	$ 1,287,169	$ -	$ -

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	$ -	$ -

b) Financing facilities

The Company relies on bank loans as a significant source of liquidity. As of December 31, 2019 and 2018, the unused amounts of bank loan facilities were as follows:

	December 31	
	2019	2018
Bank loan facilities		
Amount unused	$ 2,071,315	$ 2,491,134

26. TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2019 and 2018, 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
CGPC America Corporation ("CGPC America")	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
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
APC Investment Corporation	Subsidiary of investor with significant influence
USI Educational Foundation ("USIF")	Related party in substance

b. Sales of goods

Related Party Category	For the Year Ended December 31 2019	2018
Subsidiary	$ 407,159	$ 374,307
Investor with significant influence	2,964	2,341
Fellow subsidiary	334	222
	$ 410,457	$ 376,870

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 2019	2018
Subsidiary		
TVCM	$ 4,551,682	$ 4,230,003
Others	32,007	19,239
Fellow subsidiary	2,218	985
Parent Company		
USI	111	56
Investor with significant influence	-	13
	$ 4,586,018	$ 4,250,296

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 2019	2018
Subsidiary		
CGPC America	$ 108,648	$ 101,245
Investor with significant influence	822	325
	$ 109,470	$ 101,570

The outstanding trade receivables from related parties were unsecured. For the years ended December 31, 2019 and 2018, no impairment loss was recognized for trade receivables from related parties.

e. Trade payables to related parties

Related Party Category/Name	December 31 2019	2018
Subsidiary		
TVCM	$ 866,364	$ 774,140
Others	8,215	3,247
	$ 874,579	$ 777,387

The outstanding trade payables to related parties were unsecured.

f. Other receivables from related parties

Related Party Category/Name	December 31 2019	2018
Subsidiary		
CGPCPOL	$ 1,588	$ 1,691
Others	132	28
Investor with significant influence		
TTC	536	615
Others	2	17
Fellow subsidiary	28	49
Parent company		
USI	8	4
Associate	3	2
Subsidiary of investor with significant influence	1	1
	$ 2,298	$ 2,407

g. Other payables to related parties

Related Party Category/Name	December 31 2019	2018
Parent company		
USI	$ 1,664	$ 2,156
Subsidiary		
TVCM	197	1,681
Investor with significant influence	182	216
Fellow subsidiary	123	109
	$ 2,166	$ 4,162

h. Endorsements and guarantees

Related Party Category/Name	December 31 2019	2018
Subsidiary		
CGPCPOL	$ 2,200,000	$ 2,907,150

i. Lease arrangement

Related Party Category/Name	For the Year Ended December 31 2019	2018
Lease expense		
Parent company		
USI	$ 5,258	$ 5,644
Investor with significant influence		
APC	2,005	2,412
	$ 7,263	$ 8,056

The Company leases offices in Neihu from USI and APC. The leases will expire in April 2020 and December 2019, respectively, and the rentals are paid on a monthly basis.

j. Management service expenses

Related Party Category/Name	For the Year Ended December 31 2019	2018
Fellow subsidiary		
UM	$ 51,089	$ 46,226
Others	114	114
Parent company		
USI	4,292	3,786
	$ 55,495	$ 50,126

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.

k. Donations

Related Party Category/Name	For the Year Ended December 31 2019	2018
Related party in substance		
USIF	$ 2,000	$ 1,500

l. Rental income

Related Party Category/Name	For the Year Ended December 31 2019	2018
Fellow subsidiary		
USIO	$ 5,909	$ 12,011
Investor with significant influence	216	89
	$ 6,125	$ 12,100

USIO signed a factory lease contract with the Company with lease term until April 15, 2020. The Company collects fixed rental amount on a monthly basis. USIO does not have bargain purchase option to acquire the leased factory at the expiry of the lease period.

m. Other revenue

Related Party Category	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Investor with significant influence	$ 1,925	$ 2,002
Subsidiary	344	580
	$ 2,269	$ 2,582

n. Other expense

Related Party Category	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Subsidiary	$ 446	$ 1,729

o. Compensation of key management personnel

	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Salaries and others	$ 18,762	$ 19,150
Post-employment benefits	221	220
	$ 18,983	$ 19,370

The compensation of directors and key executives of was determined by the remuneration committee based on the performance of individuals and market trends.

27. ASSETS PLEDGED AS COLLATERAL

The following assets were provided as collaterals for bank borrowings and the tariffs of imported raw materials and performance security of using fuel:

	December 31 2019	December 31 2018
Pledge deposits (classified as refundable deposits)	$ 8,296	$ 2,154
Property, plant and equipment		
Land	1,517,928	1,517,928
Buildings and improvements, net	56,578	64,987
	$ 1,582,802	$ 1,585,069

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, 2019 and 2018, the Company has not used its revolving credit.

28. 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, 2019 and 2018, the Company's unused letters of credit amounted to $52,980 thousand and $18,866 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 propylene pipeline resulting in a gas explosion on July 31, 2014, the first instance of the criminal procedures reached a first instance judgment 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 to appeal against the judgment. The secured instance and judgment is expected to be announced on April 24, 2020.

CGTD arrived at an agreement with the Kaohsiung City Government on February 12, 2015, pledging certificates of bank deposits of $227,351 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 27, 2020, the provisionally attached property was worth $138,273 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 27, 2020, 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 $26,890 thousand, and the amount of the settlement was $4,019 thousand. Along with the case still under litigation and the above-mentioned compensation, the accumulated amount of compensation is $3,876,234 thousand. The first-instance judgments of some of the above-mentioned civil cases (with a total amount of compensation of approximately $1,196,808 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 $388,503 thousand. In particular, CGTD was exempted to pay $6,194 thousand according to the court's judgment. $191,155 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.

29. 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, 2019

	December 31, 2019		
	Foreign Currencies	**Exchange Rate (In Single Dollars)**	**NT$ (Carry Amount)**
Financial assets			
Monetary items			
USD	$ 18,816	29.980 (USD:NTD)	$ 564,092
EUR	343	33.590 (EUR:NTD)	11,505
AUD	611	21.005 (AUD:NTD)	12,835
Non-monetary items			
Subsidiaries accounted for using the equity method			
USD	18,070	29.980 (USD:NTD)	541,744
Financial liabilities			
Monetary items			
USD	353	29.980 (USD:NTD)	10,570

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

For the years ended December 31, 2019 and 2018, net foreign exchange gain (losses) were $(18,692) thousand and $18,351 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.

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others: None;

2) Endorsements/guarantees provided: See Notes 26 and Table 1 attached;

3) Marketable securities held (not included investment subsidiary and affiliated companies): See Table 2 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 3 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 4 attached;

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 5 attached;

9) Trading in derivative instruments: See Note 7 attached; and

10) Information on investees: See Table 6 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 7 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: None.

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.

CHINA GENERAL PLASTICS CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(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	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) (Note 1)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	China General Plastics Corporation	CGPC Polymer Corporation	Subsidiary	$ 8,250,812	$ 2,899,800	$ 2,200,000	$ 14,990	None	26.66	$ 8,250,812	Yes	No	No

Note 1: The ratio is calculated using the ending balance of equity of the Company as of December 31, 2019.

Note 2: 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.

TABLE 2

CHINA GENERAL PLASTICS CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(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, 2019				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	$ 75,543	-	$ 75,543	4,268,000	1
	Fubon No. 2 Real Estate Investment Trust	-	Financial assets at FVTPL - current	4,980,000	68,774	-	68,774	5,000,000	1
	Shin Kong No. 1 Real Estate Investment Trust	-	Financial assets at FVTPL - current	3,000,000	53,400	-	53,400	3,000,000	1
	Cathay No. 2 Real Estate Investment Trust	-	Financial assets at FVTPL - current	2,500,000	42,750	-	42,750	2,500,000	1
	Open-end fund beneficiary certificates								
	Jih Sun Money Market Fund	-	Financial assets at FVTPL - current	6,722,102	100,009	-	100,009	10,107,113	1
	Taishin Ta-Chong Money Market Fund	-	Financial assets at FVTPL - current	2,244,236	32,005	-	32,005	3,086,920	1
	UPAMC James Bond Money Market Fund	-	Financial assets at FVTPL - current	596,011	10,000	-	10,000	3,526,295	1
	FSITC Taiwan Money Market Fund	-	Financial assets at FVTPL - current	325,457	5,000	-	5,000	3,404,451	1
	Ordinary shares								
	KHL IB Venture Capital Co., Ltd.	-	Financial assets at FVTOCI - non-current	7,664,611	117,882	5.95	117,882	8,353,800	1
Taiwan VCM Corporation	Open-end fund beneficiary certificates								
	Jih Sun Money Market Fund	-	Financial assets at FVTPL - current	2,016,929	30,007	-	30,007	12,193,440	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	1,921	0.02	1,921	121,611	1

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Maximum Shares/Units Held During the Year	Note
				Number of Shares	Carrying Amount	Percentage of Ownership(%)	Fair Value		
CGPC Polymer Corporation	Open-end fund beneficiary certificates								
	Jih Sun Money Market Fund	-	Financial assets at FVTPL - current	12,751,358	189,710	-	189,710	16,113,394	1
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	8,813,848	119,729	-	119,729	14,969,764	1
	Capital Money Market Fund	-	Financial assets at FVTPL - current	2,574,758	41,704	-	41,704	3,059,140	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, 2019, the Company evaluates the fair value of the equity instrument as $0.

(Concluded)

TABLE 3

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, 2019
(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	-	-	3,702,173	$ 50,000	68,792,370	$ 932,000	72,494,543	$ 982,269	$ 982,000	$ 269	-	$ -
	Jih Sun Money Market Fund	Financial assets at FVTPL - current	-	-	3,143,272	46,500	58,683,532	871,000	55,104,702	817,674	817,500	174	6,722,102	100,000
	FSITC Taiwan Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	1,803,106	322,000	1,803,106	322,062	322,000	62	-	-
	Capital Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	22,969,194	371,000	22,969,194	371,053	371,000	53	-	-
	UPAMC James Bond Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	24,995,972	418,500	24,399,961	408,618	408,500	118	596,011	10,000
Taiwan VCM Corporation	Beneficiary certificates													
	Jih Sun Money Market Fund	Financial assets at FVTPL - current	-	-	12,193,440	180,000	28,986,408	430,000	39,162,919	580,560	580,000	560	2,016,929	30,000
CGPC Polymer Corporation	Beneficiary certificates													
	Jih Sun Money Market Fund	Financial assets at FVTPL - current	-	-	3,355,891	49,500	77,153,336	1,145,000	67,757,869	1,005,531	1,004,899	632	12,751,358	189,601
	Taishin 1699 Money Market Fund	Financial assets at FVTPL - current	-	-	5,670,905	76,500	90,014,633	1,220,200	86,871,690	1,177,616	1,177,000	616	8,813,848	119,700

Note: The amount as of December 31, 2019 was accounted for as the original cost.

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, 2019
(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	% of Total
China General Plastics Corporation	Taiwan VCM Corporation	Subsidiary	Purchase	$ 4,551,682	74	45 days	No major difference	No major difference	Trade payables to related parties $ (866,364)	(77)
	CGPC America Corporation	Subsidiary	Sale	(407,159)	(5)	90 days	No major difference	No major difference	Trade receivables from related parties 108,648	12
Taiwan VCM Corporation	China General Plastics Corporation	Parent company	Sale	(4,551,682)	(46)	45 days	No major difference	No major difference	Trade receivables from related parties 866,364	49
	CGPC Polymer Corporation	Fellow subsidiary	Sale	(4,396,295)	(45)	45 days	No major difference	No major difference	Trade receivables from related parties 744,328	42
CGPC Polymer Corporation	Taiwan VCM Corporation	Fellow subsidiary	Purchase	4,396,295	96	45 days	No major difference	No major difference	Trade payables to related parties (744,328)	(96)
CGPC America Corporation	China General Plastics Corporation	Parent company	Purchase	407,159	85	90 days	No major difference	No major difference	Trade payables to related parties (108,648)	(97)

CHINA GENERAL PLASTICS CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(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	$ 108,64	3.88	$ -	-	$ 48,615	Note 1
Taiwan VCM Corporation	China General Plastics Corporation	Parent company	Trade receivables from related parties	$ 866,36	5.55	-	-	866,364	Note 1
	CGPC Polymer Corporation	Fellow subsidiary	Trade receivables from related parties	$ 744,32	5.78	-	-	744,328	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 20, 2020.

CHINA GENERAL PLASTICS CORPORATION

INFORMATION ON INVESTEES

FOR THE YEAR ENDED DECEMBER 31, 2019

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

Investor Company	Investee Company	Location	Business Content	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	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	$ 2,930,995	222,609,751	87.22	$ 3,126,135	$ 432,735	$ 411,811	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	80,000,000	100.00	931,227	41,361	41,361	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	346,472	5,872	5,872	Subsidiary
	China General Terminal & Distribution Corporation	No. 1, Jianji St., Qianzhen Dist., Kaohsiung City 806, Taiwan (R.O.C.)	Warehouse and transportation of petrochemical raw materials	41,106	41,106	18,667,465	33.33	257,584	79,638	26,546	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	195,272	(2,418)	(2,418)	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	-	-	-	1,280	1,280	Subsidiary (Note 1)
	Acme Electronics Corporation	8F., No. 39, Jihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	Manufacturing and marketing of Mn-Zn ferrite cores, Ni-Zn ferrite cores.	33,995	33,995	3,176,019	1.74	21,739	(103,610)	(1,800)	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	1,446	(54)	(6)	Associate accounted for using the equity method (Note 2)

Note 1: Krystal Star International Corporation was dissolved in December 2019. The Company collected repayment for shares $78,556 thousand and recognized profit $2,549 thousand in July 2019.

Note 2: On April 12, 2019, the board of director of TMC resolved to dissolve the company from May 25, 2019. As of December 31, 2019, the dissolution procedures have not yet been completed.

TABLE 7

CHINA GENERAL PLASTICS CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2019

(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, 2019 (Note 1)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (Note 1)	Net Income (Loss) of Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 5)	Carrying Amount as of December 31, 2019 (Notes 1)	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outflow	Inflow						
Continental General Plastics (Zhong Shan) Co., Ltd. ("CGPC (ZS)") (Note 4)	Manufacturing and marketing of PVC film and consumer products	$ 599,600 (US$ 20,000 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. ("CGPC (BVI)")	$ 599,600 (US$ 20,000 thousand)	$ -	$	$ 599,600 (US$ 20,000 thousand)	$ 4,246 (US$ 137 thousand)	100.00	$ 4,246 (US$ 137 thousand)	$ 257,984 (US$ 8,605 thousand)	$ -
CGPC Consumer Products Corporation ("CGPC (CP)") (Note 4)	Manufacturing and marketing of PVC consumer products	44,970 (US$ 1,500 thousand)	Investment through CGPC (BVI) Holding Co., Ltd. ("CGPC (BVI)")	44,970 (US$ 1,500 thousand)	-		44,970 (US$ 1,500 thousand)	(71) (US$ 2 thousand)	100.00	(71) (US$ 2 thousand)	13,308 (US$ 444 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019 (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
$811,918 (US$27,082 thousand)	$941,372 (US$31,400 thousand)	(Note 2)

Note 1: The calculation was based on the spot exchange rate as on December 31, 2019.

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 $20,506 thousand (US$684 thousand), the investment amount of Union (ZS) of $26,922 thousand (US$898 thousand) and the investment amount of CGPC (SH) of $119,920 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, 2019, the dissolution procedures have not yet been completed.

Note 5: The investment income (loss) recognition in 2019 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 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 Associated Risks

I. Financial Position

Comparison Analysis of Financial Position

Unit: NT$ thousands

Item \ Year	End of 2018	End of 2019	Increase (decrease) amount	Increase/decrease (%)	Details
Current assets	6,314,227	4,876,866	(1,437,361)	(22.76)	1.
Investment under equity method	253,998	280,769	26,771	10.54	
Property, plant and equipment	6,009,889	6,157,575	147,686	2.46	
Other assets	645,981	1,016,023	370,042	57.28	2.
Total assets	13,224,095	12,331,233	(892,862)	(6.75)	
Current liabilities	2,107,698	1,695,099	(412,599)	(19.58)	
Long-term borrowing	1,000,000	500,000	(500,000)	(50.00)	3.
Deferred income tax liabilities	593,964	595,310	1,346	0.23	
Net defined benefit liabilities	707,679	642,215	(65,464)	(9.25)	
Other liabilities	3,650	186,043	182,393	4,997.07	4.
Total Liabilities	4,412,991	3,618,667	(794,324)	(18.00)	
Capital	5,067,596	5,270,299	202,703	4.00	
Capital surplus	8,929	10,060	1,131	12.67	
Retained earnings	3,256,098	2,937,187	(318,911)	(9.79)	
Other equity	42,017	33,266	(8,751)	(20.83)	
Total equity attributable to owners of the Company	8,374,640	8,250,812	(123,828)	(1.48)	
Non-controlling interests	436,464	461,754	25,290	5.79	
Total equity	8,811,104	8,712,566	(98,538)	(1.12)	

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. This was mainly due to a decrease in cash/cash equivalents of NT$280 million, a decrease in financial assets at fair value through profit or loss of NT$660 million, a decrease in bills/accounts receivable of NT$320 million and a decrease in inventories of NT$250 million.
2. The increase was mainly due to an increase in investment property of NT$150 million and an increase in right-of-use assets (including long-term prepaid lease payments) in compliance with IFRS 16 Leases of NT$210 million.
3. Caused by the repayment of long-term borrowings of NT$500 million.
4. This was mainly caused by an increase of NT$ 180 million in non-current lease liabilities in compliance with IFRS 16 Leases.

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	2018	2019	Increase (decrease) amount	Increase/decrease (%)	Details
Net sales revenue	15,192,621	15,117,855	(74,766)	(0.49)	
Cost of goods sold	12,490,058	13,148,375	658,317	5.27	
Gross profit	2,702,563	1,969,480	(733,083)	(27.13)	1.
Operating expenses	1,129,640	1,195,581	65,941	5.84	
Operating margin	1,572,923	773,899	(799,024)	(50.80)	1.
Non-operating revenue and expenses	81,429	80,109	(1,320)	(1.62)	
Income from operations of continued segments - before tax	1,654,352	854,008	(800,344)	(48.38)	1.
Income tax expenses	305,699	160,193	(145,506)	(47.60)	1.
Income from operations of continued segments - after tax	1,348,653	693,815	(654,838)	(48.55)	1.
Gain (loss) from discontinued operations	7,467	4,175	(3,292)	(44.09)	2.
Net profit	1,356,120	697,990	(658,130)	(48.53)	1.
Other comprehensive income for the year (net amount after taxes)	12,260	(2,290)	(14,550)	(118.68)	3.
Total comprehensive income for the year	1,368,380	695,700	(672,680)	(49.16)	1.

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. Despite the growth in sales volume of PVC resin, the decline in product prices, the increase in the cost of the raw material EDC, and the fluctuation of domestic caustic soda price due to the decline in international market prices resulted in a significant decrease in the overall profit of the Company compared to last year.
2. This is mainly caused by the increase in income from leased plants of the discontinued subsidiaries in mainland China.
3. The increase was mainly due to the increase of NT$29 million in foreign exchange loss on translation of financial statements of foreign operations due to the appreciation of NTD, increase of NT$8 million in unrealized gains on financial assets, and the favorable remeasurements of defined benefit plans of NT$8 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:
2020 Business prospects: The overhaul period of ethylene plants in Asia in the first half of the

year causes temporary fluctuations in supply and demand. The new large-scale cracking plants in the United States and Asia will continue to ramp up production in the second half of the year and the ethylene market will return to the original state of oversupply. With regard to EDC, the current chloralkali processing plants are unwilling to expand production due to the low demand/price for sodium hydroxide. However, LG's chloralkali processing plants in Korea have expanded EDC production capacity. The increase in EDC produced in China due to low ethylene prices, and reduced demand for import will help reduce EDC prices. With regard to VCM, numerous overhauls are scheduled for the first quarter and they may cause supplies to tighten, thereby causing fluctuations in PVC prices. With respect to PVC, sustained high demand from the emerging market and China's rigorous implementation of environmental safety inspections, reduction of reduction in PVC production using ethylene will help increase PVC/VCM prices. However, we must pay close attention to the impact of the COVID-19 epidemic and its impact on the global economy. The Company and subsidiaries actively sought to increase PVC/VCM output. We have obtained the operation permit for increasing the annual VCM production to 485,000 tons, increasing the output of PVC production to 45. Toufen Plant also continued refurbishment to replace old equipment, purchased automatic PVC packaging/stacking/film wrapping machines and equipment, and constructed 3D automatic warehouse storage systems. We have expanded our niche capacity to maximize operational performance to attain the goal of selling 550,000 tons this year.

(II) Analysis table of changes in sales margin:

	Increase (decrease) amount between the beginning and the end periods	Reason for Difference			
		Price difference	Cost difference	Sales mix difference	Quantity difference
Sales Margin	(733,083)	(200,059)	(574,427)	(3,295)	44,698
Details	Despite the growth in sales volume of PVC resin, the decline in product prices, the increase in the cost of the raw material EDC, and the fluctuation of domestic caustic soda price due to the decline in international market prices resulted in a significant decrease in the overall profit of the Company compared to last year.				

III. Cash Flows

Cash Flow Analysis

Unit: NT$ thousands

Beginning cash balance	Annual cash inflow (outflow) generated from other than business activities	Annual cash flows not derived from operating activities	Cash Balance	Remedial measures for cash deficit	
				Investment plan	Financial plan
934,680	2,016,552	(2,297,885)	653,347	-	-

1. Analysis of changes in cash flow in current year:
   (1) Operating activities: Net cash inflow from operating activities was RMB2.02 billion, which was mainly attributable to net profit before tax of RMB0.85 billion, depreciation expenses of RMB0.6 billion, decrease in financial assets at fair value through profit or loss of RMB0.72 billion, decrease in accounts receivable of RMB0.34 billion, decrease in inventories of RMB0.25 billion, decrease in accounts payable of RMB0.21 billion and payment of income tax of RMB
   (2) Investment activities: Net cash outflow in investment activities amounted to NT$970 million thousand, mainly due to the NT$960 million in the purchase of properties, plant and equipment.
   (3) Financing activities: Net cash outflow in financing activities amounted to NT$1.32 billion mainly due to the NT$790 million distribution of cash dividends and NT$500 million repayment of long-term loans.
2. Liquidity improvement plan: Not applicable.
3. Cash liquidity analysis for the following year:

Cash balance at the beginning of the period:	653,347	NT$ thousands
Expected annual net cash flows from operating activities:	1,935,061	NT$ thousands
Expected annual cash flows not derived from operating activities:	(1,927,640)	NT$ thousands
Expected annual cash flow:	7,421	NT$ thousands
Expected cash balance	660,768	NT$ thousands

IV. Significant Capital Expenditure and its Impact on the Company's Financial Operations in 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		
				2018	2019	2020
(1) Expansion of new product lines						
Polymerization #5 dryer renewal project	Own funds	2019.12.28	95,081	5,294	6,284	0
Polymerization BIRD centrifuge replacement (including peripheral equipment) project	Own funds	2020.01.31	16,119	3,745	1,989	0
Additional one 2"-4" medium two-pipe extrusion production line construction for building materials	Own funds	2020.06.30	12,000	5,259	4,468	1,597
New #41 plastic cloth machine equipment project	Own funds	2020.01.31	122,872	37,959	0	0
New Silo 17 in shipping area	Own funds	2020.09.30	28,300	14,149	6,712	6,908
Polymerization Section's VCM recycling compressor renewal project	Own funds	2020.05.31	22,000	158	19,201	2,569
#7 dryer powder transportation pipeline (including M-274) renewal project	Own funds	2019.05.31	14,368	11,235	2,180	0
Construction of the new Silo 2 and the removal and replacement of the old Silo 1	Own funds	2020.12.31	45,000	10,035	6,114	28,220
Improvement project for the warehouse of processed finished products	Own funds	2018.10.31	12,685	10,600	0	0
Improvement of the transportation of powder from the intermediary silo to the product silo	Own funds	2020.12.31	42,136	9,156	25,769	7,146
Automatic packaging and stacking system for 25kg packaged PVC resin	Own funds	2020.05.31	97,440	339	67,730	29,352
Raw Materials Control Section's 800RT freezer chiller system modification and renewal project	Own funds	2020.12.31	32,000	1,416	15,229	15,352
Polymerization reactor sprinkler head renewal project	Own funds	2020.12.31	10,000	7,599	360	2,041
#4 dryer renewal project of polymerization department	Own funds	2020.10.31	145,000	13	1,181	143,806
Hydrochloric acid furnace renovation project	Own funds	2020.12.31	70,000	0	259	69,741
New construction project of automatic storage system	Own funds	2020.12.31	485,000	0	12,827	472,173
Polymerization Section cooling tower pump renewal	Own funds	2020.12.31	15,000	0	41	14,959
Expansion of powder warehouse	Own funds	2020.04.30	37,000	0	14,872	22,128
#5 dryer powder transportation pipeline renewal	Own funds	2020.03.31	20,000	0	35	19,965

	Actual or expected source of funding	Actual or expected date of completion	Total capital required	Actual and expected expenditures		
				2018	2019	2020
Rotating machinery part replacement project	Own funds	2018.12.31	51,580	7,205	0	0
E-6151 reactor spare production project	Own funds	2020.10.31	166,000	108,135	5,665	28,157
Tank renewal project	Own funds	2020.03.31	71,039	37,993	16,722	0
Purchase of K-6153B-1 air compressor	Own funds	2019.12.31	10,823	9,803	1,020	0
Spares for fixed equipment	Own funds	2020.06.30	73,800	52,731	7,158	13,911
Annual overhaul of pipelines and equipment maintenance	Own funds	2019.11.30	43,984	29,710	14,274	0
F-6702/V-6701 expansion project	Own funds	2020.10.31	21,000	19,346	1,078	576
Rotating equipment parts	Own funds	2019.12.31	18,724	13,295	5,429	0
Waste liquid incinerator system equipment steel structure renovation project	Own funds	2019.12.31	11,000	3,300	7,700	0
C-6703 renewal project	Own funds	2019.07.31	18,076	13,204	4,872	0
Renewal of fixed equipment	Own funds	2020.10.31	94,900	0	78,095	16,805
Rotating equipment parts	Own funds	2020.10.31	20,000	0	19,859	141
Valve replacement procurement	Own funds	2019.12.31	12,594	0	12,594	0
Annual overhaul of pipelines and equipment maintenance	Own funds	2020.03.31	34,000	0	33,422	578
Construction of original storage tank and ancillary equipment and utilities for Zhouji phase II	Own funds	2021.05.31	2,178,000	0	207,971	1,970,029
ethylene external industrial pipeline project of Zhouji phase II	Own funds	2021.05.31	263,000	0	103	262,897
C-6204 VCM stripper renewal project	Own funds	2020.12.31	70,000	0	2,295	67,705
(2) Industrial and security facilities						
Office building wall repairs construction and additional entrance gate and guard post inspections and repairs	Own funds	2020.05.31	42,100	29,239	1,322	11,021
Remaining and waste materials warehouse construction project	Own funds	2019.06.28	12,536	3,755	1,228	0
F-11 circuit and high - voltage plate replacement project	Own funds	2020.12.31	10,000	0	5,582	4,418
PVC Fabric 3rd Warehouse construction project	Own funds	2020.06.30	22,200	0	92	22,108
Compliance construction for the application of the Taiwan VCM Corporation Linyuan Plant building usage license	Own funds	2020.12.31	30,000	380	11,020	9,555
CGTD Corporation to Taiwan VCM Corporation underground pipeline ILI detection project	Own funds	2019.10.31	43,251	31,691	11,560	0
VOC Mass spectrometer and sampling piping project	Own funds	2020.06.30	11,000	7,469	3,254	277
(3) Pollution prevention						
New centrifuge process water recycling and processing equipment construction project	Own funds	2020.04.30	25,000	5,554	2,674	37
Rainwater canal construction project for the east side of the Northern Plant	Own funds	2020.03.31	20,000	4,140	6,962	8,898

	Actual or expected source of funding	Actual or expected date of completion	Total capital required	Actual and expected expenditures		
				2018	2019	2020
Main pipe and piping project in natural gas plant	Own funds	2020.03.31	12,000	40	5,817	6,143
Rubber factory hot fuel oil boiler combustion engine renewal project	Own funds	2020.12.31	21,500	163	9,985	11,352
Polymerization Section S-321C stripper renewal	Own funds	2020.09.30	43,000	0	46	42,954
Additional HBF high-efficiency biological wastewater treatment system project	Own funds	2019.02.28	41,677	24,911	87	0
Construction project for the Biotechnology Office and Fermentation Plant	Own funds	2019.09.31	41,175	23,775	7,330	0
Decoration project of Environmental development department office, fermentation plant and certification laboratory and related ancillary equipment purchase	Own funds	2020.12.31	16,600	1,360	4,404	10,836
Decoration project of Environmental development department office, fermentation plant and certification laboratory	Own funds	2020.04.30	12,000	9,900	1,100	1,000
F-6801 off-gas decomposition furnace renovation project	Own funds	2019.07.31	26,991	23,365	3,626	0
Subtotal			4,911,551	577,421	679,597	3,325,355

(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 2019 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 Organizational Structure

Key risk assessment items	Execution and responsible units	Supervision unit
(1) Impact of Interest Rates and Exchange Rate Fluctuations and Inflation on the Company's Profit and Loss, and Future Response Measures	Finance Division	Audit Office
(2) 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	
(3) Future R&D Projects and R&D Expenditures to Be Invested	R&D department and production technology unit	
(4) Impact of Changes in Local and Overseas Policies and Laws on the Company's Financial Operations, and Response Measures	Legal Division/Accounting Division	
(5) Impact of Changes in Technology and Industry on the Company's Financial Operations, and Response Measures	Information Technology Division/Operations Division	
(6) Impact of Changes in Corporate Image on the Company's Risk Management, and Response Measures	Human Resources Division	
(7) Expected Benefits and Possible Risks of Mergers and Acquisitions, and Response Measures	Finance Division/Legal Division/Accounting Division	
(8) Expected Benefits and Possible Risks of Plant Expansion, and Response Measures	General Manager's Office	
(9) Risks Caused by Concentration of Purchases and Sales, and Response Measures	Procurement and Logistics Division/Operations Division	
(10) 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	

Key risk assessment items	Execution and responsible units	Supervision unit
(11) Impact and Risks Arising from Any Changes in Management Control over the Company, and Response Measures	Board of Directors	Audit Office
(12) For Any Litigious or Non-litigious Matters, the Company and Its Directors, Supervisors, General Managers, Persons with Actual Responsibility in the Company, and Major Shareholders Holding More than 10% of the Company's Shares Shall Be Disclosed. If There Has Been Any Substantial Impact upon Shareholders' Equity or Prices for the Company's Securities as a Result of Any Litigation, Non-litigious Proceeding, or Administrative Dispute Involving the Company that Has Been Finalized or Has Remained Pending, the Facts in Dispute, Amount in Dispute, Commencement Date, Main Parties Involved, and Current Status of the Case as of the Date of Publication of the Annual Report Shall Be Disclosed	Legal Division	
(13) Information security risk management, policy, and management plans	Information Systems Division	
(14) The Company's operations, finance, supply chain, policy and investment decisions, etc. affected by climate change	Corporate Social Responsibility Committee	
(15) Risk response to ESG issues	General Manager’s Office	

(I) Impacts of fluctuations in interest rates and foreign exchange rates and inflation on the Company’s profitability and future response measures:

1. Interest income (payment) and exchange gain (loss) in 2019:

Item	2019 (NT$ thousands)
Net interest income (expenses)	3,577
Net currency exchange gain (loss)	(17,900)
Ratio of net interest income (expense) to net revenue	0.02%
Ratio of net interest income (expenses) to net income before tax	0.42%
Ratio of net currency exchange gain (loss) to net revenue	(0.12)%
Ratio of net currency exchange gain (loss) to net profit before taxes	2.10%

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 for NT$1,000,000 thousand, with interest calculated at a floating rate, and will enter into an IRS agreement at an appropriate time to avoid the risk from rising interest rates.

To replenish operating funds and avoid risks of rising interest rates, CGPCPOL and KGI Bank signed a five -year secured loan agreement for NT$1,000,000 thousand with floating interest rates in 2016. The credit limit was reduced to NT$850,000 with floating or fixed interest rates in November 2019 in accordance with the contract. In 2019, CGPCPOL also signed a three-year medium-term comprehensive credit limit agreement with KGI Bank for NT$500,000 thousand with floating interest rates. CGPCPOL will enter into an IRS agreement at an appropriate time to avoid the risk from rising interest rates.

To replenish operating funds and avoid risks of rising interest rates, TVCM and Taishin International Commercial Bank signed a three-year medium-term loan agreement for NT$300,000 thousand with floating interest rates and signed a three-year medium-term loan agreement for NT$500,000 thousand with Bank SinoPac with floating interest rates in 2018. The Company signed a three -year medium-term secured loan agreement with the Export-Import Bank of the Republic of China in 2020 for NT$300,000 thousand, with interest calculated at a floating rate. TVCM will enter into an IRS agreement at an appropriate time to avoid the risk from rising interest rates.

With regard to short-term loans, we made flexible adjustments of short-term loans from banks or issued commercial papers to reduce the cost of obtaining overall funding.

The current strategy of the Company is to apply excess funds to a diverse range of investments below, so that it not only mitigates the risk of interest rate fluctuation, but also contributes to the profitability of the Company:

2.1 Beneficiary certificate of monetary fund: the investment amount is about NT$147,000 thousand, and the rate of return on investment is about 0.55%.

2.2 REITs (domestic real estate investment trust): The average investment amount is approximately NT$70,916 thousand. It generates a fixed yield of approximately 4.00% which is better than the long-term government bond yield.

3. Exchange rates: There are currently multiple factors in the foreign exchange rate fluctuations and the Company adopts a 100% risk avoidance for net positions to respond to exchange rate fluctuations risks

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 on engaging in high-risk and high-leverage investments, provision of loans to others, making guarantees and endorsements, as well as derivatives trading, major reasons for profits and losses, as well as future response measures:

1. Engaging in high-risk and high-leverage investments, and provision of loans to others

The Company's Regulations Governing the Acquisition and Disposal of Assets stipulate that the Company shall not engage in high-risk and high-leverage investments. There is also an "Operational Procedures for Loaning of Company Funds" formulated, which has not yet been carried out.

2. Endorsements and guarantees

There have been no losses since the implementation of the Company's "Procedures for the Making of Endorsements/Guarantees".

3. Derivatives trading:

The Company engages in derivatives trading 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 business 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) Future R&D projects and R&D expenditure to be invested:

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	0%	6,500	Before the end of 2020	Equipment, formulas and process conditions
Low-membrane rapidly gelatinized PVC resin	20%	1,000	Before the end of 2020	Equipment, formulas and process conditions
Water-based scratch-resistant soft PVC leather for automobiles	80%	500	Before the end of 2020	Raw materials formulas and process conditions
Multi - plate printing transfer film soft leather	50%	500	Before the end of 2020	Equipment, formulas and process conditions
PVC imitation cloth feels breathable furniture soft leather	80%	300	Before the end of 2020	Raw materials formulas and process conditions
TPE sporting goods series foam rubber	60%	300	Before the end of 2021	Equipment, formulas and process conditions
TPE American furniture series rubber	70%	300	Before the end of 2021	Raw materials formulas and process conditions
Development of third generation stain-resistant PVC leather	90%	200	Before the end of 2020	Raw materials formulas and process conditions
PU casting PVC continuous development of antifouling rubber	90%	200	Before the end of 2020	Raw materials formulas and process conditions
Development of TPE leather products for baby strollers	80%	200	Before the end of 2021	Raw materials formulas and process conditions
Vacuum embossed antifouling soft leather	70%	200	Before the end of 2019	Raw materials formulas and process conditions
TPE rubber for household exhaust pipes	50%	150	Before the end of 2021	Raw materials formulas and process conditions
TPE medical grade rubber development	50%	100	Before the end of 2021	Equipment, formulas and process conditions
Export of drainage pipes	50%	50	Before mid-2020	Raw materials formulas and process conditions

(IV) Changes to local and overseas policies and laws that impact the company’s financial operations and response measures:

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) Pursuant to Article 23-3 of the Statute for Industrial Innovation, the Company shall apply for a reduction in the taxes applicable to undistributed earnings by using undistributed earnings in substantial investments.

(3) Pursuant to Article 10-1 of the Statute for Industrial Innovation, investment in brand-new smart machines and investment in related brand-new hardware, software, technology or technical services for introducing 5th-generation mobile networks are applicable to the tax exemption.

(4) Continuously assess the impact of IFRSs issued by IASB but not yet approved and issued in effect by FSC. Examples include amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture", IFRS 17 "Insurance Contracts", and amendment of "classification of liabilities as current or non-current" in IAS 1.

(5) Continuously assess the impact of "The international tax co-operation economic substance law".

2. Countermeasures:

The Company has established the Legal Division to assess legal risks and formulate countermeasures, review important contracts in advance and provide legal advance to handle legal affairs where necessary. In addition, the Accounting Division evaluates the impacts of changes in accounting and tax-related laws and regulations on the financial operations of the Company at all times and come up with action plans. It would discuss with CPAs to make prior planning for the relevant changes.

(V) Impact of Changes in Technology and Industry on Corporate Finance and Business, and Response Measures:

1. The Company introduced the CSR report system development platform to provide all units with consistent operating methods and procedures to facilitate the compilation of relevant information. For external parties, the platform is used to explain the economic, social and environmental impact of the Company's operating activities and demonstrate the commitment, approach, and performance of social responsibilities. It is used as an effective communication tool for understanding and assessing the Company.
2. The Company established a requisition platform, and introduced electronic approval processes. The requisition items are unified to help employees operate the platform with ease. It saves significant amounts of time for employees and enhances work efficiency. We optimized the UI interface to increase review efficiency and accelerated the process.
3. The Company established a customer order inquiry network to allow customers to directly check the order progress so as to arrange follow-up work schedules. It can also reduce the work load of employees and improve customer relationship management.
4. Promote social engineering exercises to enhance employees' awareness of information security, so as to protect data from external intrusion and tampering.

(VI) Changes to corporate image that impact the company's risk management and response measures:

The Company always upholds the principles of professionalism and integrity. The Company pays close attention to corporate governance and fulfill 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 mitigation measures being or to be taken: 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 resulting from consolidation of purchasing or sales operations and response measures:

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 response measures related to any change in governance rights in the Company:

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. Executive and responsible unit: Legal Division
2. Concluded or pending litigious, non-litigious or administrative litigation event in the most recent year and as of the date of report:
   (1) The Company: None.
   (2) Directors, Supervisors, General Managers, persons with actual responsibility in the Company, and major shareholders holding more than 10% of the Company's shares: None.
   (3) Investee companies using 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 April 24, 2020, the second judgment of the criminal part of this gas explosion case was handed down and all three CGTD employees were found innocent.

CGTD reached an agreement with Kaohsiung City Government on February 12, 2015 and pledged a term deposit NT$227,351 thousand (including interest) to the Government as a guarantee for losses caused by the gas explosions. Kaohsiung City Government has also filed civil lawsuits against LCY, CGTD and CPC Corporation. Taiwan Power Company applied 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. As of April 30, 2020, the provisionally attached property was worth $146,706 thousand.

As for the victims, CGTD and LCY Chemical Corp. signed a tripartite agreement with Kaohsiung City Government for the compensation for successors and persons entitled to the claims of the 32 victims’ families (hereinafter, “family of the victims”) on July 17, 2015. Each victim’s family received $12,000 thousand, and the compensation was $384,000 thousand in total. The compensation was first paid by LCY Chemical Corp. which was also 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.

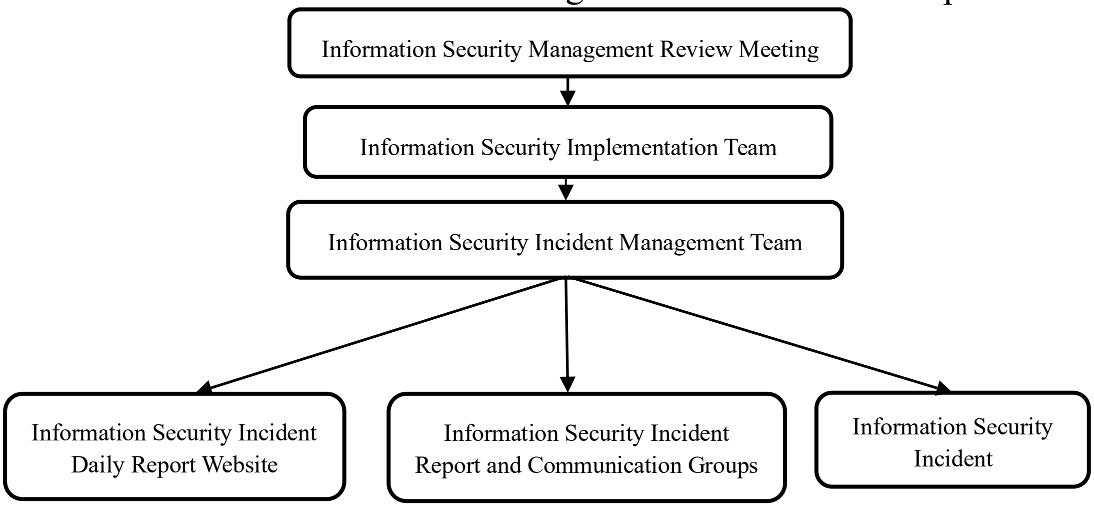
As of April 30, 2020, victims and their families have filed civil (including supplementary civil action) lawsuits against LCY Chemical Corp., CGTD and CPC for compensation. To reduce the lawsuit costs, CGTD had reached a settlement on the original claim of $26,890 thousand, and the amount of the settlement was $4,019 thousand. Along with the case still under litigation and the above-mentioned compensation, the accumulated amount of compensation is $3,876,234 thousand. The first-instance judgments of some of the above-mentioned civil cases (with a total amount of compensation of approximately $1,199,809 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 $390,304 thousand (in particular, CGTD was exempted from paying $6,194 thousand according to the court's judgment). 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. CGTD has signed a claim settlement agreement with the insurance company in accordance with the proportion of fault liability determined in the first-instance judgment to estimate the amount of settlement for victims and seriously injured and the civil litigation compensation amount (including settled cases). The maximum amount of the insurance compensation was deducted to calculate the amount payable by CGTD and the NT$136,375 thousand has been included in the estimate on the account. However, the actual settlement and compensation amount described above can only be verified after the proportion of fault liability is determined in the civil judgments.

(XIII) Information security risk management, policy, and management plans

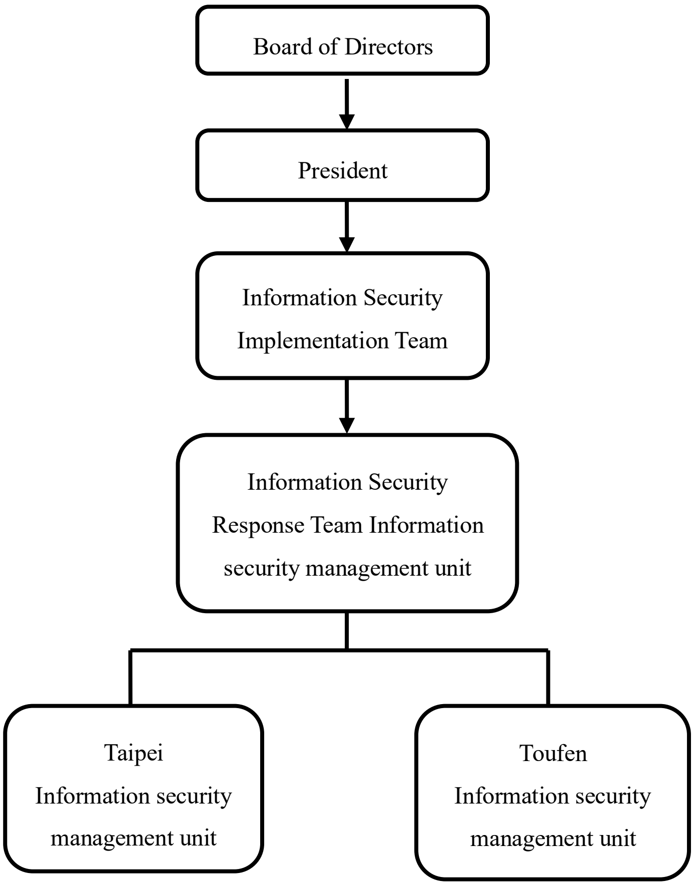
I. Information security risk management framework:

1. Information security governance system:

To improve the information security management, the Company has introduced ISO 27001 and obtained the certificate since 2014. According to the standards of ISO 27001, the Company holds the "Information Security Management Review Meeting" every year to improve the information security across the group. The meeting decides on the six input items (implementation of past proposals, changes in internal and external issues relating to the information security management system, information security performance feedback, feedback from parties concerned, risk assessment results and implementation of risk management plans, and continuous improvement) and resolves on the two output items (decisions on continuous improvement and need of changes in the information security management system) to confirm whether the objectives of the information security management system are achieved. We established the "Information Security Implementation Team" in accordance with the regulations defined in the "Information Security Implementation Organization Regulations" in the Company's internal standard operating procedures to supervise the implementation status of information security management of the Group and clarify the roles and duties of various organizations. The Team convenes one regular meeting each year and meetings can be organized immediately in the event of material information security incidents of the Group. The Director of the Information Technology Department serves as the convener of the Team and takes charge of the meetings of the Information Security Implementation Team as well as decisions and arbitration of opinions in the meetings. The supervisors of units under the jurisdiction of the Information Technology Department are members of the Team. In the event of a material information security incident, the Director of the Information Technology Department shall report to the General Manager or heads of related departments.



2. Operation of the information security promotion team:



Responsibilities of Information Security Promotion Team:

(1) Formulate the information security risk management framework and information security policy

(2) Conduct information security risk assessment and analysis
(3) Conduct information security maintenance and implementation
(4) Verify the effectiveness of information security operation implementation

The Information Technology Department established related policies, plans, governance, supervision, and execution methods in accordance with ISO 27001 regulations to ensure the Group's information security protection capabilities and strengthen employees' information security awareness.

II. 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 five consecutive years. In addition to reviewing the information security risk assessment management framework, we also provide assistance and prevention measures for internal and external issues and conduct information security risk assessments and analyses.
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. We have also applied related measures in response to requirements in the General Data Protection Regulation (GDPR) of the European Union.
6. Establish the security trading platform similar to the customer purchase order inquiry network described above and 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. We converted the connection method of the Company's official website from http to https to improve the security of the general public's access to our official website.

III. Formulation of information security policy:

The establishment of the information security policy takes into account three major factors including information security governance, compliance of related regulations, and applications of technologies and tools:

Information Security Policy		
Information security governance	1. Ensure the continuous and robust operations of the information security management system. 2. Ensure confidentiality, completeness and availability of information use and operations. 3. Risk management and prevention. 4. Optimize the management system. 5. Establish a network framework the meets the highest information security standards and verify the reliability of network transmissions.	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 of related regulations	1. Regularly review the updates and amendments of regulations. 2. Establish information operation mechanisms that are appropriate for the location, timing, and operations.	Regularly review and establish internal operation procedures and regulations to meet related domestic and foreign information security regulations.
Applications of technologies and tools	1. Collection of internal Group data and external data. 2. Make full use of data analyses. 3. Predict potential information security threats.	The Company establishes internal firewalls and network traffic monitoring; screen packages with information security concerns; analyze potential threats; prevent illegal intrusions, and prevent the direct exposure of internal network 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 continues to prudently evaluate the appropriate information security insurance.

(XIV) Climate change affects the Company's operations, finance, supply chain, policy and investment decisions, etc.:

The Company believes that the impact of extreme climate variation and the increase in the probability of extreme weather occurrence due to climate change is significant to its operations. In recent years, the Company has actively taken steps to mitigate greenhouse gases produced in operations. We continue to promote energy conservation and carbon reduction improvements and respond to government policies for the gradual establishment of renewable energy. In 2016, the Group set its own energy management targets with the aim of utilizing all its capacity within a controllable scope. CGPC seeks to adapt to the impact caused by climate change and uses the Task Force on Climate-Related Financial Disclosures (TCFD) published by the Financial Stability Board (FSB) to identify risks and opportunities and establish response measures based on the results of evaluations.

1. CGPC's Task Force on Climate-related Financial Disclosures (TCFD) Framework

Governance	Corporate Social Responsibility Committee	CCPG's CSR Committee is the Company's highest-governing body for climate change management. It is chaired by an Independent Director and reports the implementation, plans, and actual performance in climate change in meetings every six months.
	Group business management meeting	Delta Electronics Board of Directors' members and operations team jointly formed an operations strategy management committee that regularly holds strategy meetings to analyze and discuss material issues of the Company.
	Group-level environmental management quarterly meeting	The meeting is USI Group's highest energy management unit and it is responsible for reporting the implementation planning, progress, and decision-making to the Chairman of the Group each quarter.
Strategy	Identify risks and opportunities	Each company shall identify material items based on the risks and opportunities based on the probability of occurrence and level of impact.
	Evaluate potential financial shocks	Conduct evaluations on potential financial shocks for identified material risks and opportunities
Risk management	Introduction of the TCDF framework	Use the TCDF framework to identify risks and opportunities, communicate with main responsible units, and confirm with senior executives
	Presentation of the identification results	Report the identified major risks and opportunities and explain response measures to the annual CSR Committee
Indicators and targets	Group energy management goals	The Group has set a goal to achieve 1.2% average energy savings from 2020 to 2025. The targets shall be reviewed once every three years.
	Climate response strategies	Replacement of old equipment, construction of renewable energy equipment, optimization of production scheduling, building air-conditioning planning, energy management system, and extreme climate emergency response plans
	Greenhouse gas emissions disclosure	The Company discloses emissions data for Scope 1 and Scope 2 in the annual CSR Report and regularly reviews the reasons for increases and decreases

2. Identify climate risks and opportunities

The impact of climate change on operations has become increasingly severe. The Company shall carefully assess any possible risks and grasp potential new business opportunities. CGPC has continuously promoted energy conservation and carbon reduction plans in recent years. We have dedicated full efforts into increasing production capacity and efficiency, and replacement of old equipment with high-efficiency energy-saving equipment. The Company adopted the TCFD methodology this year to identify the transformation risks and physical risks in operations and identified 5 major risk items. With regard to emerging opportunities brought forth by climate change, we identified 7 major risk items. We shall continue to review response measures each year and create a resilient climate change culture.

(1) Potential financial impact of risks

Type	Climate-related risks	Potential financial impact
Transformation	Rising costs of raw materials	Increased cost of operations Reduced revenue
	Stigmatization of the sector	Increased cost of operations Increased capital expenditures Reduced revenue
	Increased greenhouse gas emissions pricing	Increased cost of operations Reduced revenue
Physical	Changes in rainfall (water) models and extreme changes in climate patterns	Increased cost of operations Increased capital expenditures Decrease in net asset value Reduced revenue
	Severe weather events such as typhoon and floods	Increased cost of operations Increased capital expenditures Reduced revenue

(2) Potential financial impact of opportunities

Type	Climate-related opportunities	Potential financial impact
Resource efficiency	Reduce water consumption and water wastage	Reduced operating costs Increased asset value
	Usage of more efficient production and distribution processes	Reduced operating costs Increased asset value Increase in revenue
Energy source	Usage of low-price and low-carbon energy sources	Reduced operating costs
	Participation in carbon trade markets	Reduced operating costs
Products and services	R&D and innovation for the development of new products and services	Increase in revenue and increase profitability
Resilience	Participation in renewable energy items and adoption of energy conservation measures	Reduced operating costs Increased asset value
	Energy substitution/diversification	Reduced operating costs Increased asset value

(3) Response measures

1) Establish safety inventory and regularly review the optimal inventory planning.
2) Increase the self-sufficiency rate of raw materials and ensure long-term stable supply.
3) Use operation coordination to grasp market changes for use as material purchase strategies.
4) Adopt sound plans for production and sales and implement flexible adjustments for the production plan.
5) Obtain ISO 50001 - Energy Management System certification.
6) Plan new green research and development concepts (non-toxic) in compliance with regulations. Conduct trials on non-PVC leather products and develop alternatives to PVC materials in compliance with environmental regulations.
7) The horizontal bio filter (HBF) in the composite centrifugal wastewater recycling system can be used to conserve water and measure the wastewater discharge volume.

8) Installed solar photovoltaic power at the Toufen Plant. Completed the installation of 1,437.9 kWp of solar PV system in 2019. As of December 26, 2019, the equipment has generated 882,632kWh of electricity and reduced 466.0 metric tons of CO_2e.

9) The Toufen thermal oil boiler in Toufen Plant was fully converted to natural gas in early December 2019.

10) The greenhouse gas offset program reduction program was certified to have reduced 31,680 metric tons of CO_2 emissions in the designated period.

11) The update of the PVC resin automatic packaging equipment is expected to be completed by April 2020. The packaging volume increased (from 400 packages/hour to 800 packages/hour).

(XV) Responding to environmental, social, and corporate governance risks:

Aspects to consider	Explanation of risks	Response measures
Governance	Raw material-related risks	• Establish safety inventory and regularly review the inventory. • Effective management of vertical integration. • Manage and coordinate material procurement strategies. • Implement flexible adjustments in production and sales for the production plan.
	Production and operation interruptions caused by disasters/accidents	• Regularly organize occupational safety and fire safety training. • Regular maintenance, PDA inspections, and infrared thermal image inspections of machinery and equipment. • Purchase property insurance, operation interruption insurance, shipping insurance, and public liability insurance.
	Financial risks	• Changes in interest rates: Use short, medium, and long-term loans and sign IRS agreements. • Exchange rate variation: Use forward foreign exchange contracts to offset risks. • Property insurance: Purchase fire insurance, operation interruption insurance, and shipping insurance. • Endorsements and guarantees: Ensure the prior evaluation and subsequent follow-up for endorsements and guarantees.

Aspects to consider	Explanation of risks	Response measures
Environmental risks	Inappropriate discharge of sewage and hazardous gases	• Establishment of an environmental management system. • Regularly perform inspections, propose improvement measures, and install additional pollution prevention equipment. • Continue to promote energy conservation and carbon reduction.
Social risks	Transportation and storage operations and safety maintenance	• Tanker trucks must have certificates of qualification in inspections and comply with related control regulations and measures. • The transportation of toxic chemical substances regulated by the government must be incorporated into the corresponding joint defense organization. • Contractor vehicles must be regularly inspected and safety meetings must be held in accordance with regulations. • Develop corresponding risk control measures.
	Impact of infectious diseases on employee health and work	• Establish disease prevention procedures and guidelines for infectious diseases. • Establish a disease prevention team to execute preventive measures. • Set up operating standards for relevant technologies and management.
	Passing on the technology and experience of high-level talents	• System of job rotations and agent cultivation.

VII. Other Important Matters: The Company's Key Performance Indicators

(I) Productivity achievement rate: Compared to the annual target, raw materials products reached 99.9% and processed products reached 97.3%.

(II) Yield: 100.5% of raw materials and 100.9% of processing products, compared with the annual target.

(III) Customer complaints: The ratio of annual losses from customer complaints (excluding quantity discounts) was 0.05% (the losses from customer complaints as a ratio of the revenue) and it was within the Company's control.

(IV) Employee proposals: There were 450 proposals (established cases) and the estimated savings is NT$12.5 million.

(V) Work safety accidents: injury frequency (number of disabled persons per million hours): 0.66
Injury severity rate (total number of days of losses due to disability and injury per million hours): 9
The incidence of work safety is still within a manageable range for the Company.

(VI) Pollution prevention:

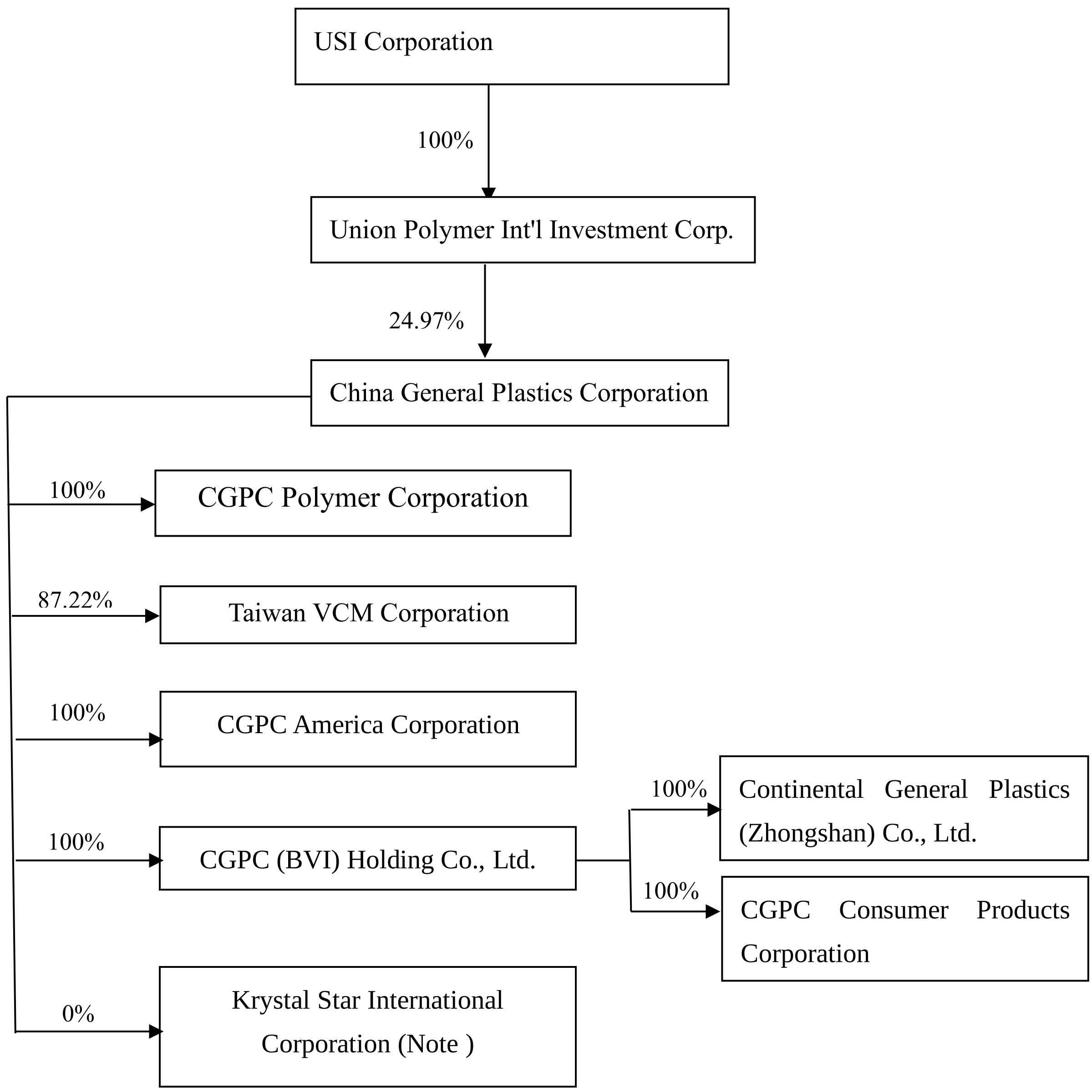
1. The Company's subsidiary Taiwan VCM Corporation rented part of the land occupied by the China Petrochemical Development Corporation's Qianzhen Plant from January 1, 1970 to December 31, 1989 to set up its plant and manufacture VCM, and was declared as the groundwater pollution control site in October 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) 2019 Consolidated business report of affiliated enterprises

1. Organizational Structure of Affiliated Companies



Note : The dissolution and liquidation procedures have been completed for Krystal Star International Corporation on December 2, 2019.

2. Basic information on affiliates

Unit: NT$ thousands

Name of Company	Date of Incorporation	Address	Paid-in Capital	Major Business or Production Items
Taiwan VCM Corporation	1970.01.21	No.1 Industrial 1st. Rd., Lin Yuan District, Kaohsiung City 832, Taiwan	2,598,205	Production and sale of vinyl chloride monomer
CGPC America Corporation	1988.06.21	1181 California Ave., Suite 235 Corona, CA 92881	601,099	Sales of PVC secondary processing, third processing products
CGPC (BVI) Holding Co., Ltd.	1997.04.10	Citco Bulding, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	488,922	Investment holding Company
Krystal Star International Corporation	1998.03.23	Citco Bulding, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	0	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	599,600	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	44,970	Manufacturing and sales of PVC third processing products
CGPC Polymer Corporation	2009.05.19	12F, No. 37, Jihu Road, Taipei City	800,000	Manufacturing and sales of PVC resin

Note: The dissolution and liquidation procedures have been completed for Krystal Star International Corporation on December 2, 2019.

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 Affiliated Company	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	2 December 2019
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 Directors, Supervisors, and General Managers of Affiliated Companies

Units: unless otherwise specified, all units are share

Company Name or Responsible Unit	Title	Name or Representative	Number of Shares Held in Person/Shareholding Percentage	Number of shares held by juristic persons represented/shareholding percentage
Taiwan VCM Corporation	Chairman	Lin, Han-Fu (Representative of China General Plastics Corporation)	0/0	226,609,751/87.22%
	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	32,374,560/12.46%
	Supervisor	Huang, Kuang-Che	0/0	-
	Supervisor	Huang, Ya-I	0/0	-
	President	Lin, Han-Fu	0/0	-

Company Name or Responsible Unit	Title	Name or Representative	Number of Shares Held in Person/Shareholding Percentage	Number of shares held by juristic persons represented/shareholding percentage
CGPC America Corporation	Director	Wu, Yi-Gui	0/0	-
	Director	Lin, Han-Fu	0/0	-
	Director and General Manager	Hu, Chi-Hong	0/0	-
	Director	Sun, Meng-Wen	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	- (Liquidation and dissolution procedures were completed on 12/02/2019)
	Director	Lin, Han-Fu	0/0	
	Director	Hu, Chi-Hong	0/0	
Continental General Plastics (Zhongshan) Co., Ltd. (Business suspended)	Chairperson and 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	
CGPC Consumer Products Corporation (Business suspended)	Chairman and 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	

Company Name or Responsible Unit	Title	Name or Representative	Number of Shares Held in Person/Shareholding Percentage	Number of shares held by juristic persons represented/shareholding percentage
CGPC Polymer Corporation	Chairman	Wu, Yi-Gui (Representative of China General Plastics Corporation)	0/0	80,000,000/100%
	Director	Lin, Han-Fu (Representative of China General Plastics Corporation)	0/0	
	Director	Hu, Chi-Hong (Representative of China General Plastics Corporation)	0/0	
	Supervisor	Huang, Ya-I (Representative of China General Plastics Corporation)	0/0	
	President	Lin, Han-Fu	0/0	-

Note 1: If the affiliated 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 2019

Unit: NT$ thousands

Name of Company	Capital Contribution	Total assets	Total Liabilities	Net Value	Net revenue	Operating Profit (Loss)	Current Profit (Loss) (after tax)	Earnings (losses) per share (NT$) (after tax)
Taiwan VCM Corporation	2,598,205	4,859,042	1,246,568	3,612,474	9,832,032	508,379	432,735	1.67
CGPC America Corporation	601,099	376,217	137,435	238,782	615,163	(1,850)	(2,418)	(24,179)
CGPC (BVI) Holding Co., Ltd.	488,922	346,472	0	346,472	0	(75)	5,872	0.36
Krystal Star International Corporation (Note 3)	0	0	0	0	0	0	1,280	0.22
Continental General Plastics (Zhongshan) Co., Ltd. (Note 4)	599,600	263,438	5,454	257,984	0	(4,107)	4,246	-
CGPC Consumer Products Corporation (Note 4)	44,970	13,456	148	13,308	0	0	(71)	-
CGPC Polymer Corporation	800,000	2,324,044	1,392,818	931,226	5,666,111	55,233	41,361	0.52

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, 2019.

Note 3: The dissolution and liquidation procedures have been completed for Krystal Star International Corporation on December 2, 2019.

Note 4: 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 Companies

Statement of Consolidated Financial Statements of Affiliated Companies

In 2019 (from January 1, 2019 to December 31 2019), 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.

Company Name: China General Plastics Corporation

Chairman: Wu, Yi-Gui

March 5, 2020

(III) Affiliation Report

1. Statement of Affiliation Report

Statement of Affiliation Report

The Company's affiliation reports for the fiscal year of 2019 (from January 1, 2019 to December 31, 2019) 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.

Company Name: China General Plastics Corporation

Chairman: Wu, Yi-Gui

March 5, 2020

2. CPA opinion on affiliation report

April 24, 2020 Deloitte & Touche Audit Report No. 10904386

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 2019.

Explanation:

I. The Company's affiliation reports for the fiscal year of 2019 (from January 1, 2019 to December 31, 2019) was prepared on March 5, 2020 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 attached in this letter.

II. We have audited the affiliation report in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises and compared the report to your Company's financial statements for year 2019. No material inconsistency has been found in the abovementioned statement.

Deloitte, Taiwan

CPA Huang, Hsiu-Chun

CPA Chiu, Cheng-Chun

3. Overview of the relationship between the subordinate company and the controlling company

Unit: Share

Name of Controlling Company (Note 1)	Reason for Control	Shares Held and Pledged by Controlling Company			Any Directors, Supervisors, Or Managerial Officers Appointed to the Subordinate Company by the Controlling Company Status	
		Number of Shares Held	Percentage of Shares Held	Number of Shares Pledged	Title	Name
Shing Lee Enterprise (Hong Kong) Limited	The major shareholder and representative of USI was elected as chairman	-	-	-	-	-
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. (UPIIC)	It is the majority shareholder and holds a majority of the directors' seats	131,591,144	24.97%	0	Chairman	Wu, Yi-Gui
					Director	Lin, Han-Fu / Wang Ke-Shun / Liu, Han-Tai / Liu, Zhen-Tu / Wu, Hung-To

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, 2019, Union Polymer Int'l Investment Corp. has not pledged shares; as of the book closure date on March 30, 2020, Union Polymer Int'l Investment Corp. has not pledged shares.

4. Purchase and sales transactions

Unit: NT$ thousands

Name of Controlling Company	Transaction with Controlling Company				Transaction Terms with Controlling Company		Normal Transaction Terms		Reason for Difference	Accounts and Notes Receivable (Payable)		Overdue Accounts Receivable (Payable)			Notes
	Purchases (Sales)	Amount	Percentage of Total Purchases (Sales)	Sales Margin	Unit Price (NT$)	Payment Terms	Unit Price (NT$)	Payment Terms		Balance	Percentage of Total Accounts and Notes Receivable (Payable)	Amount	Action Taken	Amount of Allowance for Bad Debts	
USI Corporation	Purchase	111	0.00	-	55.4	60 days	55.4	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. Property Transactions: None.

6. Financing: None.

7. Lease of assets

Unit: NT$ thousands

Name of Controlling Company	Transaction type (leasing or renting)	Subject		Lease Term	Nature of Lease	Basis for Determining Rent	Collection (Payment) Method	Comparison with General Rent Levels	Total Rent for the Year	Collection/ Payment Status in The Current Period	Other Agreements
		Name	Location								
USI Corporation	Lessee	Housing and Parking Lots	Underground Parking and 7F, No.37, JiHu Road, NeiHu District, Taipei City	2019.05 ~ 2020.04	Operating lease	Market Quotation	Monthly Payment	Same	2,734	Normal	None
		Housing	Part of 6F-10F, No. 37 and 39, JiHu Road, NeiHu District, Taipei City	2019.01 ~ 2019.12	Operating lease	Market Quotation	Monthly Payment	Same	2,524	Normal	None

8. Other significant business transactions: None.

9. Endorsements/guarantees: None.

II. 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 Supplementary Information: None.

V. Situations Listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act Which Might Materially Affect Shareholders' Equity or the Price of the Company's Securities Occurring 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

Chairman: Wu,Yi-Gui